Independent auditor's report
on the financial statements of
Credit Agricole CIB AO
for the year ended 31 December 2020

April 2021

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Credit Agricole CIB AO

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улучшаем мир

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Independent auditor's report

To the Shareholders and Board of Directors of
Credit Agricole CIB AO

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Credit Agricole CIB AO (hereinafter, "the Bank"), which comprise the statement of financial position as of 31 December 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for 2020, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank'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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of Directors 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.

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

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

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

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

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

The findings from our work are provided below.

Совершенствуя бизнес, улучшаем мир

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

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

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

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

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

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

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

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

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

A.F. Lapina
Partner
Ernst & Young LLC

23 April 2021

Details of the audited entity

Name: Credit Agricole CIB AO
Record made in the State Register of Legal Entities on 3 September 2002, State Registration Number 1027800000953.
Address: Russia 191144, Saint-Petersburg, Degtyarny pereulok, 11b.

Details of the auditor

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

Statement of financial position
as of 31 December 2020

(thousands of Russian rubles)

	Notes	2020	2019
Assets			
Cash and cash equivalents	5	23 173 579	11 830 817
Amounts due from credit institutions	6	2 458 835	1 008 426
Derivative financial assets	7	2 312 644	1 428 954
Loans to customers	8	22 351 014	23 958 375
Investment securities	9	6 044 104	6 056 836
Property and equipment and right-of-use assets	10	888 723	965 840
Current income tax assets	11	80 872	81 872
Other assets	12	108 009	115 376
Total assets		**57 417 780**	**45 446 496**
Liabilities			
Amounts due to credit institutions	13	1 701 153	2 091 606
Derivative financial liabilities	7	2 191 070	1 351 385
Amounts due to customers	14	39 841 738	29 689 016
Deferred income tax liabilities	11	147 490	158 506
Other liabilities	12	411 709	378 219
Subordinated loans	15	6 053 886	6 441 346
Total liabilities		**50 347 046**	**40 110 078**
Equity			
Share capital	16	4 579 679	2 959 679
Share premium		734 148	734 148
Revaluation reserve for premises		584 076	590 235
Revaluation reserve for investment securities at FVOCI		1 657	475
Retained earnings		1 171 174	1 051 881
Total equity		**7 070 734**	**5 336 418**
Total equity and liabilities		**57 417 780**	**45 446 496**

Signed and authorised for release on behalf of the Management Board of the Bank.

Dmitry Gorelov — General manager of Credit Agricole CIB AO (Moscow branch) / Member of the Management Board

Alla Astyukevich — Chief Accountant

23 April 2021

Statement of profit or loss

for the year ended 31 December 2020

(thousands of Russian rubles)

	Note	*2020*	*2019*
Interest revenue calculated using effective interest rate	18	2 195 280	2 566 189
Interest expense	18	(1 632 062)	(2 067 674)
Net interest income		**563 218**	**498 515**
Fee and commission income	19	550 734	537 178
Fee and commission expense	19	(127 920)	(31 120)
Net gains/(losses) from foreign currencies			
- dealing		(1 875 708)	457 441
- translation differences		2 474 172	11 627
- foreign currency derivatives		319	(271)
Revaluation of buildings		(32 821)	(7 730)
Other income		44 396	36 406
Non-interest income		**1 033 172**	**1 003 531**
Personnel expenses	20	(1 442 311)	(1 488 570)
Non-interest expense		**(1 442 311)**	**(1 488 570)**
Profit before income tax expense		**154 079**	**13 476**
Income tax expense	11	(34 786)	(51 014)
Profit for the year		**119 293**	**(37 538)**

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

Statement of comprehensive income
for the year ended 31 December 2020

(thousands of Russian rubles)

	Note	2020	2019
Profit for the year		**119 293**	**(37 538)**
Other comprehensive income			
Other comprehensive income to be reclassified to profit or loss in subsequent periods			
Net change in fair value of debt instruments at fair value through other comprehensive income		1 478	(1 442)
Income tax relating to components of other comprehensive income	11	(296)	288
Net other comprehensive income to be reclassified to profit or loss in subsequent periods		**1 182**	**(1 154)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of buildings	10	(7 699)	(40 570)
Income tax relating to components of other comprehensive income	11	1 540	8 114
Total other comprehensive income not to be reclassified to profit or loss in subsequent periods		**(6 159)**	**(32 456)**
		(4 977)	**(33 610)**
Total comprehensive income for the year		**114 316**	**(71 148)**

statement of changes in equity

for the year ended 31 December 2020

(thousands of Russian rubles)

	Attributable to shareholders of the Bank					
	Share capital	***Share premium***	***Revaluation reserve for premises***	***Revaluation reserve for investment securities at FVOCI***	***Retained earnings***	***Total***
1 January 2019	**2 959 679**	**734 148**	**622 691**	**1 629**	**1 089 419**	**5 407 566**
Profit for the year	–	–	–	–	(37 538)	**(37 538)**
Other comprehensive income for the year	–	–	(32 456)	(1 154)	–	**(33 610)**
Total comprehensive income for the year	**–**	**–**	**(32 456)**	**(1 154)**	**(37 538)**	**(71 148)**
Dividends to shareholders of the Bank (Note 21)	–	–	–	–	–	**–**
31 December 2019	**2 959 679**	**734 148**	**590 235**	**475**	**1 051 881**	**5 336 418**
Profit for the year	–	–	–	–	119 293	**119 293**
Other comprehensive income for the year	–	–	(6 159)	1 182	–	**(4 977)**
Total comprehensive income for the year	**–**	**–**	**(6 159)**	**1 182**	**119 293**	**114 316**
Share capital increase	1 620 000	–	–	–	–	**1 620 000**
31 December 2020	**4 579 679**	**734 148**	**584 076**	**1 657**	**1 171 174**	**7 070 734**

Statement of cash flows

for the year ended 31 December 2020

(thousands of Russian rubles)

	Note	*2020*	*2019*
Cash flows from operating activities			
Interest received		2 185 432	2 542 053
Interest paid		(1 334 174)	(1 601 089)
Fees and commissions received	19	550 734	537 178
Fees and commissions paid	19	(127 920)	(31 120)
Realised gains less losses from dealing in foreign currencies and foreign currency derivatives		(1 875 389)	457 170
Other income received		44 396	36 406
Administrative and other operating expenses paid		(1 390 904)	(1 419 673)
Cash flows from operating activities before changes in operating assets and liabilities		**(1 947 825)**	**520 925**
Net (increase)/decrease in operating assets			
Amounts due from credit institutions		(1 470 223)	4 352 421
Loans to customers		3 347 713	(7 443 305)
Other assets		49 103	(5 322)
Net increase/(decrease) in operating liabilities			
Amounts due to credit institutions		(422 523)	(421 977)
Amounts due to customers		10 267 320	(8 923 106)
Other liabilities		(149 148)	93 365
Net cash flows from operating activities before income tax		**9 674 417**	**(11 826 999)**
Income tax paid		(40 989)	(76 403)
Net cash from / (used in) operating activities		**9 633 428**	**(11 903 402)**
Cash flows from investing activities			
Purchase of investment securities		(22 288 545)	(23 030 467)
Proceeds from sale and redemption of investment securities		22 317 386	22 344 393
Purchase of property and equipment		(1 018)	(28 866)
Proceeds from sale of property and equipment		(13 793)	5 492
Net cash from / (used in) investing activities		**14 030**	**(709 448)**
Cash flows from financing activities			
Proceeds from issue of share capital	16	1 620 000	–
Repayment of subordinated loans	16	(1 620 000)	–
Interest expense paid for subordinated loan		(311 862)	(446 461)
Repayment of lease		(20 220)	(12 303)
Net cash from / (used in) financing activities		**(311 862)**	**(458 764)**
Effect of exchange rates changes on cash and cash equivalents		2 007 166	(1 150 078)
Net increase/(decrease) in cash and cash equivalents		**11 342 762**	**(14 221 692)**
Cash and cash equivalents, beginning		11 830 817	26 052 509
Cash and cash equivalents, ending	5	**23 173 579**	**11 830 817**

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

(thousands of Russian rubles)

1. Principal activities

These financial statements of Credit Agricole CIB AO (the "Bank") have been prepared in accordance with International Financial Reporting Standards for the year ended 31 December 2020.

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company limited by shares and was set up in accordance with Russian regulations. The Bank's shareholders are Credit Agricole CIB France (former Calyon S.A.) ("the Parent Bank") holding 88,7% of share capital and Credit Agricole CIB Global Banking (former Calyon Global Banking S.A.) holding 11,3% of share capital (2019 Credit Agricole CIB France holding 82,4% of share capital and Credit Agricole CIB Global Banking holding 17,6% of share capital). Credit Agricole CIB AO is a part of Credit Agricole CIB Group. The ultimate shareholder of the Bank is Crédit Agricole SA.

The Bank's shareholders do not have the power to amend the financial statements after the issue.

The Bank's principal business activity is corporate and investment banking operations within the Russian Federation. The Bank has been operating under a full general banking license issued by the Central Bank of the Russian Federation ("CBR") since 1993. The Bank participates in the state deposit insurance scheme, which was introduced by the Federal Law No. 177-FZ *On Insurance of Individuals Deposits in the Russian Federation* dated 23 December 2003.

On 31 July 2020 ACRA confirmed to Credit Agricole CIB AO a credit rating assigned earlier on 9 August 2019 under the national scale for the Russian Federation at the level of AAA(RU), outlook Stable.

The Bank's registered address is Russian Federation, Saint Petersburg, 11b Degtyarny pereulok. The Bank has one (2019: one) branch in Moscow.

2. Basis of preparation

General

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

The Bank is required to maintain accounting records and prepare financial statements for regulatory purposes in accordance with Russian accounting and banking legislation and related instructions ("RAL"). These financial statements are based on these RAL accounting records and financial statements, as adjusted and reclassified in order to comply with IFRS.

The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, securities at FVOCI, derivative financial instruments, buildings have been measured at fair value.

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

Effect of COVID-19 pandemic

Due to the rapid spread of COVID-19 pandemic in 2020 many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as scale of business activity. It is expected that pandemic itself as well as the related public health and social measures may influence the business of the entities in a wide range of industries.

Support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

The Bank continues to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

(thousands of Russian rubles)

3. Summary of accounting policies

Fair value measurement

The Bank measures financial instruments carried at FVPL and FVOCI at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

Financial assets and liabilities

Initial recognition

Date of recognition

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

Initial measurement

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial instruments are initially measured at their fair value and, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

Measurement categories of financial assets and liabilities

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

- Amortised cost;
- FVOCI;
- FVPL.

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

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

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

Amounts due from credit institutions, loans to customers, investments securities at amortised cost

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

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

The details of these conditions are outlined below.

Business model assessment

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

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

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

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

The solely payments of principal and interest test (the SPPI test)

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

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

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

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

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Debt instruments at FVOCI

The Bank measures debt instruments at FVOCI when both of the following conditions are met:

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

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

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

Financial guarantees, letters of credit and undrawn loan commitments

The Bank issues financial guarantees, letters of credit and loan commitments.

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

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

Performance guarantees

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

Reclassification of financial assets and liabilities

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

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Mandatory reserves on the Central Bank of Russia (the CBR) account

Mandatory cash balances with the CBR are carried at amortised cost and represent non-interest bearing deposits which are not available to finance the Bank’s day-to-day operations.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Derivative financial instruments

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

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

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

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

Borrowings

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

Leases

i. Bank as a lessee

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

Right-of-use assets

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

Lease liabilities

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

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Leases (continued)

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

Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below EUR 5 thousands). Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

ii. Operating − Bank as a lessor

Leases in which the Bank does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the Statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount is reported in the Statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The right of set-off must not be contingent on a future event and must be legally enforceable in all of the following circumstances:

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

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

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

The Bank derecognises a financial asset, such as a loan to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded. The newly recognised loans are classified as Stage 1 for ECL measurement purposes, unless the new loan is deemed to be POCI. When assessing whether or not to derecognise a loan to a customer, amongst others, the Bank considers the following factors:

- Change in currency of the loan;
- Change in counterparty;
- If the modification is such that the instrument would no longer meet the SPPI criterion.

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original EIR, the Bank records a modification gain or loss, presented within interest revenue calculated using EIR in the Statement of profit or loss, to the extent that an impairment loss has not already been recorded.

For modifications not resulting in derecognition, the Bank also reassesses whether here has been a significant increase in credit risk or whether the assets should be classified as credit-impaired. Once an asset has been classified as credit-impaired as the result of modification, it will remain in Stage 3 for a minimum 6-month probation period. In order for the restructured loan to be reclassified out of Stage 3, regular payments of more than an insignificant amount of principal or interest have been made during at least half of the probation period in accordance with the modified payment schedule.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Derecognition of financial assets and liabilities

Financial assets

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

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

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

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

Write-off

Financial assets are written off either partially or in their entirety only when the Bank has stopped pursuing the recovery. If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount. Any subsequent recoveries are credited to credit loss expense. A write-off constitutes a derecognition event.

Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

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

Taxation

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

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

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

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

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Property and equipment

Following initial recognition at cost, buildings are carried at a revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any revaluation surplus is credited to the revaluation reserve for property and equipment included in other comprehensive income, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except that a deficit directly offsetting a previous surplus on the same asset is directly offset against the surplus in the revaluation reserve for property and equipment.

An annual transfer from the revaluation reserve for property and equipment to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the assets and depreciation based on the assets original cost. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

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

	Years
Buildings	50
Equipment	3-10

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

Costs related to repairs and renewals are charged when incurred and included in other operating expenses, unless they qualify for capitalization.

Share capital

Share capital

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

Dividends

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

Contingencies

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

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Recognition of income and expenses

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

Interest and similar revenue and expense

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

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

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

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

Fee and commission income

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

Fee income earned from services that are provided over a certain period of time

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

Fee income from providing transaction services

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

Foreign currency translation

The financial statements are presented in Russian rubles, which is the Bank's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency, converted at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date. Gains and losses resulting from the translation of foreign currency transactions are recognised in the Statement of profit or loss as gains less losses from foreign currencies − translation differences. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(thousands of Russian rubles)

3. Summary of accounting policies (continued)

Standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Bank's financial statements are disclosed below. The Bank intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

IFRS 17 Insurance contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts* (IFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* (IFRS 4) that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. IFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of IFRS 9 or IFRS 17.

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

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

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

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

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17.

The Bank is currently in the process of assessing the impact of adopting IFRS 17 on its financial statements.

IFRS 9 Financial Instruments − Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Bank will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its financial statements.

Interest Rate Benchmark Reform − Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

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

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

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The Bank will apply IBOR reform Phase 2 from 1 January 2021.

(thousands of Russian rubles)

4. Significant accounting judgments and estimates

Judgments

The Bank applies estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgments are continually evaluated on the basis of management's experience and other factors, including expectations regarding future events that management considers reasonable under the current circumstances. In the process of applying the accounting policies, management use professional judgments and estimates. Professional judgments that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities during the next financial year include:

Going concern

Management prepared these financial statements on a going concern basis. In making this judgment management considered the Bank's financial position, current intentions, profitability of operations and access to financial resources, and analysed the impact of the recent financial crisis on future operations of the Bank.

Expected credit losses / Impairment losses on loans and advances

The measurement of impairment losses both under IFRS 9 and IAS 39 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining ECL / impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Initial recognition of related party transactions

In the normal course of business, the Bank enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgment 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 judgment is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party transactions are disclosed in Note 25.

Revaluation of premises

The Building of the Bank is subject to revaluation on annual basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Bank's management uses judgment for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

Fair value of premises is determined with valuation techniques. Valuation is based on the market value. Market value of the Bank's premises is obtained from the report of independent appraiser, who hold a recognised and relevant professional qualification and who has recent experience in valuation of property of similar location and category. Market value was based on the direct comparison of the revalued object with other objects sold or offered for sale.

Deferred tax asset

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. At 31 December 2020 and 31 December 2019 the probability of taxable profit origin is not high, deferred tax assets were not recognized accordingly (Note 11).

(thousands of Russian rubles)

5. Cash and cash equivalents

Cash and cash equivalents comprise:

	2020	*2019*
Cash on hand	−	15 814
Current accounts with the CBR (other than mandatory reserve deposits)	2 195 678	198 365
Overnight placements with the CBR	−	4 200 604
Correspondent accounts and overnight placements with other banks:		
- Russian Federation	21 882	50 083
- Other countries	658 765	701 683
Settlement accounts with trading systems	621 649	995 098
Placements with other banks with original maturities of less than 90 days	19 675 605	5 669 170
Cash and cash equivalents	**23 173 579**	**11 830 817**

Correspondent accounts, overnight placements with other banks and placements with other banks with original maturities of less than 90 days are placed with large Russian and European banks.

All balances of cash equivalents are allocated to Stage 1.

The credit quality of cash and cash equivalents balances excluding cash on hand may be summarised based on internal credit ratings as described in Note 21 as follows at 31 December 2020:

(thousands of Russian rubles)	*Current accounts with the CBR (other than mandatory reserve deposits)*	*Correspondent accounts and overnight placements with other banks*	*Settlement accounts with trading systems*	*Placements with other banks with original maturities of less than 90 days*	*Total*
Neither past due nor impaired					
A+	−	478 808	−	19 675 605	**20 154 413**
A	−	818	−	−	**818**
B+	−	145 412	−	−	**145 412**
B	−	1 400	−	−	**1 400**
C+	2 195 678	−	−	−	**2 195 677**
C-	−	21 882	621 649	−	**643 531**
D-	−	32 327	−	−	**32 327**
Total cash and cash equivalents, excluding cash on hand	**2 195 678**	**680 647**	**621 649**	**19 675 605**	**23 173 579**

The credit quality of cash and cash equivalents balances excluding cash on hand may be summarised based on internal credit ratings as described in Note 21 as follows at 31 December 2019:

(thousands of Russian rubles)	*Current accounts with the CBR (other than mandatory reserve deposits)*	*Overnight placements with the CBR*	*Correspondent accounts and overnight placements with other banks*	*Settlement accounts with trading systems*	*Placements with other banks with original maturities of less than 90 days*	*Total*
Neither past due nor impaired						
A+	−	−	616 920	−	5 652 947	**6 269 867**
A	−	−	667	−	−	**667**
B+	−	−	83 044	−	−	**83 044**
B	−	−	291	−	−	**291**
C	198 365	4 200 604	−	−	−	**4 398 969**
C-	−	−	50 083	995 098	−	**1 045 181**
D+	−	−	−	−	16 223	**16 223**
D-	−	−	761	−	−	**761**
Total cash and cash equivalents, excluding cash on hand	**198 365**	**4 200 604**	**751 766**	**995 098**	**5 669 170**	**11 815 003**

(thousands of Russian rubles)

6. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	2020	*2019*
Obligatory reserve with the Central Bank of Russia	764 188	415 271
Time deposits for more than 90 days	1 695 061	593 300
Less: allowance for impairment	(414)	(145)
Amounts due from credit institutions	**2 458 835**	**1 008 426**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Bank's ability to withdraw such deposit is significantly restricted by the statutory legislation.

The movements in allowance for impairment of amounts due from credit institutions during the year ended 31 December 2020 were as follows:

	2020
1 January 2020	**(145)**
Recoveries	(269)
31 December 2020	**(414)**

The movements in allowance for impairment of amounts due from credit institutions during the year ended 31 December 2019 were as follows:

	2019
1 January 2019	**(1 201)**
Recoveries	1 056
31 December 2019	**(145)**

Analysis by credit quality of amounts due from credit institutions (except obligatory reserve with the CBR) outstanding at 31 December 2020 based on internal credit ratings as described in Note 21 is as follows:

(thousands of Russian rubles)	***Time deposits for more than 90 days***
C-	1 695 061
Amounts due from credit institutions	**1 695 061**

Analysis by credit quality of amounts due from credit institutions (except obligatory reserve with the CBR) outstanding at 31 December 2019 based on internal credit ratings as described in Note 21 is as follows:

(thousands of Russian rubles)	***Time deposits for more than 90 days***
C-	593 300
Amounts due from credit institutions	**593 300**

(thousands of Russian rubles)

7. Derivative financial instruments

The Bank enters into derivative financial instruments for trading purposes. The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the credit risk.

	2020		*2019*	
(thousands of Russian rubles)	***Contracts with positive fair value***	***Contracts with negative fair value***	***Contracts with positive fair value***	***Contracts with negative fair value***
Currency forwards / swaps and options	1 495 131	(1 373 557)	1 161 111	(1 083 542)
Interest rate swaps	84 105	(84 105)	3 296	(3 296)
Cross currency interest swaps	733 408	(733 408)	264 547	(264 547)
Total derivatives financial instruments	**2 312 644**	**(2 191 070)**	**1 428 954**	**(1 351 385)**

As of 31 December 2020, the Bank has positions in the following types of derivatives:

Forwards and futures

Forwards and futures contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. Futures contracts are transacted in standardised amounts on regulated exchanges and are subject to daily cash margin requirements.

Swaps

Swaps are contractual agreements between two parties to exchange movements in interest and foreign currency rates and equity indices, and (in the case of credit default swaps) to make payments with respect to defined credit events based on specified notional amounts.

Options

Options are contractual agreements that convey the right, but not the obligation, for the purchaser either to buy or sell a specific amount of a financial instrument at a fixed price, either at a fixed future date or at any time within a specified period.

8. Loans to customers

Loans to customers comprise:

	2020	*2019*
Corporate lending	19 797 482	21 085 434
Structured finance loans	2 559 009	2 878 812
Gross loans to customers at amortised cost	**22 356 491**	**23 964 246**
Less − allowance for impairment	(5 477)	(5 871)
Loans to customers	**22 351 014**	**23 958 375**

Corporate loans represent loans issued to finance borrower's working capital needs and operating expenses. Structured finance loans represent loans issued to finance capital expenditure related to development and new construction and trade finance operations of the borrowers.

As at 31 December 2020, 11,45% of loan portfolio were syndicated loans in amount RUB 2 559 009 thousand (2019: 12,0% were syndicated loans in amount RUB 2 878 434 thousand), which were included into structured finance loans.

As at 31 December 2020, 99,7% of total loans and advances to customers were collateralized by guarantees received from Credit Agricole Group in the total amount of RUB 22 295 247 thousand (2019: 99,8% or RUB 23 917 801 thousand).

(thousands of Russian rubles)

8. Loans to customers (continued)

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2020 based on internal credit ratings as described in Note 21 is as follows:

(thousands of Russian rubles)	*Corporate lending (Stage 1)*	*Structured finance loans (Stage 1)*	*Total*
C+	2 077 773	−	**2 077 773**
C	5 960 812	−	**5 960 812**
C-	11 609 950	2 559 009	**14 168 959**
D+	148 947	−	**148 947**
Loans to customers (less − allowance for impairment)	**19 797 482**	**2 559 009**	**22 356 491**

Analysis by credit quality of loans and advances to customers outstanding at 31 December 2019 based on internal credit ratings as described in Note 21 is as follows:

(thousands of Russian rubles)	*Corporate lending (Stage 1)*	*Structured finance loans (Stage 1)*	*Total*
C+	3 042 661	−	**3 042 661**
C	9 341 545	−	**9 341 545**
C-	8 449 356	2 878 812	**11 328 168**
D+	251 872	−	**251 872**
Loans to customers (less − allowance for impairment)	**21 085 434**	**2 878 812**	**23 964 246**

An analysis of changes in the gross carrying value in relation to corporate lending loans during the year ended 31 December 2020 is as follows:

Corporate lending	*Stage 1*	*Total*
Gross carrying value as at 1 January 2020	**21 085 434**	**21 085 434**
New assets originated or purchased	14 507 422	**14 507 422**
Assets repaid	(12 156 535)	**(12 156 535)**
Foreign exchange adjustments	(3 638 839)	**(3 638 839)**
At 31 December 2020	**19 797 482**	**19 797 482**

An analysis of changes in the gross carrying value in relation to structured finance loans during the year ended 31 December 2020 is as follows:

Structured finance loans	*Stage 1*	*Total*
Gross carrying value as at 1 January 2020	**2 878 812**	**2 878 812**
Foreign exchange adjustments	(319 803)	**(319 803)**
At 31 December 2020	**2 559 009**	**2 559 009**

A reconciliation of the allowance for impairment of loans to customers by class during the year ended 31 December 2020 is as follows:

	Corporate lending	*Structured finance loans*	*Total*
At 1 January 2020	**(5 166)**	**(705)**	**(5 871)**
Charge for the year	(3 554)	−	**(3 554)**
Recoveries	2 978	−	**2 978**
Amounts written off	892	78	**970**
At 31 December 2020	**(4 850)**	**(627)**	**(5 477)**
Collective impairment	(4 850)	(627)	**(5 477)**
Total allowance for impairment of loans to customers	**(4 850)**	**(627)**	**(5 477)**

(thousands of Russian rubles)

8. Loans to customers (continued)

Loans are made principally within Russia in the following industry sectors:

	2020	*2019*
Trade	9 014 339	6 736 863
Manufacturing	7 244 197	9 922 546
Leasing	4 429 937	3 515 297
Financial services and insurance	1 519 070	3 506 628
Other	148 948	282 912
Less − allowance for impairment	(5 477)	(5 871)
Loans to customers	**22 351 014**	**23 958 375**

At 31 December 2020 the Bank had 7 groups of related borrowers (2019: 6 groups of related borrowers) with the total amount of loans issued to the group of related borrowers more than RUB 600 000 thousand. The aggregate balance of these loans was RUB 20 588 026 thousand (2019: RUB 21 986 000 thousand) or 92,1% of the gross loan portfolio (2019: 91,7%).

Breakdown of loans and advances to customers by type of collateral at 31 December 2020 is as follows:

(thousands of Russian rubles)	*Corporate lending*	*Structured finance loans*	*Total*
Unsecured loans	60 035	1 209	**61 244**
Loans collateralized by guarantees received from Credit Agricole Group	19 737 447	2 557 800	**22 295 247**
Loans to customers	**19 797 482**	**2 559 009**	**22 356 491**

Breakdown of loans and advances to customers by type of collateral at 31 December 2019 is as follows:

(thousands of Russian rubles)	*Corporate lending*	*Structured finance loans*	*Total*
Unsecured loans	43 729	2 716	**46 445**
Loans collateralized by guarantees received from Credit Agricole Group	21 041 705	2 876 096	**23 917 801**
Loans to customers	**21 085 434**	**2 878 812**	**23 964 246**

9. Investment securities

Investment securities owned comprise:

Debt securities at FVOCI:

	2020	*2019*
Bonds of CBR	6 044 104	6 056 836
Debt securities at FVOCI	**6 044 104**	**6 056 836**

To obtain intraday credit and overnight credit in correspondent account in the framework of the General credit agreement for providing Bank of Russia loans secured by pledge (blocking) of securities, OFZ bonds issued by the Ministry of Finance of the Russian Federation and bonds of CBR in amount of RUB 6 000 000 thousand are blocked in “Blocked by CBR” Bank’s depo accounts in NKO ZAO NSD.

At 31 December 2020 and 31 December 2019 the debt securities are not collateralized.

(thousands of Russian rubles)

9. Investment securities (continued)

Analysis by credit quality of investment securities outstanding at 31 December 2020 based on internal credit ratings as described in Note 21 is as follows:

(thousands of Russian rubles)	*Debt securities at FVOCI*	*Total*
C+	6 044 104	**6 044 104**
Investment securities	**6 044 104**	**6 044 104**

Analysis by credit quality of investment securities outstanding at 31 December 2019 based on internal credit ratings as described in Note 21 is as follows:

(thousands of Russian rubles)	*Debt securities at FVOCI*	*Total*
C+	6 056 836	**6 056 836**
Investment securities	**6 056 836**	**6 056 836**

10. Property and equipment and right-of-use assets

The movements in property and equipment and right-of-use assets were as follows:

	Premises	*Office and computer equipment*	*Right-of-use assets*	*Total*
Cost or revalued amount				
31 December 2019	**819 000**	**377 660**	**96 776**	**1 293 436**
Additions	–	17 322	–	**17 322**
Disposals	–	–	(5 416)	**(5 416)**
Revaluation through profit and loss	(32 821)	–	–	**(32 821)**
Revaluation through the equity	(172 252)	–	164 553	**(7 699)**
Depreciation write off on revalued premises	(16 380)	–	–	**(16 380)**
31 December 2020	**597 547**	**394 982**	**255 913**	**1 248 442**
Accumulated depreciation				
31 December 2019	**–**	**(319 075)**	**(8 521)**	**(327 596)**
Depreciation charge	(16 380)	(23 848)	(11 180)	**(51 408)**
Depreciation charge on disposals	–	–	2 905	**2 905**
Depreciation write off on revalued premises	16 380	–	–	**16 380**
31 December 2020	**–**	**(342 923)**	**(16 796)**	**(359 719)**
Net book value				
31 December 2019	**819 000**	**58 585**	**88 255**	**965 840**
31 December 2020	**597 547**	**52 059**	**239 117**	**888 723**

(thousands of Russian rubles)

10. Property and equipment and right-of-use assets (continued)

	Premises	*Leasehold improvements*	*Office and computer equipment*	*Right-of-use assets*	*Total*
Cost or revalued amount					
1 January 2019	**885 000**	**824 567**	**367 881**	**307 530**	**2 384 978**
Additions	–	–	28 866	63 875	**92 741**
Disposals	–	(824 567)	(19 087)	(274 629)	**(1 118 283)**
Revaluation through profit and loss	(7 730)	–	–	–	**(7 730)**
Revaluation through the equity	(40 570)	–	–	–	**(40 570)**
Depreciation write off on revalued premises	(17 700)	–	–	–	**(17 700)**
31 December 2019	**819 000**	**–**	**377 660**	**96 776**	**1 293 436**
Accumulated depreciation					
31 December 2018	**–**	**(716 392)**	**(301 393)**	**–**	**(1 017 785)**
Depreciation charge	(17 700)	(15 465)	(35 732)	(20 505)	**(89 402)**
Depreciation charge on disposals	–	731 857	18 050	11 984	**761 891**
Depreciation write off on revalued premises	17 700	–	–	–	**17 700**
31 December 2019	**–**	**–**	**(319 075)**	**(8 521)**	**(327 596)**
Net book value					
31 December 2018	**885 000**	**108 175**	**66 488**	**–**	**1 059 663**
31 December 2019	**819 000**	**–**	**58 585**	**88 255**	**965 840**

The movements in right-of-use assets were as follows:

	Right-of-use assets				
	Buildings	*Office equipment*	*Motor vehicles*	*Total*	*Lease liabilities*
1 January 2020	**77 251**	**425**	**10 579**	**88 255**	**93 910**
Depreciation expense	(6 936)	(101)	(1 392)	**(8 273)**	–
Interest expense	–	–	–	**–**	7 781
Payments	–	–	–	**–**	(15 527)
Disposal	–	–	(6 328)	**(6 328)**	(3 765)
Revaluation	165 335	12	117	**165 463**	(7 679)
31 December 2020	**235 649**	**336**	**2 976**	**239 117**	**74 720**

	Right-of-use assets				
	Buildings	*Office equipment*	*Motor vehicles*	*Total*	*Lease liabilities*
1 January 2019	**307 530**	**–**	**–**	**307 530**	**307 530**
Additions	50 033	490	13 353	**63 876**	63 874
Depreciation expense	(17 666)	(65)	(2 774)	**(20 505)**	–
Interest expense	–	–	–	**–**	34 181
Payments	–	–	–	**–**	(40 355)
Disposals	(262 646)	–	–	**(262 646)**	(271 320)
31 December 2019	**77 251**	**425**	**10 579**	**88 255**	**93 910**

The Bank engaged an independent valuer to determine the fair value of its buildings. Fair value is determined by reference to market-based evidence. The date of the revaluation was 31 December 2020. More details about the fair value of buildings are disclosed in Note 22.

(thousands of Russian rubles)

11. Taxation

The corporate income tax expense comprises:

	2020	*2019*
Current tax charge	44 558	76 510
Deferred tax (credit)/charge − origination and reversal of temporary differences	(9 772)	(25 496)
Income tax expense	**34 786**	**51 014**

Deferred tax related to items charged or credited to other comprehensive income during the year is as follows:

	2020	*2019*
Net losses on debt instruments at fair value through OCI	296	(288)
Revaluation of buildings	(1 540)	(8 114)
Income tax charged to other comprehensive income	**(1 244)**	**(8 402)**

Russian legal entities have to file individual corporate income tax declarations. Standard corporate income tax rate for companies (including banks) comprised 20% for 2020 and 2019. Corporate income tax rate applicable to interest (coupon) income on state and mortgage-backed bonds in 2020 and 2019 was 15% while corporate income tax rate applicable to interest (coupon) income on municipal bonds in 2020 and 2019 was 9%. Dividends are taxed at the standard corporate income tax rate of 13%, which could be reduced to 0% subject to certain criteria.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2020	*2019*
Profit before tax	**154 079**	**13 477**
Statutory tax rate	20%	20%
Theoretical income tax expense/(benefit) at the statutory rate	**30 816**	**2 696**
Non-deductible expenditures	18 043	50 013
Unrecognised deffered tax asset related to tax losses	−	20 406
Income on certain securities taxed at different rates	(14 073)	(22 101)
Income tax expense	**34 786**	**51 014**

Deferred tax assets and liabilities as of 31 December 2020 and their movements for the respective years comprise:

(thousands of Russian rubles)	*1 January 2020*	*Origination and reversal in the statement of profit or loss*	*Origination and reversal in other comprehensive income*	*31 December 2020*
Tax effect of deductible temporary differences				
Fixed assets	(161 758)	30 297	1 540	(129 921)
Revaluation of derivatives	(15 514)	(8 801)	−	(24 315)
Revaluation of debt securities at FVOCI (previously classified as available-for-sale)	(119)	−	(296)	(415)
Accrued staff costs	17 501	20 382	−	37 883
IFRS 9 impairment	2 096	476	−	2 572
Other	(712)	(32 582)	−	(33 294)
Net deferred tax liability	**(158 506)**	**9 772**	**1 244**	**(147 490)**

(thousands of Russian rubles)

11. Taxation (continued)

Deferred tax assets and liabilities as of 31 December 2019 and their movements for the respective years comprise:

(thousands of Russian rubles)	*1 January 2019*	*Origination and reversal in the statement of profit or loss*	*Origination and reversal in other comprehensive income*	*31 December 2019*
Tax effect of deductible temporary differences				
Fixed assets	(199 749)	29 877	8 114	(161 758)
Revaluation of derivatives	(10 545)	(4 969)	–	(15 514)
Revaluation of debt securities at FVOCI (previously classified as available-for-sale)	(407)	–	288	(119)
Accrued staff costs	24 810	(7 309)	–	17 501
IFRS 9 impairment	1 330	766	–	2 096
Other	728	(1 440)	–	(712)
Net deferred tax liability	**(183 833)**	**16 925**	**8 402**	**(158 506)**

12. Other assets and liabilities

Other assets comprise:

	2020	*2019*
Other financial assets		
Accrued income on guarantees and letters of credit issued	10 307	1 173
Receivables from other operations	34 662	46 385
Other financial assets	3 744	1 277
Total other non-financial assets	**48 713**	**48 835**
Prepayments	59 296	66 541
Total other non-financial assets	**59 296**	**66 541**
Other assets	**108 009**	**115 376**

	2020	*2019*
Other financial liabilities	**15 997**	**12 685**
Commissions and fee payable	10 935	8 979
Deferred income on credit related commitments	5 062	3 706
Other non-financial liabilities	**395 712**	**365 534**
Accrued employee benefit costs	196 312	177 225
Liabilities under lease agreements	74 720	93 911
Taxes other than income tax payable	61 862	47 447
Accrued IT and consulting expenses	36 274	34 590
Other non-financial liabilities	26 544	12 361
Other liabilities	**411 709**	**378 219**

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	2020	*2019*
Time deposits and loans	395 038	1 495 492
Correspondent accounts	1 306 115	596 114
Amounts due to credit institutions	**1 701 153**	**2 091 606**

(thousands of Russian rubles)

13. Amounts due to credit institutions (continued)

As at 31 December 2020, term borrowings from Credit Agricole CIB Group amounted to RUB 395 038 thousand or 100% from term placements of other banks (2019: RUB 495 149 thousand or 33,1%). The remaining amount of term deposits was attracted from Russian banks.

At 31 December 2020, correspondent accounts with Credit Agricole SA and Credit Agricole CIB amounted to RUB 514 435 thousand or 39,4% and to RUB 791 680 thousand or 60,6%, respectively (2019: correspondent accounts with Credit Agricole CIB Group and Credit Agricole SA amounted to RUB 27 519 thousand or 4,64% and to RUB 371 160 thousand or 62,2%, respectively).

The carrying value of each class of due to credit institutions approximates fair value at 31 December 2020 and 31 December 2019. At 31 December 2019, the estimated fair value of due to credit institutions was RUB 1 701 153 thousand (2019: RUB 2 091 606 thousand). Refer to Note 23.

14. Amounts due to customers

The amounts due to customers include the following:

	2020	*2019*
Time deposits	26 748 757	20 350 774
Current accounts	13 092 981	9 338 242
Amounts due to customers	**39 841 738**	**29 689 016**
Held as security against letters of credit	–	58 849

At 31 December 2020, amounts due to customers of RUB 25 898 479 thousand (65%) were due to the ten largest customers (2019: RUB 19 662 985 thousand (66,2%)).

An analysis of customer accounts by economic sector follows:

	2020	*2019*
Trade	16 173 258	8 373 935
Manufacturing	10 340 955	11 170 996
Construction	6 848 772	4 203 782
Financial services and insurance	1 343 355	3 314 091
Transport and telecommunication	314 122	39 477
Leasing	262 851	407 653
Mining	110 835	58 687
Electric power, gas and water production	105 704	41 805
Other	4 341 886	2 078 590
Amounts due to customers	**39 841 738**	**29 689 016**

15. Subordinated loan

In November 2004, the Bank attracted a subordinated loan in the amount of USD 14 500 thousand with maturity in December 2012. In October 2007 the amount of loan was increased up to USD 103 500 thousand and this loan was extended till November 2017. In 2013 the loan was prolonged till November 2022. In February 2015 the Appendix to subordinated loan agreement was signed and changes the interest rate on this loan to 6M Libor + 3,9% since 1 December 2014. The loan was prolonged till November 2025. In March 2020 partial early repayment of subordinated loan was executed in amount of USD 21 855 (1 620 000 RUB) with purpose of additional ordinary share issue

The lender of this subordinated loan was Credit Agricole CIB Group. As at 31 December 2020, the carrying value of this loan was USD 81 947 thousand, the equivalent of RUB 6 053 886 thousand (2019: the carrying value of this loan was USD 104 051 thousand, the equivalent of RUB 6 441 346 thousand). The interest rate on this loan is 6M Libor + 3,9% (2019: 6M Libor + 3,9%). As at 31 December 2019, the interest rate was 4,16% (2019: 5,81%). The debt ranks after all other creditors in case of liquidation of the Bank.

(thousands of Russian rubles)

16. Equity

Movements in shares outstanding, issued and fully paid were as follows:

	Number of outstanding Ordinary shares	*Nominal amount of Ordinary shares*	*Total*
At 1 January 2019	240 250	12 000	**2 883 000**
At 31 December 2019	240 250	12 000	**2 883 000**
At 1 January 2020	**240 250**	**12 000**	2 883 000
Share capital increase	135 000	12 000	**1 620 000**
At 31 December 2020	**375 250**	**12 000**	**4 503 000**

All shares were paid in cash, except for shares issued in May 2001 for the total nominal amount of RUB 220 000 thousand which were paid in accordance with the Russian statutory legislation by means of capitalisation of statutory revaluation of fixed assets. All ordinary shares have a nominal value of RUB 12 thousand per share (2019: RUB 12 thousand per share) and rank equally. Each share carries one vote. 27 may 2019 issuance of 135 000 ordinary shares was approved by Bank's shareholders.

On 6 April 2020 the Bank of Russia approved state registration of the report on the results of the additional issue of ordinary shares of Credit Agricole Corporate and Investment Bank Joint Stock Company (Saint Petersburg), placed by closed subscription, registration number of the additional issue 10301680B004D. The assets received as a result of the issue of these shares were represented by cash in the total amount of RUB 1 620 000 thousand.

17. Commitments and contingencies

Operating environment

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

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of this legislation and assessments. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities. Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances tax reviews may cover longer periods.

As at 31 December 2020 management believes that its interpretation of the relevant legislation is appropriate and that the Bank's tax, currency and customs positions will be sustained.

Russian tax legislation on transfer pricing has introduced additional reporting and documentation requirements. Russian tax legislation on transfer pricing allows tax authorities to apply transfer pricing adjustments and to accrue additional income tax and value-added tax liabilities in respect of "controlled" transactions if the price applied in the transaction differs from the market price level. According to the Bank's Management, the Bank fully complies with the transfer pricing rules, and the prices of "controlled" transactions correspond to market prices.

(thousands of Russian rubles)

17. Commitments and contingencies (continued)

Commitments and contingencies

As of 31 December the Bank's commitments and contingencies comprised the following:

	2020	*2019*
Credit related commitments		
Letters of credit	6 680 654	3 250 189
Financial guarantees issued	19 415 079	14 046 918
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	30 000	30 000
	26 125 733	**17 327 107**
Operating lease commitments		
Performance guarantees	4 043 148	971 378
Commitments and contingencies	**30 168 881**	**18 298 485**

A reconciliation of other reserves during the year ended 31 December 2020 is as follows:

	Guarantees and letters of credit	*Total*
At 1 January 2020	**(4 461)**	**(4 461)**
(Charge)	(2 923)	**(2 923)**
At 31 December 2020	**(7 384)**	**(7 384)**

A reconciliation of other reserves during the year ended 31 December 2019 is as follows:

	Guarantees and letters of credit	*Total*
At 1 January 2019	**(2 354)**	**(2 354)**
(Charge)	(2 107)	**(2 107)**
At 31 December 2019	**(4 461)**	**(4 461)**

18. Net interest income

Net interest income comprises:

	2020	*2019*
Financial assets measured at amortized cost		
Cash equivalents	961 557	1 137 359
Loans to customers	957 481	980 259
Investment securities	–	63 376
Financial assets measured at fair value through other comprehensive income		
Investment securities	276 242	385 195
Interest revenue calculated using effective interest rate	**2 195 280**	**2 566 189**
Current/settlement accounts	132 752	156 397
Term placements of other banks	456 335	669 730
Term placements of CBR	3 173	2 211
Term deposits of legal entities	1 032 021	1 205 155
Lease liabilities	7 781	34 181
Interest expense	**1 632 062**	**2 067 674**
Net interest income	**563 218**	**498 515**

(thousands of Russian rubles)

19. Net fee and commission income

Net fee and commission income comprises:

	2020	*2019*
Consulting and marketing services for global clients	158 798	115 986
Currency control	146 278	142 295
Guarantees issued	82 359	67 757
Settlements operations	61 032	69 570
Foreign currency transactions	52 064	49 716
Commission on trade finance operations	39 102	84 348
Cash transactions	19	122
Other	11 082	7 384
Fee and commission income	**550 734**	**537 178**
Commission on early partial repayment of subordinated loan	102 293	–
Brokerage services	7 949	11 134
Commission on settlement and cash transactions	7 411	7 903
Guarantees received	–	2 323
Other	10 267	9 760
Fee and commission expense	**127 920**	**31 120**
Net fee and commission income	**422 814**	**506 058**

20. Personnel and other operating expenses

Personnel and other operating expenses comprise:

	2020	*2019*
Staff costs	846 676	828 802
Services provided by the participants of Credit Agricole CIB Group	192 203	165 102
IT expenses	113 004	87 222
Taxes other than income tax	99 868	78 823
Depreciation of fixed assets	51 313	89 402
Professional services	39 923	23 962
Other expenses related to fixed assets	23 850	121 983
Telecommunication expenses	22 147	17 802
Travel and entertainment expenses	7 016	26 141
Office stationary and typographic services	3 570	8 924
Operating lease expense for premises and land	2 319	5 708
Other	40 422	34 699
Other operating expenses	**1 442 311**	**1 488 570**

21. Risk management

Introduction

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities. The Bank is exposed to credit risk, liquidity risk and market risk, the latter being subdivided into trading and non-trading risks. It is also subject to operating risks.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles.

Management Board

The Management Board has the responsibility to monitor the overall risk process within the Bank.

(thousands of Russian rubles)

21. Risk management (continued)

Introduction (continued)

Risk Department

The Risk Department has the overall responsibility for the development of the risk strategy and implementing principles, frameworks, policies and limits. It is responsible for the fundamental risk issues and manages and monitors relevant risk decisions made in respect of risks and based on the experience of Credit Agricole CIB Group.

Bank Treasury

Bank Treasury is responsible for managing the Bank's assets and liabilities and the overall financial structure. It is also primarily responsible for the funding and liquidity risks of the Bank.

Internal audit

Risk management processes throughout the Bank are audited annually by the internal audit function, that examines both the adequacy of the procedures and the Bank's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Audit Committee.

Credit risk

The Bank is exposed to credit risk, which is the risk that one of the parties to a transaction with financial instrument bears losses due to non-fulfilment by other party of contractual obligations in accordance with the terms of the contract. Credit risk arises from credit and other operations of the Bank with counterparties, which cause financial assets.

The Bank's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For credit related commitments, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 17.

Credit operations are governed by a set of policies and procedures to ensure that all aspects of credit risk are adequately covered. The Bank structures the levels of credit risk it undertakes by placing limits on the amount of risk accepted in relation to one borrower, or groups of borrowers.

In measuring credit risk of loan and advances to customers and to banks at a counterparty level, the Bank reflects three components:

- The "probability of default" by the client or counterparty on its contractual obligations;
- Current exposures to the counterparty and its likely future development, from which the Bank derives the "exposure at default"; and
- The likely recovery ratio on the defaulted obligations (the "loss given default").

The Bank determines the level of credit risk by allocating limits to individual borrowers or groups of borrowers. The Bank uses the internal rating system of Credit Agricole CIB Group as follows:

Investment grade

- "A+" − exceptional quality of the borrower. Superior asset quality. Debtors have exceptional debt capacity and coverage.
- "A" − excellent quality of the borrower. Superior asset quality. Debtors have excellent debt capacity and coverage.
- "B+" − very good quality of the borrower. Very good asset quality and liquidity. Debtors have strong debt capacity, very reputed management.
- "B" − good quality of the borrower. Good asset quality and liquidity. Large debt capacity. Very reputable management. The debtor shows no weaknesses.
- "C+" − fairly good quality of the borrower. Good asset quality and liquidity. Debtors have very good management and moderate indebtedness. The debtor may show one average or weak external or internal factor which does not impair it.
- "C" − acceptable quality of the borrower. Satisfactory asset quality and liquidity. Debtors have moderate indebtedness, good management, average size and position in the industry, not more than two weak factors and which are well compensated by strong sides.
- "C-" − medium quality of the borrower. Satisfactory asset quality and liquidity. Debtors have moderate indebtedness and good management, average size and position in the industry. Contrary to "C", it may have also one weak external or internal factor that makes higher the risk of being downgraded to speculative.

(thousands of Russian rubles)

21. Risk management (continued)

Credit risk (continued)

Non-investment grade

- “D+” − reasonable quality of the borrower. Acceptable asset quality. Debtors have modest debt capacity or highly leveraged and good management. Two weak external or internal factors do not make it eligible to an investment-grade status.
- “D” − mediocre quality of the borrower. Acceptable asset quality, though illiquid. Debtors are highly or fully leveraged. Debtor is not strong enough to sustain major setbacks.
- “D-” − very mediocre quality of the borrower. Concentrated and rather illiquid assets. Debtors are highly or fully leveraged. Debtors are undersized comparing to competitors and not strong enough to sustain major setbacks.
- “E+” − weak watch quality of the borrower. Debtors are highly leveraged. Weak management do not make it an acceptable debtor without specific external support.
- “E” − poor quality of the borrower, debtors are in the watchlist. Illiquid assets. Debtors are fully leveraged but no default reported.
- “E-” − poor quality of the borrower, debtors are in the watchlist. Illiquid assets. Debtors are fully leveraged. Delay in payments incurred or loan covenants were breached.
- “F/Z” − default situation because of an overdue (3 month) or the bank’s doubt on the debtor’s capacity to pay. “F” grade indicates transfer of borrower to default category. “Z” grade indicates that litigation against borrower was brought to court.

For internal assessment of credit risk, the Bank applies procedures and methodology of Credit Agricole Group, which includes financial analysis, industry analysis, market analysis, management quality analysis, country analysis, etc. Based on the assessment, a rating is assigned to each client. The Bank monitors credit risks on a daily basis and each borrower is reassessed regularly.

For the management of credit risk concentration by industrial and economic sector and by territory, the Bank uses regulations of Credit Agricole Group. Loans issued by the Bank are normally secured by guarantees received from Credit Agricole Group.

Credit risk exposure (counterparty risk) in respect of derivative financial instruments is managed as part of the overall lending limits with customers, together with potential exposures from market movements. Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as a result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Bank uses the same credit policies in making off-balance sheet items as it does for on-balance sheet financial instruments through established credit approvals, risk control limits and monitoring procedures.

See Note 9 for more detailed information with respect to the allowance for impairment of loans to customers.

Financial guarantees, letters of credit and loan commitments are assessed and a provision for expected credit losses is calculated in similar manner as for loans.

(thousands of Russian rubles)

21. Risk management (continued)

Credit risk (continued)

The geographical concentration of Bank's financial assets and liabilities is set out below:

	2020				*2019*			
	Russia	*OECD*	*CIS and other foreign countries*	*Total*	*Russia*	*OECD*	*CIS and other foreign countries*	*Total*
Assets								
Cash and cash equivalents	2 839 208	20 298 749	35 622	**23 173 579**	5 476 187	6 348 185	6 445	**11 830 817**
Amounts due from credit institutions	2 458 835	–	–	**2 458 835**	1 008 426	–	–	**1 008 426**
Derivative financial assets	1 602 519	710 125	–	**2 312 644**	481 890	947 064	–	**1 428 954**
Loans and advances to customers	22 351 014	–	–	**22 351 014**	23 958 375	–	–	**23 958 375**
Investment securities	6 044 104	–	–	**6 044 104**	6 056 836	–	–	**6 056 836**
Other financial assets	15 935	32 688	90	**48 713**	2 439	46 356	40	**48 835**
	35 311 615	**21 041 562**	**35 712**	**56 388 889**	**36 984 153**	**7 341 605**	**6 485**	**44 332 243**
Liabilities								
Amounts due to credit institutions	–	1 483 876	217 277	**1 701 153**	1 000 342	888 365	202 899	**2 091 606**
Derivative financial liabilities	537 877	1 653 193	–	**2 191 070**	873 898	477 487	–	**1 351 385**
Amounts due to customers	31 512 863	8 325 449	3 426	**39 841 738**	22 351 003	7 329 266	8 747	**29 689 016**
Subordinated loan	–	6 053 886	–	**6 053 886**	–	6 441 346	–	**6 441 346**
Other financial liabilities	5 032	10 965	–	**15 997**	3 650	9 035	–	**12 685**
	32 055 772	**17 527 369**	**220 703**	**49 803 844**	**24 228 893**	**15 145 449**	**211 646**	**39 586 038**
Net assets/ (liabilities)	**3 255 843**	**3 514 193**	**(184 991)**	**6 585 045**	**12 755 260**	**(7 803 894)**	**(205 161)**	**4 746 205**

Liquidity risk and funding management

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations. The Bank is exposed to risk due to the daily need to use available funds for settlements on overnight deposits, customer accounts, deposit repayments, loans, payments on guarantees and derivative financial instruments, settlements on which are made in cash. The Bank does not accumulate funds in case of the need for a one-time fulfilment of all the above obligations, as, based on the all previous experience, it is possible to predict with a sufficient degree of probability the level of funds necessary for the fulfilment of these obligations. Liquidity risk is managed by the Bank's Assets and Liabilities Management Committee.

The Bank maintains a stable funding base which mainly consists of amounts due from other banks, deposits of legal entities, and invests in diversified portfolios of liquid assets in order to be able to meet unforeseen liquidity requirements easily.

Liquidity management of the Bank requires an analysis of the level of liquid assets required to settle liabilities at maturity; to ensure access to various sources of financing; to have plans in case of problems with financing and to monitor the compliance of balance sheet liquidity ratios with legal requirements.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. The Bank was in compliance with normative value of liquidity ratios at 31 December 2020 and 31 December 2019.

As at 31 December, these ratios were as follows:

	2020, %	*2019, %*
N2 "Instant Liquidity Ratio" (assets receivable or realisable within one day / liabilities repayable on demand)	53,3	49,9
N3 "Current Liquidity Ratio" (assets receivable or realisable within 30 days / liabilities repayable within 30 days)	81,7	72,4
N4 "Long-Term Liquidity Ratio" (assets receivable in more than one year / sum of capital and liabilities repayable in more than one year)	47,44	52,8

The Treasury Department of the Bank receives information about the liquidity profile of the financial assets and liabilities and then provides for an adequate portfolio of short-term liquid assets, largely made up of short-term liquid securities and deposits with banks, to ensure that sufficient liquidity is maintained within the Bank as a whole.

(thousands of Russian rubles)

21. Risk management (continued)

Liquidity risk and funding management (continued)

The daily liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Credit Agricole CIB Group’s Risk Management Department.

Analysis of financial liabilities by remaining contractual

The tables below show liabilities as at 31 December 2020 and 31 December 2019 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows, including contractual amounts to be paid on gross settled currency derivatives and gross loan commitments. Such undiscounted cash flows differ from the amount included in the statement of financial position because the amount in the statement of financial position 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 each reporting period.

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

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 5 years*	*Total*
Liabilities					
Amounts due to credit institutions	1 701 569	–	–	–	**1 701 569**
Amounts due to customers	39 735 890	159 745	–	–	**39 895 635**
Gross settled derivatives:					
- Payables	4 330 534	7 553 774	24 399 713	54 166 728	**90 450 749**
- Receivables	(17 317 202)	(7 612 840)	(23 511 356)	(50 712 637)	**(99 154 035)**
Other financial liabilities	11 349	470	651	3 527	**15 997**
Subordinated loan	20 555	102 775	127 442	7 034 698	**7 285 470**
Total future payments on financial liabilities	**28 482 695**	**203 924**	**1 016 450**	**10 492 316**	**40 195 385**
Off-balance sheet and contingent liabilities					
Credit related commitments	930 644	18 073 246	1 975 338	5 146 504	**26 125 732**
Total potential future payments for financial liabilities	**29 413 339**	**18 277 170**	**2 991 788**	**15 638 820**	**66 321 117**

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

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 5 years*	*Over 5 years*	*Total*
Liabilities						
Amounts due to credit institutions	2 091 606	–	–	–	–	**2 091 606**
Amounts due to customers	27 441 450	2 247 566	–	–	–	**29 689 016**
Gross settled derivatives:						
- Payables	35 101 959	8 343 925	5 276 708	21 520 302	–	**70 242 894**
- Receivables	(36 347 906)	(8 194 607)	(5 384 351)	(20 468 088)	–	**(70 394 952)**
Other financial liabilities	8 979	65	1 201	2 406	34	**12 685**
Subordinated loan	30 524	152 622	189 251	1 489 588	7 119 475	**8 981 460**
Total future payments on financial liabilities	**28 326 612**	**2 549 571**	**82 809**	**2 544 208**	**7 119 509**	**40 622 709**
Off-balance sheet and contingent liabilities						
Credit related commitments	75 974	515 984	1 134 876	15 600 273	–	**17 327 107**
Total potential future payments for financial liabilities	**28 402 586**	**3 065 555**	**1 217 685**	**18 144 481**	**7 119 509**	**57 949 816**

(thousands of Russian rubles)

21. Risk management (continued)

Liquidity risk and funding management (continued)

The Bank monitors contractual maturities, which may be summarised as follows at 31 December 2020:

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 2 years*	*From 2 to 5 years*	*Total*
Assets						
Cash and cash equivalents	23 173 579	–	–	–	–	**23 173 579**
Amounts due from credit institutions	764 188	–	–	1 694 647	–	**2 458 835**
Derivative financial assets	348 282	470 724	468 018	370 355	655 264	**2 312 644**
Loans to customers	8 806 595	4 205 920	2 765 579	2 278 631	4 294 289	**22 351 014**
Investment securities	2 019 303	4 024 801	–	–	–	**6 044 104**
Other financial assets	38 547	728	481	–	8 957	**48 713**
Total financial assets	**35 150 495**	**8 702 173**	**3 234 078**	**4 343 633**	**4 958 510**	**56 388 889**
Liabilities						
Amounts due to credit institutions	1 701 153	–	–	–	–	**1 701 153**
Derivative financial liabilities	225 456	470 771	471 704	367 875	655 264	**2 191 070**
Amounts due to customers	39 682 861	158 878	–	–	–	**39 841 738**
Other financial liabilities	11 349	470	651	191	3 336	**15 997**
Subordinated loan	–	–	–	–	6 053 886	**6 053 886**
Total financial liabilities	**41 620 819**	**630 118**	**472 355**	**368 066**	**6 712 486**	**49 803 844**
Net liquidity gap	**(6 470 324)**	**8 072 055**	**2 761 723**	**3 975 567**	**(1 753 976)**	**6 585 045**
Cumulative liquidity gap	**(6 470 324)**	**1 601 731**	**4 363 454**	**8 339 021**	**6 585 045**	

The Bank monitors contractual maturities, which may be summarised as follows at 31 December 2019:

(In thousands of Russian rubles)	*Demand and less than 1 month*	*From 1 to 6 months*	*From 6 to 12 months*	*From 1 to 2 years*	*From 2 to 5 years*	*Over 5 years*	*Total*
Assets							
Cash and cash equivalents	11 830 817	–	–	–	–	–	**11 830 817**
Amounts due from credit institutions	415 271	–	–	523 608	69 547	–	**1 008 426**
Derivative financial assets	51 813	251 745	117 294	185 417	805 873	16 812	**1 428 954**
Loans to customers	7 841 582	6 561 506	1 332 099	901 536	7 321 652	–	**23 958 375**
Investment securities	–	6 056 836	–	–	–	–	**6 056 836**
Other financial assets	48 010	16	377	151	281	–	**48 835**
Total financial assets	**20 187 493**	**12 870 103**	**1 449 770**	**1 610 712**	**8 197 353**	**16 812**	**44 332 243**
Liabilities							
Amounts due to credit institutions	2 091 606	–	–	–	–	–	**2 091 606**
Derivative financial liabilities	13 587	211 147	116 931	185 936	806 972	16 812	**1 351 385**
Amounts due to customers	27 441 450	2 247 566	–	–	–	–	**29 689 016**
Other financial liabilities	8 979	65	1 201	2 359	47	34	**12 685**
Subordinated loan	–	–	–	–	–	6 441 346	**6 441 346**
Total financial liabilities	**29 555 622**	**2 458 778**	**118 132**	**188 295**	**807 019**	**6 458 192**	**39 586 038**
Net liquidity gap	**(9 368 129)**	**10 411 325**	**1 331 638**	**1 422 417**	**7 390 334**	**(6 441 380)**	**4 746 205**
Cumulative liquidity gap	**(9 368 129)**	**1 043 196**	**2 374 834**	**3 797 251**	**11 187 585**	**4 746 205**	

The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Bank. 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 Bank 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 Bank would indicate that these customer accounts provide a long-term and stable source of funding for the Bank.

(thousands of Russian rubles)

21. Risk management (continued)

Liquidity risk and funding management (continued)

Liquidity requirements to support calls under guarantees and standby letters of credit are considerably less than the amount of the commitment because the Bank does not generally expect the third party to draw funds under the agreement. The total outstanding contractual amount of commitments to extend credit does not necessarily represent future cash requirements, since many of these commitments will expire or terminate without being funded.

Market risk

Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchanges, and equity prices.

Bank is exposed to market risk connected with (a) open foreign currency position and (b) interest rate instruments that bears the risk of general and specific changes in the market. Limits are set by the Credit Agricole Group in relation to the level of risk taken and compliance with them is monitored on a daily basis. This approach is a standard practice of risk management among market participants, however, it does not prevent losses in case of significant changes in the market.

The Bank applies the “value at risk” (“VAR”) method separately for currency and interest rate risks in estimating the market risk of the positions held and the maximum losses expected, based on a number of assumptions concerning various changes in the market conditions. Credit Agricole Group’s Global Market Risk Management Department (DRM) sets the limits for acceptable risk for the Bank which are monitored on a daily basis.

The daily market VAR is a 99%-reliable estimate of the potential loss, provided that the current positions do not change over the following business day. Actual outcomes are monitored regularly to test the validity of the assumptions and parameters/factors used in the VAR calculation.

Since VAR constitutes an integral part of the Bank’s market risk controls, VAR limits are established for all trading and portfolio operations. The management assesses the actual risk exposure against the limits on a daily basis. However daily monitoring of VAR limits does not protect the Bank from losses arising from significant market movements. At the local level Capital Markets department of the Bank monitors market risk by determination that VAR and sensitivities are in the limits defined by Credit Agricole Group.

Currency risk

In respect of currency risk, the Bank sets limits on the level of exposure by currency and in total for overnight positions, which are monitored daily. The table below summarises the Bank’s exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2020					***At 31 December 2019***				
(In thousands of Russian rubles)	***Monetary financial assets***	***Monetary financial liabilities***	***Derivatives***	***SPOT***	***Net position***	***Monetary financial assets***	***Monetary financial liabilities***	***Derivatives***	***SPOT***	***Net position***
Russian rubles	22 817 551	32 928 858	16 897 479	(302 506)	**6 483 666**	26 812 090	27 446361	7 860 904	(2 602 262)	**4 624 371**
US dollars	13 941 246	10 970 484	(3 059 126)	118 696	**30 333**	13 456 434	8 090 369	(6 808 251)	1 482 670	**40 484**
Euros	4 259 490	3 227 335	(1 146 096)	180 078	**66 137**	2 094 941	2 190 538	(967 643)	1 143 424	**80 184**
Other	13 054 156	478 563	(12 570 683)	–	**4 909**	537 920	498 692	(7 440)	(30 618)	**1 170**
Total	**54 072 444**	**47 605 240**	**121 574**	**(3 732)**	**6 585 045**	**42 901 385**	**38 225 960**	**77 570**	**(6 786)**	**4 746 209**

Derivatives and spot deals in each column represent the gross settlements at the end of the reporting period, of the respective currency that the Bank agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty.

The amounts by currency of derivatives are presented gross as stated in Note 7. The net total represents fair value of the currency derivatives.

(thousands of Russian rubles)

21. Risk management (continued)

Market risk (continued)

The following table presents sensitivities of profit and loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant. The Bank performs currency risk sensitivity analysis on the basis of its forecast of possible changes in exchange rates:

	Impact on profit or loss	
(In thousands of Russian rubles)	***At 31 December 2020***	***At 31 December 2019***
US dollar strengthening by 16% (2019: 11%)	4 853	4 453
US dollar weakening by 16% (2019: 13%)	(4 853)	(5 263)
Euro strengthening by 16% (2019: 11%)	10 582	8 820
Euro weakening by 16% (2019: 13%)	(10 582)	(10 424)

The risk was calculated only for balances in currencies, different from functional Bank's currency.

Operational risk

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

22. Fair value measurements

Fair value measurement procedures

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

(thousands of Russian rubles)

22. Fair value measurements (continued)

Fair value measurement procedures (continued)

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

	Fair value measurement using			
At 31 December 2020	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets*:*				
- Exchange rate forwards/swaps/options	−	1 495 131	−	**1 495 131**
- Interest rate swaps	−	84 105	−	**84 105**
- Cross currency swaps	−	733 408	−	**733 408**
Investment securities − debt securities at FVOCI	6 044 104	−	−	**6 044 104**
Property and equipment − buildings, including the value of right-of-use asset of the land	−	−	795 000	**795 000**
Assets for which fair values are disclosed				
Cash and cash equivalents	−	23 173 579	−	**23 173 579**
Amounts due from credit institutions	−	2 458 835	−	**2 458 835**
Loans to customers measured at amortised cost	−	−	22 351 014	**22 351 014**
Liabilities measured at fair value				
Derivative financial liabilities:				
- Exchange rate forwards/swaps/options	−	(1 373 557)	−	**(1 373 557)**
- Interest rate swaps	−	(84 105)	−	**(84 105)**
- Cross currency swaps	−	(733 408)	−	**(733 408)**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	−	(1 701 153)	**(1 701 153)**
Amounts due to customers	−	−	(39 841 738)	**(39 841 738)**
Subordinated loan	−	(6 053 886)	−	**(6 053 886)**

	Fair value measurement using			
At 31 December 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
Assets measured at fair value				
Derivative financial assets*:*				
- Exchange rate forwards/swaps/options	−	1 161 111	−	**1 161 111**
- Interest rate swaps	−	3 296	−	**3 296**
- Cross currency swaps	−	264 547	−	**264 547**
Investment securities − debt securities at FVOCI	6 056 836	−	−	**6 056 836**
Property and equipment − buildings	−	−	819 000	**819 000**
Assets for which fair values are disclosed				
Cash and cash equivalents	15 814	11 815 002	−	**11 830 817**
Amounts due from credit institutions	−	1 008 426	−	**1 008 426**
Loans to customers measured at amortised cost	−	−	23 958 375	**23 958 375**
Liabilities measured at fair value				
Derivative financial liabilities:				
- Exchange rate forwards/swaps/options	−	(1 083 542)	−	**(1 083 542)**
- Interest rate swaps	−	(3 296)	−	**(3 296)**
- Cross currency swaps	−	(264 547)	−	**(264 547)**
Liabilities for which fair values are disclosed				
Amounts due to credit institutions	−	−	(2 091 606)	**(2 091 606)**
Amounts due to customers	−	−	(29 689 016)	**(29 689 016)**
Subordinated loan	−	(6 441 346)	−	**(6 441 346)**

(thousands of Russian rubles)

22. Fair value measurements (continued)

Valuation techniques and assumptions

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

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Derivatives

Derivatives valued using a valuation technique with market observable inputs are mainly interest rate swaps, currency swaps and forward foreign exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and interest rate curves. Derivatives valued using a valuation technique with significant non-market observable inputs are primarily long dated option contracts. These derivatives are valued using the binomial models. The models incorporate various non-observable assumptions, which include market rate volatilities.

Trading securities and investment securities

Trading securities and investment securities valued using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. These securities are valued using models which sometimes only incorporate data observable in the market and at other times use both observable and non-observable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Financial assets and financial liabilities carried at amortised cost

Fair value of the quoted notes and bonds is based on price quotations at the reporting date. The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBR and credit institutions and other financial assets and liabilities is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Property and equipment − buildings

Premises of the Bank were independently revalued at 31 December 2020. Definition of the market value is based on the income approach and the sales comparison approaches.

Using the income approach involves determining the expected future income from the use of the object of the assessment. This approach is based on the principles of expectation and substitution, that is, the value of the object is calculated based on the current value of all expected future income flows of the object under evaluation for the rest of its life with the most effective use, while the maximum value of the object of the assessment cannot exceed the minimum cost at which a similar object with a similar yield capacity can be purchased.

Using the sales comparison approach, the subject property is compared to those deemed similar or comparable. Taking into account certain adjustments, which reflect specific advantages and disadvantages over comparable properties, the market value of the subject property can be determined. To reflect the differences between the subject property and each comparable property, adjustments have been made to the comparable sales data.

The following elements of comparison identify specific characteristics of properties considered and the associated price variations:

- -12,5% − adjustment to the asking price allowing for negotiations;
- -6,8% to -0,6% − adjustment for the size of the premises;
- up to 6 810 RUB per sq. m − adjustment for condition and level of interior.

There were no changes in valuation technique for level 3 recurring fair value measurements during the year ended 31 December 2020 (2019: none).

(thousands of Russian rubles)

22. Fair value measurements (continued)

Valuation techniques and assumptions (continued)

A reconciliation of movements in Level 3 of the fair value hierarchy by class of instruments for the year ended 31 December 2020 and 31 December 2019 is as follows:

(In thousands of Russian rubles)	*2020 Premises*	*2019 Premises*
Fair value of building at 1 January	**819 000**	**885 000**
Fair value of right-of-use asset of land at 1 January	**–**	**–**
Gains or losses recognised in profit or loss for the year	(16 301)	(25 430)
Gains or losses recognised in other comprehensive income	(7 699)	(40 570)
Fair value of building at 31 December	**597 547**	**819 000**
Fair value of right-of-use asset of land at 31 December	**197 453**	**–**

The premises of the Bank are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the premises being revalued. The Bank's management uses judgment for determining the materiality of changes in the fair values of premises during the reporting period for deciding whether a revaluation is necessary.

23. Offsetting of financial instruments

The table below shows financial assets offset against financial liabilities in the Statement of financial position, as well as the effect of enforceable master netting agreements and similar arrangements (ISDA, RISDA, etc.) that do not result in an offset in the Statement of financial position:

	Related amounts not set off in the statement of financial position
Financial assets	
Derivative financial assets	2 194 818
Financial liabilities	
Derivative financial liabilities	(2 029 733)
Net amount	**165 085**

24. Related party disclosures

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or 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.

Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be effected on the same terms, conditions and amounts as transactions between unrelated parties.

At 31 December 2020, the outstanding balances with related parties were as follows:

	2020	
	Shareholders	*Other related parties*
Cash and cash equivalents:		
- Correspondent accounts and overnight placements (0,0%)	392 315	86 493
- Placements with other banks with original maturities of less than three months (0,1%)	12 902 201	6 773 404
Derivative financial instruments (assets)	522 885	187 241
Other assets:		
- Accrued income receivable	27 194	5 583
Due to other banks (0,0-5,0%)	395 038	1 306 115
Derivative financial instruments (liabilities)	1 403 851	249 343
Subordinated loan (4,55%)	6 053 886	–
Other liabilities:		
- Accrued fees	10 384	551
- Deferred income on credit related commitments	28	2
- Accrued IT expenses	26 085	348

(thousands of Russian rubles)

24. Related party disclosures (continued)

At 31 December 2019, the outstanding balances with related parties were as follows:

	2019	
	Shareholders	**Other related parties**
Cash and cash equivalents:		
- Correspondent accounts and overnight placements (0,0%)	1 721	615 199
- Placements with other banks with original maturities of less than three months (0,1%)	–	5 652 947
Derivative financial instruments (assets)	901 099	45 965
Other assets:		
- Accrued income receivable	34 309	12 086
Due to other banks (0,0-5,0%)	495 149	596 114
Derivative financial instruments (liabilities)	477 403	85
Subordinated loan (4,55%)	6 441 346	–
Other liabilities:		
- Accrued fees	8 535	444
- Deferred income on credit related commitments	31	26
- Accrued IT expenses	30 247	4 343

Aggregate amounts lent to / borrowed from and repaid by/to related parties during 2020 were:

	Shareholders	**Other related parties**
Amounts lent to related parties during the period	47 724 041	1 607 120 153
Amounts repaid by related parties during the period	34 431 246	1 605 999 426
Amounts borrowed from related parties during the period	173 540 922	27 897 332
Amounts repaid to related parties during the period	174 016 552	27 897 332

Aggregate amounts lent to / borrowed from and repaid by/to related parties during 2019 were:

	Shareholders	**Other related parties**
Amounts lent to related parties during the period	369 247 010	963 702 326
Amounts repaid by related parties during the period	373 830 349	962 015 306
Amounts borrowed from related parties during the period	69 086 743	5 191 244
Amounts repaid to related parties during the period	70 376 710	5 456 094

As at 31 December 2020 loans and advances to customers were collateralised by guarantees received from Credit Agricole CIB or Crédit Agricole SA in the total amount of RUB 22 295 247 thousand (2019: RUB 23 917 801 thousand).

The income and expense items with related parties for the year 2020 and 2019 were as follows:

	2020		2019	
(In thousands of Russian rubles)	**Shareholders**	**Other related parties**	**Shareholders**	**Other related parties**
Interest income	(3 281)	52 099	236 998	76 870
Interest expense	357 817	2 732	454 559	11 168
Fee and commission income	190 077	36 751	207 249	32 050
Commission on guarantees	214 294	5 120	120 275	4 245
Losses less gains from foreign exchange translation	1 054 286	108 003	642 242	173 736
Losses less gains from operations with interest rate derivatives	87 083	–	334 568	–
Other operating income	17 220	21 780	125	143
Administrative and other operating expenses	175 060	14 141	151 798	13 292

Compensation of key management personnel was comprised of the following:

	2020	**2019**
Salaries and short-term bonuses	153 260	161 994
Total management compensation	**153 260**	**161 994**

(thousands of Russian rubles)

25. Capital adequacy

The Bank maintains an actively managed capital base to cover risks inherent in the business. The adequacy of the Bank's capital is monitored using, among other measures, the ratios established by the Basel Capital Accord 1988 and the ratios established by the CBR in supervising the Bank.

During the past year, the Bank had complied in full with all its externally imposed capital requirements.

The primary objectives of the Bank's capital management are to ensure that the Bank complies with externally imposed capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximise shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.

CBR capital adequacy ratio

The CBR requires banks to maintain a capital adequacy ratio above certain minimum percentage of risk-weighted assets, computed based on RAL. As of 31 December 2020 and 2019, the Bank's capital adequacy ratio on this basis was as follows:

	2020	*2019*
Base capital	6 106 772	4 427 060
Additional capital	6 924 031	7 285 779
Total capital	**13 030 803**	**11 712 839**

Capital adequacy ratio:
- Main capital (minimum requirement: 6,0%)
- Total capital (minimum requirement: 8,0%)

The level of capital adequacy ratio as at 31 December 2020 and 2019 are presented in the table below:

	2020	*2019*
Capital adequacy ratio (N1.0)	37,07	45,99
Minimum acceptable level (N1.0)	min 8,0%	min 8,0%

26. Events after the reporting period

No events for disclosure.