Financial Statements and
Independent Auditor's Report

# JSC Denizbank Moscow

31 December 2020

## Contents

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# INDEPENDENT AUDITOR'S REPORT

To the Shareholders and Board of Directors of Denizbank Moscow, Joint-Stock Company

## Report on the audit of the financial statements

*Opinion*

We have audited the financial statements of Denizbank Moscow, Joint-Stock Company, which comprise of the statement of financial position as at 31 December 2020 and the statement of profit and loss and comprehensive income, the statement of changes in shareholders' equity and the statement of cash flows for the year then ended, 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 Denizbank Moscow, Joint-Stock Company as at 31 December 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

*Basis for Opinion*

We conducted our audit in accordance with International Standards on Auditing (ISA). 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 Denizbank Moscow, Joint-Stock Company (the Bank) with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Key Audit Matters*

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

*Credit loss allowance on loans to customers*

Given the significance of loans and advances to customers, the complexity and judgments related to the estimation of expected credit losses under IFRS 9 Financial instruments, we considered this area as a key audit matter.

Assessment of whether a significant increase in credit risk has occurred since initial recognition and calculation of expected credit losses require judgment. The choice of thresholds at which an increase in credit risk is considered as significant is also subjective. The calculation of expected credit losses involves estimation techniques that use significant unobservable inputs and factors, statistical modeling and expert judgment. These techniques are used to determine the probability of default, exposure at default, loss given default based on historic data and external information adjusted for forecast.

Our audit procedures included an analysis of the key methodology for calculation of expected credit losses on loans in accordance with IFRS 9, as applied by the Bank to estimate the allowance for expected credit losses on loans, an assessment of credit risk factors selected by the management to determine whether significant increase in credit risk has occurred, the consistency of their application, and also factors considering the potential impact of a new coronavirus infection and related economic implications on the impairment assessment. We assessed and analyzed on a sample basis the basis and operation of models and calculations used for collective or individual assessment of expected credit losses, as well as key inputs and assumptions used and forward-looking information. For significant credit exposures, we evaluated credit risk factors and staging; for a sample of significant credit-impaired loans, we analyzed assumptions on estimated future cash flows, including value of collateral and the probabilities of expected outcomes.

We also assessed the disclosures in the financial statements about the Bank's allowance for expected credit losses on loans to customers. Information on the allowances for expected credit losses on loans to customers is presented in Notes 13 "Loans to Customers" and 26 "Risk Management" to the financial statement.

*Responsibilities of Management and Those Charged with Governance for the Financial Statement*

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.

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

*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:

a) 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.

b) 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.

c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

d) 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.

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

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

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

## Report on examination in accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity"

Management of the Bank is responsible for compliance of the Bank with the statutory ratios set by the Bank of Russia and for compliance of internal controls and organization of risk management systems of the Bank with the Bank of Russia's requirements for such systems.

In accordance with Article No.42 of Federal Law of 2 December 1990 No.395-1 "On Banks and Banking Activity", we have examined the following during the audit of the financial statements of the Bank for the year ended 31 December 2020:

- compliance of the Bank as at 31 December 2020 with the statutory ratios set by the Bank of Russia;

- compliance of internal control and organization of risk management systems of the Bank with the Bank of Russia's requirements for such systems.

Our examination was limited to procedures selected based on our judgment such as inquires, analysis and examination of documents, comparison of requirements, procedures and methodologies adopted by the Bank with the Bank of Russia's requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our examination:

1) as related to compliance of the Bank with the statutory ratios by the Bank of Russia:

as at 31 December 2020, the Bank statutory ratios set by the Bank of Russia were within the limits set by the Bank of Russia.

We draw your attention to the fact that we have not performed any procedures related to the underlying accounting data of the Bank other than the procedures we considered necessary to express our opinion on whether or not the financial statements of the Bank present fairly, in all material respects, the financial position of the Bank as at 31 December 2020 and its financial performance and its cash flows for 2020 in accordance with IFRS.

2) as related to compliance of internal control and organization of risk management systems of the Bank with the Bank of Russia's requirements for such systems:

a) in accordance with the Bank of Russia's requirements and recommendation, as at 31 December 2020, subdivisions of the Bank for managing significant risk of the Bank were not subordinated or accountable to subdivisions assuming corresponding risks;

b) internal documentations of the Bank effective as at 31 December 2020 which presented the methodologies to identify and manage significant credit, operational, market and liquidity risk of the Bank, and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;

c) as at 31 December 2020, the Bank had in place a reporting system for significant credit, operational, market and liquidity risks, risks of loss of business reputation and for equity (capital) of the Bank;

d) frequency and consistency of reports prepared by risk management subdivisions of the Bank and its internal audit function during 2020 as related to management of credit, operational, market and liquidity risks of the Bank complied with internal documents of the Bank; those reports included observations made by risk management subdivisions of the Bank and its internal audit functions as related to the assessment of the effectiveness of the respective methodologies of the Bank as well as recommendations on their improvement;

e) as at 31 December 2020, the authority of the Board of Directors and its executive bodies included control over compliance of the Bank with risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Bank and their consistent application in 2020, the Board of Directors of the Bank and its executive bodies regularly discussed the reports prepared by the risk management subdivisions of the Bank and its internal function and considered proposed measures to eliminate weaknesses.

We have performed the above procedures related to internal control and organization of risk management systems of the Bank solely to examine compliance of internal control and organization of risk management systems of the Bank with the Bank of Russia's requirements for such systems.

The engagement partner on the audit resulting in this independent auditor's report is Mary Karapetyan.

29 April 2021

| Details of auditor: | Details of the audited entity: |
|---|---|
| Baker Tilly Rus JSC | Denizbank Moscow, Joint-Stock Company |
| 32A Khoroshevskoye Shosse, 125284, Moscow, premise VII, office 57 | 13, bld.42, 2-nd Zvenigorodskaya st, 123022, Moscow, Russian Federation |
| State Registration number: 1027700115409<br><br>Baker Tilly Rus JSC is a member of Self-Regulatory Organization of Auditors Association "Sodruzhestvo" (SRO AAS). | Included in the United State Register of Legal Entities on 24 October 2002 by Moscow Division of the Ministry of taxes and duties of the Russian Federation. Registration No. 1027739453390. Certificate series 77 No. 005391806. |
| Baker Tilly Rus JSC is included in the control copy of the register of auditors and audit organizations, main registration number 12006010438. | Registered by the Central Bank of the Russian Federation on 15 June 1998.<br><br>Registration No.3330 |

## Statement of Profit or Loss and Other Comprehensive Income

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| Interest income | 5 | 16,257 | 18,935 |
| Interest expense | 5 | (3,294) | (3,832) |
| **Net interest income** | | **12,963** | **15,103** |
| Net loss after impairment provisions for debt financial assets | 13 | (2,395) | (3,960) |
| **Net interest income after impairment provisions for debt financial assets** | | **10,568** | **11,143** |
| Fee and commission income | 6 | 3,141 | 3,464 |
| Fee and commission expense | 6 | (355) | (877) |
| Net gains / (losses) on financial assets at fair value through profit or loss | 7 | (9,915) | 3,919 |
| Net gains / (losses) on financial assets at fair value through other comprehensive income | | 5 | (24) |
| Net gains / (losses) from foreign exchange translation | | 12,019 | (2,294) |
| Net gains on foreign exchange transactions | | 183 | 1,789 |
| Other operating income | | 92 | 15 |
| Other operating expenses | | (44) | (2) |
| **Operating income** | | **15,694** | **17,133** |
| General administrative expenses | 8 | (4,676) | (4,731) |
| **Profit before tax** | | **11,018** | **12,402** |
| Income tax expense | 9 | (2,117) | (2,386) |
| **Net profit for the year** | | **8,901** | **10,016** |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net gains on financial assets at fair value through other comprehensive income disposed of during the year | | (5) | 24 |
| Unrealised profit on financial assets at fair value through other comprehensive income | | 26 | 410 |
| Deferred tax relating to components of other comprehensive income | | (4) | (82) |
| Effect of translation | | (16,306) | 10,135 |
| **Other comprehensive income / (loss) for the period, net of tax** | | **(16,289)** | **10,487** |
| **Total comprehensive income for the year** | | **(7,388)** | **20,503** |

The financial statements were approved by the Board of Management of the Bank on 29 April 2021.

President

Osman Oguz YALCIN

Chief Accountant

Natalia ELMANOVA

The accompanying notes on pages 5 to 74 form an integral part of these financial statements.

## Statement of Financial Position

| | Notes | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash | | 1,788 | 873 |
| Amounts due from the Central Bank of Russia | 10 | 19,030 | 19,467 |
| Amounts due from banks | 11 | 50,230 | 13,855 |
| Derivative financial instruments | 12 | 39 | 37 |
| Loans to customers | 13 | 196,531 | 205,005 |
| Financial assets at fair value through other comprehensive income | | | |
| - unpledged | 14 | 53,725 | 44,471 |
| - pledged under repurchase agreements | 14 | - | 11,852 |
| Non-current assets held for sale | 15 | 5,540 | - |
| Fixed assets and right-of-use assets | 16 | 1,335 | 317 |
| Intangible assets | 17 | 562 | 718 |
| Current tax assets | | 392 | 1,074 |
| Other assets | 18 | 249 | 333 |
| **Total Assets** | | **329,421** | **298,002** |
| **LIABILITIES AND SHAREHOLDER'S EQUITY** | | | |
| Derivative financial instruments | 12 | 4 | 23 |
| Amounts payable under repurchase agreements | 19 | - | 9,694 |
| Amounts due to banks | 20 | 84,941 | 121,460 |
| Amounts due to customers | 21 | 137,086 | 52,591 |
| Subordinated loans | 22 | 9,531 | 9,020 |
| Current tax liabilities | | - | 383 |
| Deferred tax liabilities | 24 | 3,081 | 4,137 |
| Other liabilities | 23 | 2,240 | 948 |
| **Total Liabilities** | | **237,063** | **198,256** |
| **Shareholders' Equity** | | | |
| Share capital | 25 | 49,269 | 49,269 |
| Share premium | | 683 | 683 |
| Revaluation reserve for financial assets at fair value through other comprehensive income | | 442 | 425 |
| Translation reserve | | (64,932) | (48,626) |
| Retained earnings | | 106,896 | 97,995 |
| **Total Shareholder's Equity** | | **92,358** | **99,746** |
| **Total Liabilities and Shareholders' Equity** | | **329,421** | **298,002** |

President

Osman Oguz YALCIN

Chief Accountant

Natalia ELMANOVA

The accompanying notes on pages 5 to 74 form an integral part of these financial statements.

# Statement of Cash Flows

| | Notes | 2020 USD'000 | 2019 USD'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Net profit for the year | | 8,901 | 10,016 |
| **Adjustments for non-cash items** | | | |
| Depreciation | | 139 | 430 |
| Interest expense | | 332 | (11) |
| Interest income | | (104) | (693) |
| Fee and commission income | | 120 | 29 |
| Fee and commission expense | | 13 | 23 |
| Allowance for credit losses | | (2,084) | 3,960 |
| Income tax expense | | 1,474 | 2,439 |
| Foreign currency transaction | | (4,713) | (3,053) |
| Other income | | 90 | 75 |
| **Cash flow from operating activities before changes/ (decrease) in operating assets and liabilities** | | **4,168** | **13,215** |
| **(Increase) / decrease in operating assets** | | | |
| Amounts due from banks | | (255) | 755 |
| Derivative financial instruments | | - | - |
| Loans to customers | | 4,791 | (1,230) |
| Other assets | | 84 | 36 |
| **Increase / (decrease) in operating liabilities** | | | |
| Derivative financial instruments | | - | - |
| Amounts payable under repo agreements | | (9,692) | 9,692 |
| Amounts due to banks | | (36,518) | (3,457) |
| Amounts due to customers | | 84,653 | (14,132) |
| Other liabilities | | 213 | (6) |
| **Net cash received from operating activities before income taxes paid** | | **47,444** | **4,873** |
| Income taxes paid | | (2,175) | (2,415) |
| **Net cash received from operating activities** | | **45,269** | **2,458** |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| (Acquisition) / repayment of financial assets at fair value through other comprehensive income | | 2,369 | (34,149) |
| Acquisition of fixed assets | | 91 | (66) |
| Acquisition of intangible assets | | 234 | (67) |
| **Net cash received from / (used in) investing activities** | | **2,694** | **(34,282)** |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Cash outflow from lease | | (286) | (314) |
| **Net cash used in financing activities** | | **(286)** | **(314)** |
| Effect of translation to presentation currency | | (16,296) | 10,654 |
| Effect of changes in exchange rates in cash and cash equivalents | | 5,197 | (1,945) |
| **Net increase / (decrease) in cash and cash equivalents** | | **36,578** | **(23,429)** |
| **Cash and cash equivalents as at the beginning of the year** | 32 | **32,110** | **55,539** |
| **Cash and cash equivalents as at the end of the year** | 32 | **68,688** | **32,110** |

The accompanying notes on pages 5 to 74 form an integral part of these financial statements.

## Statement of Changes in Shareholders' Equity

| | Share capital | Share premium | Revaluation reserve for financial assets at fair value through other comprehensive income | Translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Balance as at 1 January 2019** | **49,269** | **683** | **73** | **(58,761)** | **87,979** | **79,243** |
| Profit for the year | - | **-** | - | - | 10,016 | **10,016** |
| Other comprehensive income | - | - | 352 | 10,135 | - | **10,487** |
| **Total comprehensive income for the year** | **-** | **-** | **352** | **10,135** | **10,016** | **20,503** |
| **Balance as at 31 December 2019** | **49,269** | **683** | **425** | **(48,626)** | **97,995** | **99,746** |
| **Balance as at 1 January 2020** | **49,269** | **683** | **425** | **(48,626)** | **97,995** | **99,746** |
| Profit for the year | - | **-** | - | - | 8,901 | **8,901** |
| Other comprehensive income | - | - | 17 | (16,306) | - | **(16,289)** |
| **Total comprehensive income for the year** | **-** | **-** | **17** | **(16,306)** | **8,901** | **(7,388)** |
| **Balance as at 31 December 2020** | **49,269** | **683** | **442** | **(64,932)** | **106,896** | **92,358** |

## 1. Introduction

### 1.1 Principal activities

JSC Denizbank Moscow (the “Bank”) was re-established on 19 May 2003 as CJSC Denizbank Moscow through the acquirement of CJSC Iktisat Bank (Moscow) and was re-registered on 19 September 2003. The Bank’s predecessor, CJSC Iktisat Bank (Moscow), was initially established by Iktisat Bankasi T.A.Sh. as a joint stock company under the legislation of the Russian Federation and was granted its general banking license in 1998. By the decision of the General Meeting of Shareholders dated November 15, 2007, the Bank was renamed into CJSC Dexia Bank. By the decision of the General Meeting of Shareholders dated February 21, 2012, the Bank was renamed to CJSC Denizbank Moscow. In connection with the adoption of the Federal Law of 05.05.2014 No. 99-FZ, which amended Chapter 4 of Part 1 of the Civil Code of the Russian Federation, the name of the Bank was changed to JSC Denizbank Moscow.

As at 31 December 2020 and 31 December 2019 the Bank’s parent companies were DenizBank A.S. (Turkey), the owner of 49% shares of the Bank, and DenizBank AG (Austria), the owner of 51% shares of the Bank.

As at 31 December 2020 and 31 December 2019 the Bank does not have ultimate controlling parties since the Bank is a part of Emirates NBD Bank P.J.S.C Group. Emirates NBD Bank P.J.S.C Group is controlled by the Investment Corporation of Dubai (55,76% shares), and Investment Corporation of Dubai is controlled by the Government of Dubai.

As at today, the principal activities of the Bank are deposit taking, corporate lending, documentary business, customer settlements and operations with securities and foreign exchange.

The activities of the Bank are regulated by the Central Bank of the Russian Federation (“the CBR”) and are carried out on the basis of universal banking license № 3330.

Licenses as at 31 December 2020:

- License to conduct operations in rubles and foreign currency (exclusive of the right to take personal funds on deposit) № 3330 dated 15.12.2014;
- License to take personal funds on deposit in rubles and foreign currency № 3330 dated 15.12.2014;
- Licenses for professional activity on the securities market:
    - for the implementation of dealer activities № 177-10916-010000 dated 10.01.2008
- License for the provision of services in the field of information encryption № 3282 U dated 30.10.2008;
- License for distribution of encryption (cryptographic) means № 3281 R dated 30.10.2008;
- License for technical maintenance of encryption (cryptographic) means № 3280 X dated 30.10.2008.

The Bank is a member of the state deposit insurance scheme in the Russian Federation.

As at 31 December 2020 the Bank is located and carried out its activities in Moscow.

Address: 123022, Moscow, 2nd Zvegorodskaya str., 13, p. 42, 6th floor.

The average number of persons employed by the Bank during the 2020 year was approximately 71 (2019: 72).

## 1. Introduction (continued)

### 1.2 Operating Environment

The economy of the Russian Federation demonstrates certain characteristics of an emerging market. It is particularly sensitive to oil and gas price fluctuations. The tax, currency and customs legislation of the Russian Federation continues to evolve and is subject to varying interpretations. Low oil prices, ongoing political tension in the region and continuing international sanctions against certain Russian companies and individuals have had a negative impact on the Russian economy in 2020. These factors contributed to the country's economic recession, which is characterized by a decline in gross domestic product. The financial markets continue to be volatile and are characterized by frequent and significant price movements and increased trading spreads.

These trends may have a significant impact on the Bank's results of operations and financial position in the future. In addition, such factors as a decline in real household incomes in Russia, reduced corporate liquidity and profitability, and increased corporate and personal bankruptcies may affect the ability of borrowers to repay the amounts due to the Bank. Unfavorable changes in economic conditions may lead to a decrease in the value of collateral accepted under loans and other obligations.

In 2020, the development of the Russian banking sector was influenced by a number of factors:

- according to the forecast of the Central Bank of Russia, the inflation target for 2020 was set at 4%. Inflation at the end of December 2020 was set at 4.9%;
- In 2020, the Rouble weakened against the U.S. dollar from 61.9057 RUB/USD at the beginning of the year to 73.8757 RUB/USD at the end of December 2020;
- at the end of 2020 the key rate was 4.25% per year, while the rate was reduced from the level of 6.25% at the beginning of the year - by 0.25% in February and July, by 0.5% in April and 1% in June. The earlier decisions on the key rate continue to translate into the easing of monetary conditions and banks' pricing policies. Along with the decrease in interest rates, non-price lending conditions are also easing. The role of concessional lending programs for businesses and citizens is growing;
- RTS index as at January 01, 2021 was 1387.5 points (as at 01 January 2020 - 1548.9 points);
- The price of Brent crude oil was $51.8 per barrel as at January 01, 2021 ($66.0 per barrel as at 01 January 2020).

In the context of the influence of world financial markets on the Russian economy, the Bank pursues a balanced and well-considered policy in the field of financial and economic activities, constantly weighing the possible risks and benefits from investing free funds. However, the future economic and regulatory environment and its impact on the Bank's results of operations may differ from current expectations.

*COVID-19 Pandemic*

On 11 March 2020, the World Health Organization (WHO) declared the outbreak of a new coronovirus a pandemic. The difficult epidemiological situation around the world has affected the global economy. The response by many governments around the world to contain the pandemic has caused significant disruption in the operating cycles of many companies and has had a significant impact on their businesses in various sectors, including impacts such as business disruption through suspension, supply disruption, staff quarantine or remote working, reduced demand and difficulty in raising financing. The Bank's operations have been affected by the duration and spread of the pandemic impact on the global and Russian economies.

By June 2020, in many countries there were signs of a decline in the pandemic. Governments have begun to gradually ease or remove restrictions. This trend has supported the recovery in global financial and commodity markets.

The deterioration of the epidemiological situation in the fourth quarter again led to a decrease in business activity. The increase in morbidity and the strengthening of the corresponding restrictive measures have slowed down the economic recovery. In many countries, unemployment continues to rise and the level of economic activity remains depressed.

## 1. Introduction (continued)

### 1.2 Operating Environment (continued)

The government of the Russian Federation and the Bank of Russia have taken a number of measures to support the economy affected by the impact of COVID-19. The main anti-crisis measures of the Bank of Russia are aimed at protecting the interests of citizens, at supporting vulnerable sectors of the economy, at supporting lending to small and medium-sized businesses, mortgage lending, and at supporting the potential of the financial sector to provide resources to the economy.

It is expected that both the pandemic itself and measures to minimize its consequences may affect the activities of companies in various industries, including banking. The Bank's management continues to closely monitor the development of the pandemic, taking active measures to minimize risks to personnel and business in general.

The estimates of the Bank's management have been made based on available data under the prevailing macroeconomic environment. However, the current estimates of the Guidelines may change due to uncertainties about the duration of the spread and the magnitude of the impact of the coronavirus infection.

## 2. Basis of Presentation

### 2.1 Statement of compliance

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (“IFRS”), as adopted and published by the International Financial Reporting Interpretations Committee of the IASB.

### 2.2 Going concern principle

Management has prepared these statements based on the going concern assumption.

### 2.3 Basis of measurement

The financial statements are prepared on the historical cost basis except for financial assets at fair value through other comprehensive income, financial assets and liabilities at fair value through profit or loss and non-current assets held for sale which are measured at the lower of their carrying amount and fair value less costs to sell.

### 2.4 Functional and presentation currency

The national currency of the Russian Federation is the Russian rouble. Previous to 1 January 2006 the Bank used the USD as its functional currency. As at 1 January 2006, due to the constant growth of operations performed in Russian rubles the Bank re-evaluated its functional currency and as a result changed it from the USD to the RUB.

To effect the change in the functional currency, the USD balance sheet figures as at 31 December 2005 were translated to the RUB at the official exchange rate of the CBR effective as at this date.

The presentation currency used in the preparation of these financial statements is United States Dollar (“USD”) since management believes that the USD is more useful for the users of the financial statements.

The financial statements have been translated from the RUB (the functional currency) to the USD (the presentation currency) as follows:

- Assets, liabilities that are included to the statement of financial position as of 31 December 2020 have been translated to USD at the RUB/USD exchange rate of 73.8757;

- All income and expense items incurred during the year ended 31 December 2020 and shareholder’s equity have been translated to USD at the average RUB/USD exchange rate of 72.1430;

## 2. Basis of Presentation (continued)

### 2.4 Functional and presentation currency (continued)

- All resulting exchange differences have been recognized as “translation reserve” which is a separate component of shareholders’ equity.

All amounts in the financial statements have been rounded to the nearest thousands unless otherwise specified.

### 2.5 Significant accounting judgements, estimates and assumptions

In the process of applying the Bank’s accounting policies the Bank's management makes judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors, including expectations regarding future events that are believed to be reasonable under the circumstances. Actual results ultimately may differ from these estimates. Estimates and associated assumptions are reviewed on a regular basis. Changes in estimates are recorded in the period in which the estimate was revised if the change affects only this period or in the period in which the estimate was revised and in future periods it the change affects both current and future periods.

**Business model assessment**

Assessment of the business models within which the assets are held and the assessment of whether the contractual terms of the financial asset are solely payments of the principal and interest on the principal amount are disclosed in the Notes 3 and 26.1.

**Credit loss allowance on financial assets**

The measurement of expected credit loss allowance for financial assets measured at amortised cost and financial assets measured at fair value through other comprehensive income (FVOCI) requires the use of complex models and significant assumptions about future economic conditions and credit behavior. A number of significant judgements are also required in applying the accounting requirements for measuring expected credit loss (ECL), such as:

- Determining the criteria for significant increase in credit risk
- Choosing appropriate models and assumptions for the measurement of expected credit losses
- Establishing the number and relative weights of forward-looking scenarios for each type of product/market and the associate expected credit loss
- Establishing groups of similar financial assets for the purposes of measuring expected credit losses.

Allowance for expected credit losses is affected by the following factors:

- Transfers and corresponding remeasurement of credit loss allowances between Stage 1 (12-month ECL) and Stage 2 (Lifetime ECL not credit-impaired) or 3 (Lifetime ECL credit-impaired) due to balances experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent “step up” (or “step down”) between 12-month and lifetime ECL, as well as net remeasurement of credit loss allowance within the same stage
- Additional allowances for new originated or purchased financial instruments during the period, as well as releases for financial instruments derecognised in the period
- Changes to ECL measurement model assumptions and estimates due to changes in PDs, EADs and LGDs in the period, arising from regular update of inputs to ECL models
- Remeasurement of credit loss allowance to reflect all contractually receivable interest due to the passage of time because ECL is measured on a present value basis
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period, as well as recoveries of amounts previously written off
- Exchange differences on translating foreign operations and assets denominated in foreign currencies, and other movements.

## 2. Basis of Presentation (continued)

### 2.5 Significant accounting judgements, estimates and assumptions(continued)

Information on estimation techniques, judgements and assumptions used in measuring expected credit losses is presented in Notes 3 and 26.1.

**Fair value of financial instruments**

The estimated fair value of financial instruments has been determined by the Bank using available market information, where it exists.

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques.

**Non-current assets held for sale**

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell.

Fair value is determined based on market data by qualified appraisers, less amortization and subsequent accumulated impairment losses. The market value of non-current assets for sale is estimated using three methods:

- The comparable sales method, which includes an analysis of market sales prices for similar non-current assets for sale;
- Income method, which assumes a direct link between the income received from a non-current asset for sale and its market value;
- The cost method, which assumes that the selling price of a non-current asset is equal to its recoverable amount less any depreciation.

Valuations are performed regularly to ensure that the carrying amount of assets does not differ materially from the fair value of the assets at the reporting date.

**Tax legislation**

Tax, monetary and customs legislation of the Russian Federation allow for different interpretations (see Note 29).

## 3. Summary of Significant Accounting Policies

The accounting policies applied in the financial statement are presented below. These principles are consistent with all the periods represented in the financial statement unless otherwise specified.

### 3.1 Financial instruments

***Amortised cost and gross carrying amount***

Amortised cost of a financial asset or a financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

Gross carrying amount is the amortised cost of a financial asset before adjusting for any loss allowance.

## 3. Summary of Significant Accounting Policies (continued)

### 3.1 Financial instruments (continued)

***Financial assets and financial liabilities - recognition and initial measurement***

The Bank initially recognises loans and advances, deposits, debt securities, issued and subordinated liabilities on the date of origin. All other financial instruments (including regular acquisition and sale of financial assets) are recognised on the trade date, i.e., the date that the Bank becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at their fair value, except in the case of financial assets and financial liabilities recorded at FVPL, transaction costs are added to, or subtracted from, this amount.

***Financial instruments - classification***

The Bank classifies all of its financial assets at initial recognition, measured at either: at amortised cost, at fair value through other comprehensive income (FVOCI) or at fair value through profit of loss (FVPL).

Financial asset is measured at amortised cost if both of the following conditions are met and if it is not classified as measured at fair value through profit or loss:

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

Debt instruments is measured at fair value through other comprehensive income, if both of the following conditions are met and if it is not classified as measured at fair value through profit or loss:

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

Upon initial recognition of an investment in equity instruments that are not held for trading, the Bank may choose (without the right of subsequent reclassification) to recognise subsequent changes in fair value in other comprehensive income. The choice is made by the Bank at its own discretion in each specific case.

All other financial assets are classified as measured at fair value through profit or loss.

Moreover, at initial recognition the Bank may irrevocably classify a financial asset which may be classified as measured at amortised cost or at fair value through other comprehensive income according to the requirements specified above as measured at fair value through profit or loss when it eliminates, or significantly reduces, a measurement or recognition inconsistency (“an accounting mismatch”) that would otherwise arise.

***Derivatives***

The Bank is a party of derivatives, part of which is held for trading and the remaining part — for managing interest, credit and currency risks. Derivatives which are held include foreign currency forward contracts, interest rate swaps, cross-currency interest rate swaps.

Derivatives are initially recognised at fair value at the date of concluding an instrument and then revalued at fair value at each reporting date. Changes in the fair value of derivatives are immediately included in net gains/(losses) on financial assets at fair value through profit or loss.

Financial derivatives with a positive fair value are recognised as a financial asset, while financial derivatives with a negative fair value are recognised as a financial liability.

## 3. Summary of Significant Accounting Policies (continued)

### 3.1 Financial instruments (continued)

***Business model assessment***

The Bank carries assessment of the business models within which the assets are held at the level of investment portfolio as far as it is the easiest way to understand the way the business is managed and the nature of information provided to the management.

Information considered includes:

- Investment strategy and the goal stated for the portfolio, as well as the implementation of this strategy. In particular, it is determined whether the strategy of the Bank's management aimed at obtaining contractual
- interest income is implemented by maintaining a certain level of interest rates, by matching the terms of receipt of financial assets with the maturity of liabilities financing these assets or by generating cash flows through the sale of assets
- How the yield on portfolio is estimated and how this information is reported to the Banks'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)
- Frequency, value and timing of sales in the previous periods, the reasons for such sales and expectations for the activities on future sales. However, the sales themselves do not define the business model and, accordingly, cannot be viewed in isolation but only as part of an assessment of how the financial assets management objective stated by the Bank is achieved, and, in particular, how cash flows are realized.

Financial assets which are managed and the profitability of which is estimated on the fair value basis are classified as measured at fair value, and the changes in fair value are recognised in profit or loss since these financial instruments are held neither for collecting contractual cash flows nor for selling financial assets.

***Assessment of whether the contractual cash flows are solely payments of principal and interest on the amount outstanding (the SPPI test)***

In order to estimate whether the contractual terms of financial assets meet the SPPI criteria the Bank carries out the SPPI test. In conducting this test, the Bank evaluates whether the contractual cash flows are consistent with the main credit mechanism, i.e. interest includes only the consideration for the time value of money and credit risk, other credit risks and profit related to the basic lending arrangement. In case when the contractual terms of an asset include risk or volatility, which do not meet the main credit mechanism, such asset is classified and measured at fair value through profit or loss. For the implementation of the SPPI test, the Bank uses the SPPI checklist.

“Principal” for the purpose of this test is defined as the fair value of the financial asset at initial recognition. “Interest” is defined as the consideration for the time value of money, credit risk associated with the principal amount outstanding for a certain period and for other ordinary risks and costs related to lending (for example, liquidity risk and credit management costs), as well as profit margin.

## 3. Summary of Significant Accounting Policies (continued)

### 3.1 Financial instruments (continued)

While identifying whether the contractual cash flows are solely payments of principal and interest on the amount outstanding, the Bank assesses the contractual terms of financial instrument. In particular, the Bank should assess whether the contract provides such a condition that may change the timing or amounts of contractual cash flows so that it will be impossible to meet the specified condition. In conducting such an assessment, the Bank takes into account:

- Events which lead to changes in timing and the amounts of cash flows
- The ratio of debt to equity
- Terms of advance payments and term extensions
- Conditions that limit the Bank's ability to claim cash flows from certain assets (for example, the release of an asset from the right of recourse), and also
- Conditions which change the consideration for the time value of money, for example, periodic review of the interest rate.

***Reclassification***

Financial assets may be reclassified after the initial recognition only and exclusively in the period after which the Bank changes its financial asset management business model.

***Modification***

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. In this case the Bank recalculates the gross carrying amount of the financial asset and records gain or loss resulting from the adjustment of the gross carrying amount as modification gain or loss in the statement of profit and loss. If financial difficulties faced by a borrower is the reason for modification, gains of losses are recognised along with the impairment loss. In other cases, such gains or losses are considered as interest income.

***Loans***

Loans include:

- Loans and advances measured at amortised cost; they are initially recognised at fair value plus additional direct transaction costs, further they are measured at amortised cost calculated using the effective interest rate method
- Loans and advances measured at amortised cost on a mandatory basis with the changes of the amortised cost recorded in profit or loss or classified as measured at fair value with the changes of the amortised cost recorded in profit or loss; they are initially recognised at fair value with the changes of the fair value recognised immediately in profit or loss
- Financial receivables on finance leases.

If the Bank acquires a financial asset and simultaneously concludes an agreement to resell this (or substantially similar) asset at a fixed price on a future date (in the form of reverse repurchase agreement or stock borrow), such an agreement is recorded as loan or advance and the underlying asset is not recorded in the financial statements of the Bank.

***Securities***

Securities include:

- Debt securities measured at amortised cost; they are initially measured at fair value plus additional direct transaction costs, consequently they are recorded at amortised cost calculated using the effective interest rate method;
- Debt securities and investments in equity instruments which are measured at fair value on a mandatory basis with the changes of fair value recorded in profit or loss or classified as measured at fair value with the changes of fair value recorded in profit or loss; instant recognition of changes in fair value in the statement of profit and loss is not provided;

## 3. Summary of Significant Accounting Policies (continued)

### 3.1 Financial instruments (continued)

- Debt securities measured at fair value through other comprehensive income;
- Investments in equity instruments classified as measured at fair value through other comprehensive income.

Gains and losses arising due to changes in fair value of debt instruments measured at fair value through other comprehensive income are recognised in other comprehensive income, except for the following indicators, which are recognised in profit or loss in the same manner as for financial assets measured at amortised cost:
- Interest income calculated using the effective interest rate method
- Expected credit losses and recoveries of losses, and
- Gains and losses from foreign exchange translation.

When a debt security measured at fair value through other comprehensive income is derecognized, the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to the income statement.

The Bank chose to record in other comprehensive income changes in fair value of certain investments in equity instruments which are not held for trade. The choice is made for each instrument at initial recognition and is not the subject for reclassification.

Gains and losses arising from such equity instruments are never reclassified to the statement of profit or loss, moreover, impairment is never recorded at statement of profit and loss either. Dividends are recorded in the statement of profit or loss unless they obviously represent a return of a part of costs associated with these investments; in this case they are recorded in other comprehensive income. On derecognition, cumulative gains or losses previously recognised in other comprehensive income are transferred to retained earnings at the moment of derecognition.

***Financial liabilities***

The Bank classifies all the financial liabilities as measured at amortised cost using the effective interest rate method, except for:
- Financial liabilities held for trading, including derivatives. Such liabilities are subsequently measured at fair value through profit or loss;
- Financial liabilities which were designated by the Bank as liabilities measured at fair value through profit or loss;

- Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement principle is applied. Notwithstanding other measurement requirements of IFRS, the transferred asset and the related liability are measured on a basis that reflects the rights and obligations that the Bank has retained. The associated liability is measured so that the net carrying amount of the transferred asset and the associated liability is:
  - Amortised cost of the rights and obligations that the Bank has retained if the transferred asset is measured at amortised cost, or
  - Fair value of rights and obligations retained by the Bank estimated on its own, if the transferred asset if measured at fair value
- Financial guarantee contracts, under which the issuer is obliged to make certain payments in order to recover losses to the holder, due to the fact that a certain debtor is not able to make a payment within a specified period in accordance with the original or revised terms of a debt instrument.

After the initial recognition the issuer of such an agreement subsequently evaluates such an agreement on the largest of:
- Allowance for expected credit losses measured according IFRS 9 and initially recognised fair value less, if necessary, cumulative income recognised according to IFRS 15 “Revenue from Contracts with Customers”

## 3. Summary of Significant Accounting Policies (continued)

### 3.1 Financial instruments (continued)

- Loan commitments at below market interest rates drawdown. After initial recognition such commitments are subsequently measured by the issuer at the higher of the:
  - the amount of the expected credit loss allowance, measured in accordance with IFRS 9, and
  - the fair value initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with IFRS 15 “Revenue from Contracts with Customers”
- Contingent consideration of an acquirer in a business combination in respect of which IFRS 3 “Business Combination” is applied. Such a contingent consideration should be subsequently measured at fair value through profit or loss.

Deposits, debt securities issued and subordinated liabilities are a source of debt refinancing for the Bank.

Deposits, debt securities issued and subordinated liabilities were initially measured at fair value less additional direct transaction costs, consequently they were measures at amortised cost using the effective interest rate method, except for the cases when the Bank classifies liabilities as measured at fair value through profit or loss.

The Bank derecognises financial liabilities, when the obligation under the liability is discharged, cancelled or expired.

***Calculating interest income and expense***

When calculating interest income and interest expense, the effective interest rate is applied to the gross carrying amount of the asset other than credit-impaired assets or to the amortised cost of the liability.

However, when a financial asset becomes credit-impaired after initial recognition interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the financial assets cure and are no longer credit-impaired, the Bank reverts to calculating interest income on the basis of gross carrying amount.

For purchased or originated credit-impaired (POCI) financial assets, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset.

Interest income will not be calculated on the basis of gross carrying amount of the asset even in the case if credit risk associated with the asset decreases.

### 3.2 Impairment of assets

The Bank recognises allowance for expected credit losses in relation to the following financial instruments, which are not classified as measured at fair value through profit or loss:
- Debt financial instruments
- Finance lease receivables
- Financial guarantees issued
- Loan commitments issued.

Impairment losses on investments in equity instruments are not reported in the financial statements.

The expected credit loss allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or LTECL) except for the following instruments for which the allowance is based on the 12 months’ expected credit loss (12mECL):
- debt investment securities defined as having low credit risk as at the reporting date, and
- other financial instruments (except (finance) lease receivables), unless there has been no significant increase in credit risk since origination.

The expected credit loss allowance for from (finance) lease receivables is always calculated for the lifetime expected credit loss.

## 3. Summary of Significant Accounting Policies (continued)

### 3.2 Impairment of assets (continued)

The Bank believes that a debt security has low credit risk if its credit rating corresponds to internationally accepted definition of “investment grade”.

The 12 months’ expected credit loss is the portion of lifetime expected credit loss that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

***The estimation of expected credit losses***

The expected credit losses represent probability-weighted estimation of credit losses. They are estimated as follows:

- for financial assets that are not credit-impaired as at reporting date, the ECL is calculated as the present value of all the cash shortfalls (i.e. the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the Bank expects to receive);
- for financial assets that are credit-impaired as at reporting date, the ECL is calculated as the difference between gross carrying amount and the present value of expected future cash flows;
- for loan commitments the ECL is calculated as the present value of the difference between the cash flows that are due to an entity in accordance with the contract in case if the Bank draws down these loan commitments and the cash flows that the Bank expects to receive, and
- for financial guarantee contracts the ECL is calculated as the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Bank expects to repossess.

***Forbearance of financial assets***

If the conditions of a financial asset have been renegotiated or modified or the existing asset is replaced by a new one due to the financial difficulties of the borrower, the Bank estimates if the asset should be derecognised and calculates the expected credit losses as follows:

- If the expected forbearance does not result in derecognition of the existing asset expected cash flows from modified financial asset will be included in calculation of the cash shortfalls from the existing asset
- If the expected forbearance result in derecognition of the existing asset the estimated fair value of a new asset is considered as the last receipt from the existing financial asset at the moment of the write-off. This amount is included in the calculation of the cash shortfalls from the existing asset which are discounted since the expected date of write-off till the reporting date on the basis of the initial effective interest rate for the existing financial asset.

***Credit-impaired assets***

As at each reporting date the Bank estimates whether financial assets at amortised cost and debt financial assets measured at fair value through other comprehensive income became credit-impaired. A financial asset is considered to be “credit-impaired” when one or more events occur that adversely affect the expected future cash flows of such a financial asset.

Evidence of the impairment of a credit asset is, in particular, observed data under the following events:

- Significant financial difficulties of the borrower or issuer
- Violation of the terms of a contract, such as default past due payments
- Restructuring of a loan or advance by the Bank on terms that otherwise the Bank would not have provided
- The appearance of the probability of bankruptcy or other form of financial reorganisation, or
- The disappearance of an active market for the financial asset as a result of financial difficulties.

A loan whose terms have been renegotiated due to a significant deterioration in the condition of the borrower is usually considered to be impaired if there is no evidence that the risk of cash shortfalls has decreased significantly and there are no other evidence of impairment. Also a loan to individual, private entrepreneur or small business is considered to be impaired when the borrower becomes 90 days past due on its contractual payments.

## 3. Summary of Significant Accounting Policies (continued)

### 3.2 Impairment of assets (continued)

To determine whether an investment in sovereign (public) debt is impaired, the Bank takes into account the following factors:

- The estimation of the creditworthiness reflected in bond yield by the market
- Credit rating assigned by rating agencies
- Access of the government to capital markets for issuing new bonds
- The possibility of debt restructuring resulting in losses of the debt holders due to voluntary or mandatory written-offs of the debt.
- The availability of international financial support mechanisms that are ready to provide the necessary “loan of last resort” to such a government and the intension provided in public statements of public authorities and institutions to use these mechanisms. Such as estimate includes an analysis of the depth of these mechanisms as well as, regardless of the political component, the conformity of the government with the necessary criteria.

***The disclosure of allowance for expected credit losses in the financial statements***

Allowances for expected credit losses are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as deduction from gross carrying amount of assets
- Loan commitments and financial guarantee contracts: according to the general principles within provisions
- If a financial asset consists of both drawn down and undrawn part and the Bank cannot isolate from the expected credit losses the part that is related to drawn down commitments: the Bank presents a combined allowance for expected losses for both components. The amount of such a combined reserve is recorded as a deduction from gross carrying amount of drawn down commitments. The excess of the allowance for expected credit loss over gross carrying amount of the component is recorded as provision, and
- Debt instruments measured at fair value through other comprehensive income: allowance for expected credit loss is not recorded in the balance sheet since carrying amount of such assets is their fair value. At the same time data on allowance for expected credit losses is disclosed and are recognised in revaluation reserve for financial assets at fair value through other comprehensive income.

***Write-offs***

Loans and debt securities are written-off (either partially or in their entirety), if there are no real prospects for their recovery. Usually the Bank determines that the borrower does not have assets or sources of income that may generate cash flows sufficient for to pay the amounts that have been written off. At the same time for written off financial assets actions may be undertaken to enforce debt collection on them within the scope of the Bank's rules related to bad debt recovery.

### 3.3 The effective interest rate

Interest income and interest expense are recorded using the effective interest rate in the statement of profit and loss. The effective interest rate is the rate that discounts estimated future cash receipts and payments through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset, or
- the amortised cost of the financial liability.

When the Bank calculated the effective interest rate for financial instruments other than credit-impaired assets the Bank estimates future cash flows within a period specified in the contract without taking into account expected credit losses. For credit-impaired financial assets the credit-adjusted effective interest rate is calculated on the basis of the estimated future cash flows (including credit losses).

The effective interest rate is calculated by taking into account transaction costs and fees and costs that are an integral part of the EIR. Transaction costs include additional costs that are directly related to the acquisition or issue of a financial asset or a financial liability.

## 3. Summary of Significant Accounting Policies (continued)

### 3.4 Financial guarantees and loan commitments

Financial guarantees are contracts that require the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Loan commitments are firm commitments to provide a loan on pre-agreed conditions and on pre-agreed terms.

Financial guarantees or loan commitments, at interest rate below market interest rates drawdown, are initially recognised at fair value, subsequently the initial fair value is amortised over the life of the financial guarantee or loan commitment.

Such commitments are subsequently measured at the higher of the amortised cost and the amount of the expected credit loss allowance.

For other loan commitments the Bank recognises allowance for expected losses.

### 3.5 Foreign currency transactions

Transactions in foreign currencies are translated to the appropriate functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities denominated in foreign currencies, which are stated at historical cost, are translated to the functional currency at the foreign exchange rate ruling at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rate ruling at the dates the fair values were determined. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

Official exchange rates of foreign currencies against the ruble, used by the Bank for preparing these statements, are presented below:

| **Currency** | **As at 31 December 2020** | **As at 31 December 2019** |
|---|---|---|
| USD | 73.8757 | 61.9057 |
| Euro | 90.6824 | 69.3406 |
| Turkish lira | 10.0887 | 10.4087 |

### 3.6 Cash and cash equivalents

The Bank considers cash, balances with Central Bank, placements with banks and financial institutions as well as financial assets at fair value through profit or loss with original maturity periods of less than three months to be cash and cash equivalents.

Cash and cash equivalents are reflected at amortised cost in the statement of financial position.

### 3.7 Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase are retained within portfolios of securities measured at fair value through other comprehensive income and accounted for accordingly. Liability accounts are used to record the obligation to repurchase. The difference between the sale and repurchase price represents interest expense and is recognised in the statement of comprehensive income over the term of the repurchase agreement.

## 3. Summary of Significant Accounting Policies (continued)

### 3.7 Repurchase and reverse repurchase agreements (continued)

Securities held under reverse repurchase agreements are recorded as receivables. The difference between the purchase and sale price represents interest income and is recognised in the statement of comprehensive income over the term of the reverse repurchase agreement. The receivables due under reverse repurchase agreements have been shown net of any necessary provisions for impairment.

### 3.8 Offsetting

Financial assets and liabilities are offset and the net amount 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 realize the asset and settle the liability simultaneously.

### 3.9 Leases

In accordance with IFRS 16 Leases, the Bank recognizes: (a) assets and liabilities in respect of all leases with a term of more than 12 months, unless the value of the leased item is insignificant; and (b) depreciation of leased items separately from interest on lease liabilities in the income statement.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful lives of the assets and the lease term.

Right-of-use assets are disclosed within fixed assets and right-of-use assets line of the Statement of financial position, lease liabilities are disclosed within other liabilities line of the Statement of financial position.

Finance cost is disclosed within interest expense line of the Statement of profit or loss and other comprehensive income, depreciation of right-of-use assets is disclosed within general administrative expenses line of the Statement of profit or loss and other comprehensive income. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities comprise the net present value of the following lease payments:
- fixed lease payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- payments of penalties for terminating the lease (if the lease term reflects the lessee exercising the option to terminate the lease).

The lease payments are discounted using the rate that equal to the index of the Russian corporate bond market.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs.

Lease payments with respect to the short-term lease and the lease of low-value assets are recognised evenly as expenses as part of profit or loss and are disclosed within general administrative expenses line of the Statement of profit or loss and other comprehensive income. Short-term lease is a lease with the term of 12 months or less

## 3. Summary of Significant Accounting Policies (continued)

### 3.10 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of carrying amount and fair value less cost to sell.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition, subject to terms that are usual and customary for sale of such assets. Management must be committed to the sale and must actively market the property for sale at a price that is reasonable in relation to the current fair value. The sale should be expected to qualify for recognition as a completed sale within one year from the date of classification. If the assets have not been realized within one year, they should be reclassified to Other non-current assets.

### 3.11 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. The cost of the self-constructed assets includes the cost of materials, direct labour and an appropriate portion of production overhead. Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other expenditure is recognised in the statement of comprehensive income as an expense incurred.

Depreciation is charged to the statement of comprehensive income on a straight line basis over the estimated useful lives of the individual assets. Land is not depreciated. Depreciation commences the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and ready for use. The estimated useful lives are as follows:

| | |
|---|---|
| Leasehold improvements | 10 – 50 years |
| Vehicles | 4 years |
| Fixtures, fittings and other equipment | 5 – 10 years |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

### 3.12 Intangible asset

Intangible assets, which are acquired by the Bank, are stated at cost, less accumulated amortization and impairment losses.

Amortization is charged to the comprehensive income statement on a straight-line basis over the estimated useful lives of intangible assets. At the beginning of reporting period the estimated useful life of intangible assets was 3-30 years.

### 3.13 Debt securities issued

Debt securities are recorded initially at cost, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. Subsequently, debt securities in issue are stated at amortised cost and any difference between net proceeds and the redemption value is recoded in the statement of income over the period of the security issue using the effective interest rate method.

## 3. Summary of Significant Accounting Policies (continued)

### 3.14 Equity

Ordinary shares are classified as equity. External costs directly attributable to the issue of new shares, other than on a business combination, are shown as a deduction in equity from the proceeds. Any excess of the fair value of consideration received over the par value of shares issued is recognised as a share premium.

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

### 3.15 Employee benefits

In the normal course of business, the Bank contributes to the Russian Federation Pension Fund, the Social Insurance Fund and the Federal Compulsory Medical Insurance Fund on behalf of its employees. Mandatory contributions to the governmental pension scheme are expensed when incurred and included in staff costs in the statement of comprehensive income.

### 3.16 Taxation

Income tax on the profit for the year comprises current and deferred tax. Income tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized of the liability settled, based on the tax rates that have been enacted or substantively enacted at the balance sheet date.

### 3.17 Fee and commission income

Fee and commission income arises on financial services provided by the Bank including cash management services and asset management services.

## 4. New and Amended Standards and Interpretations

### 4.1 New standards and interpretations that are effective for the current year

The following amended standards and interpretations became effective for the Bank from 1 January 2020, but did not have any material impact on the Bank:

**Amendments to the Conceptual Framework for Financial Reporting** (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

## 4. New and Amended Standards and Interpretations (continued)

### 4.1 New standards and interpretations that are effective for the current year (continued)

**Amendments to IFRS 3 "Definition of a business"** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organised workforce should be present as a condition for classification as a business if are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a 'concentration test'. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

**Amendments to IAS 1 and IAS 8 "Definition of material"** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

**Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7** (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Hedging relationships would be affected if the reform causes uncertainty regarding timing and/or amount

of cash flows based on an existing interest rate benchmark in relation to hedged item or hedging instrument. As a result of reform it can cause uncertainty about timing and/or amount of cash flows based on an existing interest rate benchmark in relation to hedged item or hedging instrument for a period before an existing interest rate benchmark is replaced with an alternative, nearly risk-free interest rate. It can, in turn, lead to uncertainty about assessment of the probability of a forecast transaction and whether hedging relationship will be highly effective.

### 4.2 New and revised IFRSs in issue but not yet effective

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

**IFRS 17, Insurance contracts** (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognizing the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognizing the loss immediately.

## 4. New and Amended Standards and Interpretations (continued)

### 4.2 New and revised IFRSs in issue but not yet effective (continued)

**Amendments to IAS 17 and Amendments to IFRS 4** (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.

**Amendments to IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture** (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB). These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business. A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are held by a subsidiary.

***Classification of liabilities as current or non-current - Amendments to IAS 1*** (issued on 23 January 2020 and 15 July 2020 and effective for annual periods beginning on or after 1 January 2023). These narrow scope amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. The right to defer only exists if the entity complies with any relevant conditions as of the end of the reporting period. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

***Proceeds before intended use, Onerous contracts - cost of fulfilling a contract, Reference to the Conceptual Framework - narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018 - amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41*** (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).

***COVID-19-Related Rent Concessions Amendment to IFRS 16*** (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020). The amendment provides lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as if they were not lease modifications. The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; any reduction in lease payments affects only payments due on or before 30 June 2021; and there is no substantive change to other terms and conditions of the lease. The Bank elected not to adopt the above mentioned amendment.

***Interest rate benchmark (IBOR) reform - phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16*** (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Bank's management does not anticipate that the application of these amendments could have a material effect on the Bank's financial statements in future periods.

## 5. Interest Income and Expense

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| **Interest income** | | |
| Loans to customers | 13,070 | 15,014 |
| Financial assets at fair value through other comprehensive income | 2,757 | 3,068 |
| Due from banks | 430 | 853 |
| **Total interest income** | **16,257** | **18,935** |
| **Interest expense** | | |
| Due to customers | 2,026 | 2,116 |
| Due to banks | 1,033 | 1,416 |
| Subordinated loans | 216 | 249 |
| Debt securities issued | - | 26 |
| Lease liabilities | 19 | 25 |
| **Total interest expense** | **3,294** | **3,832** |

## 6. Fee and Commission Income and Expense

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| **Fee and commission income** | | |
| Guarantees issued | 2,169 | 2,175 |
| Settlement transactions | 528 | 780 |
| Currency control | 295 | 347 |
| Cash management | 149 | 162 |
| **Total fee and commission income** | **3,141** | **3,464** |
| **Fee and commission expense** | | |
| Guarantees issued | 114 | 423 |
| Settlement transactions | 189 | 365 |
| Cash management | 3 | 7 |
| Other | 49 | 82 |
| **Total fee and commission expense** | **355** | **877** |

## 7. Net Gains / (Losses) on Financial Assets at Fair Value through Profit or Loss

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Net gains / (losses) on foreign exchange derivatives | (9,915) | 3,919 |
| **Total net gains / (losses) on foreign exchange derivatives** | **(9,915)** | **3,919** |

## 8. General Administrative Expenses

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Employee compensation | 3,148 | 3,187 |
| Depreciation and amortization (Note 16,17) | 374 | 430 |
| Communication and information services | 345 | 313 |
| Taxes other than on income | 213 | 176 |
| IT support expenses | 178 | 151 |
| Insurance (including insurance of bank deposits of physical persons) | 164 | 80 |
| Professional services | 79 | 50 |
| Repairs and maintenance | 78 | 40 |
| Occupancy | 35 | 32 |
| Security | 34 | 27 |
| Representation expenses | 26 | 2 |
| Other | 2 | 243 |
| **Total general administrative expenses** | **4,676** | **4,731** |

## 9. Income Tax Expense

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| *Current tax expense* | | |
| Current income tax expense | 2,534 | 2,176 |
| *Deferred tax expense* | | |
| Changes in deferred tax due to the origination of temporary differences (Note 24) | (417) | 210 |
| **Total income tax expense** | **2,117** | **2,386** |

The Bank's applicable tax rate for 2020 was 20% (2019 – 20%). Income tax rate on interest income from government and municipal financial instruments is 15% (2019 – 15%).

**Reconciliation of expected income tax expenses with actual income tax expenses**

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Income before tax | 11,018 | 12,402 |
| Theoretical income tax benefit at the applicable statutory rate | 2,204 | 2,480 |
| Tax effect of income on government securities taxed at rates other than 20% | (86) | (33) |
| Tax effect of non-deductible costs and non-taxable income | (1) | (61) |
| **Total income tax expense** | **2,117** | **2,386** |

## 10. Amounts due from the Central Bank of Russia

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| Nostro accounts | 7,553 | 9,628 |
| Deposits | 9,137 | 7,754 |
| Minimum reserve deposit | 2,340 | 2,085 |
| **Total amounts due from the Central Bank of Russia** | **19,030** | **19,467** |

The minimum reserve deposit is a mandatory non-interest bearing deposit calculated in accordance with regulations issued by the CBR and whose withdrawal is restricted. The nostro balances represent balances with the CBR related to settlement activity and were available for withdrawal at year end. As at the end of the period, there were no restrictions on its use.

## 11. Amounts due from Banks

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| Nostro accounts | 28,774 | 12,958 |
| Deposits | 21,456 | 897 |
| **Total amounts due from banks** | **50,230** | **13,855** |

As at 31 December 2020 and 31 December 2019 the Bank did not have any overdue and impaired balances on placements with banks and other financial institutions.

### Significant exposures

As at 31 December 2020 the Bank had two related groups of banks (as at 31 December 2019: two related groups of banks), whose balance exceeded 10% of the placements with banks and other financial institutions. As at 31 December 2020 the gross value of this exposure was 28,444 USD'000 (as at 31 December 2019: 12,761 USD'000).

## 12. Derivative Financial Instruments

The fair value of derivative financial instruments as at 31 December 2020 are set out in the following table:

| | Notional or agreed amount USD'000 | Fair value Assets USD'000 | Fair value Liabilities USD'000 |
|---|---|---|---|
| Derivative foreign exchange contracts to buy USD and sell EUR | 18,793 | 12 | 4 |
| Derivative foreign exchange contracts to buy RUB and sell EUR | 22,117 | 27 | - |
| **Total derivative financial instruments** | **40,910** | **39** | **4** |

## 12. Derivative Financial Instruments (continued)

The fair value of derivative financial instruments as at 31 December 2019 are set out in the following table:

| | Notional or agreed amount USD'000 | Fair value Assets USD'000 | Fair value Liabilities USD'000 |
|---|---|---|---|
| Derivative foreign exchange contracts to buy EUR and sell RUB | 12,881 | - | 23 |
| Derivative foreign exchange contracts to buy RUB and sell EUR | 21,319 | 37 | - |
| **Total derivative financial instruments** | **34,200** | **37** | **23** |

## 13. Loans to Customers

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| Loans to commercial customers | 200,874 | 211,401 |
| Loans to individuals | 7 | 38 |
| **Loans to customers before impairment** | **200,881** | **211,439** |
| Less: Credit loss allowance | (4,350) | (6,434) |
| **Total loans to customers** | **196,531** | **205,005** |

## 13. Loans to Customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans to customers at amortised cost for 2020 is, as follows:

| | ECL allowance | | | Gross carrying amount | | |
|---|---|---|---|---|---|---|
| | Loans to commercial customers | Loans to individuals | Total | Loans to commercial customers | Loans to individuals | Total |
| **Stage 1** | | | | | | |
| **as at 1 January 2020** | **4,034** | **-** | **4,034** | **202,492** | **38** | **202,530** |
| Net change in gross carrying amount | - | - | **-** | 18,678 | (25) | **18,653** |
| Transfers to Stage 1 | - | - | **-** | - | - | **-** |
| Transfers to Stage 2 | - | - | **-** | - | - | **-** |
| Transfers to Stage 3 | - | - | **-** | - | - | **-** |
| Charge / (Reversal) of allowance | 992 | - | **992** | - | - | **-** |
| Effect of translation to presentation currency | (676) | - | **(676)** | (20,296) | (6) | **(20,302)** |
| **as at 31 December 2020** | **4,350** | **-** | **4,350** | **200,874** | **7** | **200,881** |
| **Stage 2** | | | | | | |
| **as at 1 January 2020** | **2,400** | **-** | **2,400** | **8,909** | **-** | **8,909** |
| Net change in gross carrying amount | - | - | **-** | 1,092 | - | **1,092** |
| Transfers to Stage 1 | - | - | **-** | - | - | **-** |
| Transfers to Stage 2 | - | - | **-** | - | - | **-** |
| Transfers to Stage 3 | (4,416) | - | **(4,416)** | (8,737) | - | **(8,737)** |
| Charge / (Reversal) of allowance | 2,357 | - | **2,357** | - | - | **-** |
| Effect of translation to presentation currency | (341) | - | **(341)** | (1,264) | - | **(1,264)** |
| **as at 31 December 2020** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Stage 3** | | | | | | |
| **as at 1 January 2020** | **-** | **-** | **-** | **-** | **-** | **-** |
| Net change in gross carrying amount | - | - | **-** | (5,275) | - | **(5,275)** |
| Transfers to Stage 1 | - | - | **-** | - | - | **-** |
| Transfers to Stage 2 | - | - | **-** | - | - | **-** |
| Transfers to Stage 3 | 4,416 | - | **4,416** | 8,737 | - | **8,737** |
| Charge / (Reversal) of allowance | (954) | - | **(954)** | - | - | **-** |
| Write-off | (3,462) | - | **(3,462)** | (3,462) | - | **(3,462)** |
| Effect of translation to presentation currency | - | - | **-** | - | - | **-** |
| **as at 31 December 2020** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total as at 1 January 2020** | **6,434** | **-** | **6,434** | **211,401** | **38** | **211,439** |
| **Total as at 31 December 2020** | **4,350** | **-** | **4,350** | **200,874** | **7** | **200,881** |

## 13. Loans to Customers (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances in relation to loans to customers at amortised cost for 2019 is, as follows:

| | ECL allowance | | | Gross carrying amount | | |
|---|---|---|---|---|---|---|
| | Loans to commercial customers | Loans to individuals | Total | Loans to commercial customers | Loans to individuals | Total |
| **Stage 1** | | | | | | |
| **as at 1 January 2019** | **909** | **4** | **913** | **172,243** | **43** | **172,286** |
| Net change in gross carrying amount | - | - | **-** | 3,690 | (10) | **3,680** |
| Transfers to Stage 1 | 63 | - | **63** | 5,108 | - | **5,108** |
| Transfers to Stage 2 | - | - | **-** | - | - | **-** |
| Transfers to Stage 3 | - | - | **-** | - | - | **-** |
| Charge / (Reversal) of allowance | 2,820 | (4) | **2,816** | - | - | **-** |
| Effect of translation to presentation currency | 242 | - | **242** | 21,451 | 5 | **21,456** |
| **as at 31 December 2019** | **4,034** | **-** | **4,034** | **202,492** | **38** | **202,530** |
| **Stage 2** | | | | | | |
| **as at 1 January 2019** | **1,131** | **-** | **1,131** | **15,043** | **-** | **15,043** |
| Net change in gross carrying amount | - | - | **-** | (252) | - | **(252)** |
| Transfers to Stage 1 | (63) | - | **(63)** | (511) | - | **(511)** |
| Transfers to Stage 2 | - | - | **-** | - | - | **-** |
| Transfers to Stage 3 | - | - | **-** | - | - | **-** |
| Charge / (Reversal) of allowance | 1,144 | - | **1,144** | - | - | **-** |
| Effect of translation to presentation currency | 188 | - | **188** | (5,371) | - | **(5,371)** |
| **as at 31 December 2019** | **2,400** | **-** | **2,400** | **8,909** | **-** | **8,909** |
| **Stage 3** | | | | | | |
| **as at 1 January 2019** | **-** | **-** | **-** | **-** | **-** | **-** |
| Net change in gross carrying amount | - | - | **-** | - | - | **-** |
| Transfers to Stage 1 | - | - | **-** | - | - | **-** |
| Transfers to Stage 2 | - | - | **-** | - | - | **-** |
| Transfers to Stage 3 | - | - | **-** | - | - | **-** |
| Charge / (Reversal) of allowance | - | - | **-** | - | - | **-** |
| Effect of translation to presentation currency | - | - | **-** | - | - | **-** |
| **as at 31 December 2019** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total as at 1 January 2019** | **2,040** | **4** | **2,044** | **187,286** | **43** | **187,329** |
| **Total as at 31 December 2019** | **6,434** | **-** | **6,434** | **211,401** | **38** | **211,439** |

## 13. Loans to Customers (continued)

An analysis of loans to customers and allowances for credit losses for loans for the year ended 31 December 2020 is, as follows:

| | Gross carrying amount of loans | Allowance for impairment | Total amortised cost of loans | Allowance for impairment to gross carrying amount of loans (%) |
|---|---|---|---|---|
| Loans to commercial customers | | | | |
| not past due | 200,874 | (4,350) | 196,524 | 2,17% |
| **Total loans to commercial customers** | **200,874** | **(4,350)** | **196,524** | **2,17%** |
| Loans to individuals | | | | |
| not past due | 7 | - | 7 | - |
| **Total loans to individuals** | **7** | **-** | **7** | **-** |
| **Total loans to customers** | **200,881** | **(4,350)** | **196,531** | **2,17%** |

An analysis of loans to customers and allowances for credit losses for loans for the year ended 31 December 2019 is, as follows:

| | Gross carrying amount of loans | Allowance for impairment | Total amortised cost of loans | Allowance for impairment to gross carrying amount of loans (%) |
|---|---|---|---|---|
| Loans to commercial customers | | | | |
| not past due | 202,492 | (4,034) | 198,458 | 1,99% |
| past due up to 60 days | 8,909 | (2,400) | 6,509 | 26,94% |
| **Total loans to commercial customers** | **211,401** | **(6,434)** | **204,967** | **3,04%** |
| Loans to individuals | | | | |
| not past due | 38 | - | 38 | - |
| **Total loans to individuals** | **38** | **-** | **38** | **-** |
| **Total loans to customers** | **211,439** | **(6,434)** | **205,005** | **3,04%** |

In accordance with the agreement concluded between the Borrower and the Bank at 1 September 2020 “On the sale and purchase of property and rights following the results of open tenders” and the “Agreement on debt repayment”, the overdue loan debt in the total amount of 9,002 thousand rubles was settled: 5,540 thousand rubles were repaid from the pledged real estate (see Note 15). The outstanding balance of overdue loans in the amount of 3,462 thousand rubles was written off.

An analysis of the loan portfolio (less impairment) by types of collateral as at 31 December 2020 is, as follows:

| | Loans to commercial customers | Loans to individuals | Total | Share in loan portfolio (%) |
|---|---|---|---|---|
| Guarantees issued by banks | 78,458 | - | 78,458 | 39,92% |
| Other collaterals | 101,890 | - | 101,890 | 51,84% |
| Unsecured | 16,176 | 7 | 16,183 | 8,24% |
| **Total loans to customers** | **196,524** | **7** | **196,531** | |

## 13. Loans to Customers (continued)

An analysis of the loan portfolio (less impairment) by types of collateral as at 31 December 2019 is, as follows:

| | Loans to commercial customers | Loans to individuals | Total | Share in loan portfolio (%) |
|---|---|---|---|---|
| Guarantees issued by banks | 96,466 | - | 96,466 | 47,06% |
| Other collaterals | 78,891 | - | 78,891 | 38,48% |
| Unsecured | 29,610 | 38 | 29,648 | 14,46% |
| **Total loans to customers** | **204,967** | **38** | **205,005** | |

The structure of the Bank's loan portfolio reflecting the concentration risk by industry is, as follows:

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| Trade | 55,974 | 29,208 |
| Manufacturing | 46,785 | 52,108 |
| Construction, glass and mining | 41,690 | 47,036 |
| Finance | 34,612 | 31,634 |
| Forestry | 21,576 | 30,977 |
| Real state | 237 | 664 |
| Agriculture | - | 10,865 |
| Rent services | - | 8,909 |
| Individuals | 7 | 38 |
| | **200,881** | **211,439** |
| Allowance for expected credit losses | (4,350) | (6,434) |
| **Total loans to customers** | **196,531** | **205,005** |

### Significant exposures

As at 31 December 2020 the Bank had three exposures to related groups of companies (as at 31 December 2019 the Bank had three exposures), which individually comprised more than 10% of loans to customers. The total amount of these exposures as at 31 December 2020 was 77,674 USD'000 (as at 31 December 2019: 85,013 USD'000).

Information on Geographical Analysis is presented in Notes 37.

Information on Currency Analysis is presented in Notes 36.

Information on Maturity Analysis is presented in Notes 35.

## 14. Financial Assets at Fair Value through Other Comprehensive Income

### 14.1 Unpledged financial assets at fair value through other comprehensive income

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| **Debt instruments** | | |
| Corporate bonds | 43,455 | 22,413 |
| Bonds of the Bank of Russia | 6,830 | 22,058 |
| Bank bonds | 3,440 | - |
| **Total unpledged financial assets at fair value through other comprehensive income** | **53,725** | **44,471** |

### 14.2 Financial assets at fair value through other comprehensive income pledged under repurchase agreements

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| **Debt instruments** | | |
| Corporate bonds | - | 7,785 |
| Bank bonds | - | 4,067 |
| **Total financial assets at fair value through other comprehensive income pledged under repurchase agreements** | **-** | **11,852** |

As at 31 December 2020 and 31 December 2019 financial assets at fair value through other comprehensive income were not past due or impaired.

An analysis of the Bank's debt securities at fair value through other comprehensive income as at 31 December 2020 is, as follows:

| | Maturity | | Interest range | |
|---|---|---|---|---|
| | **minimum** | **maximum** | **minimum** | **maximum** |
| Corporate bonds | 23.03.2021 | 04.04.2024 | 5,50% | 8,70% |
| Bonds of the Bank of Russia | 13.01.2021 | 13.01.2021 | 4,24% | 4,24% |
| Bank bonds | 23.12.2022 | 23.12.2022 | 6,55% | 6,55% |

An analysis of the Bank's debt securities at fair value through other comprehensive income as at 31 December 2019 is, as follows:

| | Maturity | | Interest range | |
|---|---|---|---|---|
| | **minimum** | **maximum** | **minimum** | **maximum** |
| Corporate bonds | 24.02.2020 | 18.10.2022 | 6,15% | 9,15% |
| Bonds of the Bank of Russia | 15.01.2020 | 12.02.2020 | 6,33% | 6,48% |
| Bank bonds | 20.12.2022 | 20.12.2022 | 6,55% | 6,55% |

## 14. Financial Assets at Fair Value through Other Comprehensive Income (continued)

### 14.2 Financial assets at fair value through other comprehensive income pledged under repurchase agreements (continued)

An analysis of the Bank's debt securities at fair value through other comprehensive income by credit ratings assigned by national credit rating agencies as at 31 December 2020 and 31 December 2019 is, as follows:

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| **Debt instruments** | | |
| AAA | 36,560 | 38,577 |
| AA+ | 4,261 | 5,172 |
| AA | 12,904 | 12,574 |
| **Total debt instruments** | **53,725** | **56,323** |

## 15. Non-current assets held for sale

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| Non-residential building and land lease rights | 5,540 | - |
| **Total non-current assets for sale** | **5,540** | **-** |

In September 2020, in connection with the signing of documents by the Bank as a part of the bankruptcy of the borrower, an agreement was concluded between the client and the Bank on 1 September 2020 "On the sale and purchase of property and rights following an open auction" and "Agreement on the repayment of debt" between this client and the Bank dated 1 September 2020, the Bank reflected non-residential building and land lease rights as non-current assets for sale.

The building acquired by the Bank under the Agreement is leased to commercial organizations for operating lease and is intended for further sale. In this regard, the Bank does not charge depreciation for this fixed asset item.

As of the date of transfer of the property, the appraisal was carried out by independent appraisers based on market prices for comparable properties.

Other non-current assets were carried in the statement of financial position at the lower of their carrying amount and fair value less costs to sell.

## 16. Fixed Assets and Right-of-use Assets

| USD'000 | Leasehold improvements | Fixtures and fittings | Vehicles | Right-of-use assets | Total |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| As at 1 January 2020 | 189 | 481 | 53 | 537 | **1,260** |
| Additions | - | 26 | - | 1,389 | **1,415** |
| Disposals | - | (7) | - | (537) | **(544)** |
| Effect of translation to presentation currency | (31) | (79) | (8) | (33) | **(151)** |
| **As at 31 December 2020** | **158** | **421** | **45** | **1,356** | **1,980** |
| **Depreciation** | | | | | |
| As at 1 January 2020 | (161) | (433) | (37) | (312) | **(943)** |
| Depreciation charge (Note 8) | (24) | (14) | (11) | (270) | **(319)** |
| Disposals | - | 7 | - | 537 | **544** |
| Effect of translation to presentation currency | 27 | 70 | 6 | (30) | **73** |
| **As at 31 December 2020** | **(158)** | **(370)** | **(42)** | **(75)** | **(645)** |
| **Carrying value** | | | | | |
| **As at 31 December 2020** | **-** | **51** | **3** | **1,281** | **1,335** |

| USD'000 | Leasehold improvements | Fixtures and fittings | Vehicles | Right-of-use assets | Total |
|---|---|---|---|---|---|
| **Cost as at 1 January 2019** | **164** | **389** | **47** | **-** | **600** |
| Impact of adopting IFRS 16 | - | - | - | 479 | **479** |
| **Cost** | | | | | |
| As at 1 January 2019 | 164 | 389 | 47 | 479 | **1,079** |
| Additions | 4 | 42 | - | - | **46** |
| Disposals | - | - | - | - | **-** |
| Effect of translation to presentation currency | 21 | 50 | 6 | 58 | **135** |
| **As at 31 December 2019** | **189** | **481** | **53** | **537** | **1,260** |
| **Depreciation** | | | | | |
| As at 1 January 2019 | (106) | (358) | (24) | - | **(488)** |
| Depreciation charge (Note 8) | (39) | (30) | (10) | (298) | **(377)** |
| Disposals | - | - | - | - | **-** |
| Effect of translation to presentation currency | (16) | (45) | (3) | (14) | **(78)** |
| **As at 31 December 2019** | **(161)** | **(433)** | **(37)** | **(312)** | **(943)** |
| **Carrying value** | | | | | |
| **As at 31 December 2019** | **28** | **48** | **16** | **225** | **317** |

## 16. Fixed Assets and Right-of-use Assets (continued)

Additional information on right-of-use assets is presented below:

| | **2020** | **2019** |
|---|---|---|
| | USD'000 | USD'000 |
| Interest expense on lease liabilities | 19 | 25 |
| Payments for short-term rentals and leases of low-cost properties | 34 | 32 |
| Total cash outflow for leases | 286 | 314 |

As at 31 December 2020 and 31 December 2019 the Bank had no restrictions on ownership of fixed assets, fixed assets pledged as collateral for obligations were not transferred.

As at 31 December 2020 and 31 December 2019 temporarily unused fixed assets and contractual obligations to acquire fixed assets were absent.

## 17. Intangible Assets

| USD'000 | **Licenses** |
|---|---|
| **Cost** | |
| As at 1 January 2020 | 1,526 |
| Additions | 14 |
| Disposal | - |
| Effect of translation to presentation currency | (248) |
| **As at 31 December 2020** | **1,292** |
| **Depreciation** | |
| As at 1 January 2020 | (808) |
| Depreciation charge (Note 8) | (55) |
| Disposals | - |
| Effect of translation to presentation currency | (133) |
| **As at 31 December 2020** | **(730)** |
| **Carrying value** | |
| **As at 31 December 2020** | **562** |

| USD'000 | **Licenses** |
|---|---|
| **Cost** | |
| As at 1 January 2019 | 1,300 |
| Additions | 64 |
| Disposal | - |
| Effect of translation to presentation currency | 162 |
| **As at 31 December 2019** | **1,526** |
| **Depreciation** | |
| As at 1 January 2019 | (670) |
| Depreciation charge (Note 8) | (53) |
| Disposals | - |
| Effect of translation to presentation currency | (85) |
| **As at 31 December 2019** | **(808)** |
| **Carrying value** | |
| **As at 31 December 2019** | **718** |

## 18. Other Assets

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| ***Other financial assets*** | | |
| Deposits and advances paid | 219 | 313 |
| **Total other financial assets** | **219** | **313** |
| ***Other non-financial assets*** | | |
| Tax prepayments | 30 | 20 |
| **Total other non-financial assets** | **30** | **20** |
| **Total other assets** | **249** | **333** |

## 19. Amounts payable under repurchase agreements

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| Amounts payable under repo with Central Counterparty | - | 9,694 |
| **Total amounts payable under repurchase agreements** | **-** | **9,694** |

As at 31 December 2020 amounts payable under repo agreements were absent (as at 31 December 2019: amounts payable under repo agreements consist of funds received under transactions with Central Counterparty on the pledge of securities, with the maturity on 9 January 2020 and repo rate from 6.75% to 6.8%).

**Securities pledged under repurchase agreements**

The Bank pledged the following financial assets at fair value through other comprehensive income as collateral for repurchase agreements (see Note 14):

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| **Debt instruments** | | |
| Corporate bonds | - | 7,785 |
| Bank bonds | - | 4,067 |
| **Total financial assets at fair value through other comprehensive income pledged under repurchase agreements** | **-** | **11,852** |

## 20. Amounts due to Banks

| | 31 December 2020 USD'000 | 31 December 2019 USD'000 |
|---|---|---|
| Term deposits | 79,149 | 111,465 |
| Vostro accounts | 5,792 | 9,995 |
| **Total amounts due to banks** | **84,941** | **121,460** |

## 20. Amounts due to Banks (continued)

### Significant exposures

As at 31 December 2020 there was one related group of banks (as at 31 December 2019: one related group) which individually comprised more than 10% of total amounts due to banks. The total amount of balances on such accounts as at 31 December 2020 was 70,184 USD'000 (as at 31 December 2019: 97,369 USD'000). (See Note 31 "Related Party Transactions").

## 21. Amounts due to Customers

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| Current accounts and demand deposits | | |
| - commercial customers | 35,832 | 25,522 |
| - individuals | 1,159 | 2,634 |
| Term deposits | | |
| - commercial customers | 97,905 | 22,648 |
| - individuals | 2,190 | 1,787 |
| **Total amounts due to customers** | **137,086** | **52,591** |

### Significant exposures

As at 31 December 2020 there was one group of companies, which individually comprised more than 10% of total amounts due to customers (as at 31 December 2019: one groups of companies). The total amount of balances on such accounts as at 31 December 2020 was 78,479 USD'000 (as at 31 December 2019: 13,908 USD'000).

The table below displays customer accounts and deposits from customers by economic branches:

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| Mineral manufacturing | 52,855 | 17,386 |
| Construction | 44,523 | 9,618 |
| Transport and communication, tourist services | 17,883 | 8,005 |
| Metallurgy industry | 9,560 | 658 |
| Trade | 4,959 | 6,032 |
| Individuals | 3,349 | 4,421 |
| Machinery and equipment | 1,548 | 1,707 |
| Manufacturing | 1,389 | 768 |
| Real estate | 295 | 250 |
| Vehicle production | 99 | - |
| Food services | 33 | 1 |
| Paper-and-pulp industry and publishing activities | 24 | 227 |
| Production and distribution of electrical energy, gas, and water | 21 | 2,375 |
| Financial | 13 | 14 |
| Logging | 1 | - |
| Individual entrepreneurs | 1 | 1 |
| Other | 533 | 1,128 |
| **Total amounts due to customers** | **137,086** | **52,591** |

## 22. Subordinated Loans

As at 31 December 2020 shareholders granted to the Bank the following subordinated loans:

| Counterparty name | Balance in foreign currency | Cur. | Date of issue | Maturity date | %% rate | Balance in USD'000 |
|---|---|---|---|---|---|---|
| "DenizBank A.S" (Turkey), loan agreement № 0002/1c dated 07.02.2000г. | 700 000 | USD | 17.02.2000г. | 31.12.2025г. | 5,10425% | 700 |
| "DenizBank A.S" (Turkey), loan agreement № 0002/2т-3с dated 22.09.2003г. | 2 000 000 | USD | 23.09.2003г. | 31.12.2025г. | 4,00425% | 2,000 |
| "DenizBank AG" (Austria), loan agreement № 0002/3а-3с dated 22.09.2003г. | 1 000 000 | USD | 23.09.2003г. | 31.12.2025г. | 4,00425% | 1,000 |
| "DenizBank AG" (Austria), loan agreement w/o dated 24.03.2006г. | 4 750 000 | EUR | 27.03.2006г. | 31.12.2025г. | 1,0000% | 5,831 |
| **Total** | | | | | | **9,531** |

As at 31 December 2019 shareholders granted to the Bank the following subordinated loans:

| Counterparty name | Balance in foreign currency | Cur. | Date of issue | Maturity date | %% rate | Balance in USD'000 |
|---|---|---|---|---|---|---|
| "DenizBank A.S" (Turkey), loan agreement № 0002/1c dated 07.02.2000г. | 700 000 | USD | 17.02.2000г. | 31.12.2025г. | 6,13238% | 700 |
| "DenizBank A.S" (Turkey), loan agreement № 0002/2т-3с dated 22.09.2003г. | 2 000 000 | USD | 23.09.2003г. | 31.12.2025г. | 5,03238% | 2,000 |
| "DenizBank AG" (Austria), loan agreement № 0002/3а-3с dated 22.09.2003г. | 1 000 000 | USD | 23.09.2003г. | 31.12.2025г. | 5,03238% | 1,000 |
| "DenizBank AG" (Austria), loan agreement w/o dated 24.03.2006г. | 4 750 000 | EUR | 27.03.2006г. | 31.12.2025г. | 1,0000% | 5,320 |
| **Total** | | | | | | **9,020** |

## 23. Other Liabilities

| | **31 December 2020** USD'000 | **31 December 2019** USD'000 |
|---|---|---|
| ***Other financial liabilities*** | | |
| Lease liabilities | 1,292 | 234 |
| Trade payables | 175 | 46 |
| **Total other financial liabilities** | **1,467** | **280** |
| ***Other non-financial liabilities*** | | |
| Payables to employees | 655 | 559 |
| Other taxes payable | 298 | 109 |
| **Total other non-financial liabilities** | **953** | **668** |
| **Total other liabilities** | **2,420** | **948** |

## 24. Deferred Tax Assets and Liabilities

Deferred tax assets and liabilities are, as follows:

| USD'000 | Assets 31 December 2020 | Assets 31 December 2019 | Liabilities 31 December 2020 | Liabilities 31 December 2019 | Net Position 31 December 2020 | Net Position 31 December 2019 |
|---|---|---|---|---|---|---|
| Derivative financial instruments | - | - | (9) | - | **(9)** | **-** |
| Loans to customers | - | - | (3,042) | (4,065) | **(3,042)** | **(4,065)** |
| Financial assets at fair value through other comprehensive income | - | - | (88) | (99) | **(88)** | **(99)** |
| Other assets | - | 7 | - | - | **-** | **7** |
| Fixed assets and right-of-use assets | 31 | - | - | (14) | **31** | **(14)** |
| Other liabilities | 27 | 34 | - | - | **27** | **34** |
| **Tax assets / (liabilities)** | **58** | **41** | **(3,139)** | **(4,178)** | **(3,081)** | **(4,137)** |

Movement in temporary differences during the year ended 31 December 2020:

| USD'000 | Balance as at 1 January 2020 | Recognised in statement of profit and loss (Note 9) | Recognised in other comprehen-sive income | Effect of translation to presentation currency | Balance as at 31 December 2020 |
|---|---|---|---|---|---|
| Derivative financial instruments | **-** | (9) | - | **-** | **(9)** |
| Loans to customers | **(4,065)** | 373 | - | 650 | **(3,042)** |
| Financial assets at fair value through other comprehensive income | **(99)** | 17 | (4) | (2) | **(88)** |
| Other assets | **7** | (6) | - | (1) | **-** |
| Fixed assets and right-of-use assets | **(14)** | 44 | - | 1 | **31** |
| Other liabilities | **34** | (2) | - | (5) | **27** |
| **Tax assets / (liabilities)** | **(4,137)** | **417** | **(4)** | **643** | **(3,081)** |

### 24. Deferred Tax Assets and Liabilities (continued)

Movement in temporary differences during the year ended 31 December 2019:

| USD'000 | Balance as at 1 January 2019 | Recognised in statement of profit and loss (Note 9) | Recognised in other comprehensive income | Effect of translation to presentation currency | Balance as at 31 December 2019 |
|---|---|---|---|---|---|
| Derivative financial instruments | **12** | (13) | - | 1 | **-** |
| Loans to customers | **(3,404)** | (235) | - | (426) | **(4,065)** |
| Financial assets at fair value through other comprehensive income | **(35)** | 25 | (82) | (7) | **(99)** |
| Other assets | **-** | 7 | - | - | **7** |
| Fixed assets and right-of-use assets | **20** | (35) | - | 1 | **(14)** |
| Intangible assets | **-** | - | - | - | **-** |
| Other liabilities | **(8)** | 41 | - | 1 | **34** |
| **Tax assets / (liabilities)** | **(3,415)** | **(210)** | **(82)** | **(430)** | **(4,137)** |

### 25. Shareholders' Equity

As at 31 December 2020 the authorised, issued and fully paid outstanding share capital comprised of 192,300 ordinary shares with a par value of RUB 5,869 per share.

| | **2020** | | | **2019** | | |
|---|---|---|---|---|---|---|
| | **Number of shares** | **Nominal value** | **Inflation-adjusted amount** | **Number of shares** | **Nominal value** | **Inflation-adjusted amount** |
| | | USD'000 | USD'000 | | USD'000 | USD'000 |
| Ordinary shares | 192,300 | 15,277 | 49,269 | 192,300 | 18,231 | 49,269 |
| | **192,300** | **15,277** | **49,269** | **192,300** | **18,231** | **49,269** |

The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at annual and general meetings of the Bank. Dividends payables are restricted to the maximum retained earnings of the Bank, which are determined according to legislation of the Russian Federation.

### 26. Risk Management

The Bank's risk management policies aim to identify, analyze, assess and manage the risks faced by the Bank, to set appropriate risk limits, to continuously monitor risk levels, including compliance with the established limits, and to take timely action when necessary.

Identification of risks and assessment of their materiality is performed once a year. In the event of significant changes in the external environment and/or the Bank's internal development strategy, which may affect the risk profile of the Bank, the identification and assessment of risk materiality may be carried out, taking into account additional factors of influence.

## 26. Risk Management (continued)

The process of risk identification and assessment of their materiality involves all departments of the Bank, which are subject to the internal methodology of assessment of significant risks.

A risk may be recognized as significant for a business unit, but not significant for the Bank as a whole. When assessing the materiality of risks, the Bank is guided by the assessment standards adopted in the internal methodology.

The types of risks for which the Bank of Russia sets norms for credit institutions that are taken into account when calculating the required regulatory capital of credit institutions are always recognized as significant for the Bank.

Other types of risk are assessed to be material based on a self-assessment of the maximum possible losses from the risk to the Bank's operations. A risk that cannot be estimated by a quantitative method may be recognized as significant on the basis of an expert opinion taking into account the scale of risk impact on the Bank's reputation.

The Bank plans the level of risk exposure by setting target levels of risk - a set of indicators (risk metrics) corresponding to the objectives.

For planning activities, the Bank uses risk metrics that characterize (or take into account) the level of losses from risk realization under non-stress conditions, and risk metrics that characterize (or take into account) the level of losses from risk realization under stressful conditions.

The results of the SPRIC are used by the Management Board and the Board of Directors of the Bank to determine compliance of the level of accepted risks with the established risk appetite limits, as well as in strategic planning. The results of the ALRCO are one of the main sources of quantitative risk assessment when making management decisions by the Bank's committees for managing significant risks for the Bank and management bodies (sole and collegiate). The Bank's divisions responsible for managing the Bank's significant risks use the results of the SPRIC to prepare proposals for controlling the risk level. The results of the SPRIC are used when making decisions to change the structure and/or amount of capital.

### 26.1 Credit risk

Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Bank on all credit related products granted to a Client.

These financial liabilities may include the debtor's obligations under:

- loans received, including interbank loans (deposits, loans), other placed funds, including claims for receipt (return) of debt securities, shares and promissory notes provided under a loan agreement;
- promissory notes discounted by the Bank;
- bank guarantees for which the funds paid by the Bank have not been reimbursed by the principal;
- transactions of sale (purchase) of financial assets with a deferred payment (delivery of financial assets);
- letters of credit paid by the Bank (including uncovered letters of credit);
- return of monetary funds (assets) under a transaction for the acquisition of financial assets with an obligation to dispose of them again.
- claims for open credit lines and overdrafts;

*Credit risk management*

The Bank's credit risk management is organized in accordance with the following principles:

- Use of modern methods and tools of credit risk management in the Bank, developed on the basis of unified approaches, providing maximum standardization of processes of transactions bearing credit risk, taking into account the segmentation of clients by risk profiles:
- objective and accurate assessment of credit risk; use of reliable, factual and statistical information.
- integration of credit risk management processes within the group (DFSG).
- Implementation of uniform rules for the distribution and division of credit risk management authority within the Bank.

## 26. Risk Management (continued)

### 26.1 Credit risk (continued)

- implementation of credit risk management by the Bank's structural divisions within the limits and powers granted to them.
- creation of committees, each of which should exercise control and manage risks.
- the units responsible for monitoring and control of credit risks are independent from the units involved in the acceptance of credit risks
- the employees of the units evaluating and controlling credit risks must be included in the committees responsible for making decisions related to credit risk taking
- the methods, rules and processes of risk assessment should be documented in the internal regulatory framework of the bank and the DFSG.
- the principles of distribution of risk management functions and authorities are established by the Board of Directors.
- the Bank's credit risk management system should comply with the Russian banking legislation, DFSG standards and risk management principles.

Credit risk is managed at 3 main levels:

*Management Level 1* is performed by the Board of Directors. Level 1 management includes establishment of requirements and restrictions on credit risk management processes in the Bank, as well as determination of specific collegial bodies and structural divisions of the Bank responsible for credit risk management.

*Management Level 2 i*s performed by the Credit Committee and Credit Committee to approve credit risk limits for interbank lending transactions, transactions with securities, conversion transactions and trade finance transactions with counterparties - financial institutions, as well as the Bank's divisions. Level 2 ensures credit risk management in the Bank within the constraints and requirements set at Level 1 of management. The result of this process is, among other things, formation of requirements and restrictions for certain transactions, operations, positions, causing risks associated with credit risk. Level 2 is responsible for monitoring and managing credit risk in accordance with the authority granted by Level 1 of management, as well as for informing Level 1 of management.

*Management Level 3* is carried out by the Bank's structural divisions determined by the Bank's internal documents. Level 3 ensures credit risk management in the Bank within the framework of requirements and limits set by Levels 1 and 2 of management.

*The functions of the Board of Directors of the Bank include the following:*

- determine the Bank's credit risk management policy;
- ensure favorable conditions for its effective implementation;
- approve internal documents defining the Bank's risk management policy, including those related to risk appetite;
- approve limits on financial market operations in cases stipulated by the Bank's internal regulations;

*Management Board*

The Management Board of the Bank at least once a year reviews the necessity to introduce amendments to credit risk management procedures in terms of these Regulations:

- to the methodology and procedures for assessing credit risk,
- the methodology for determining the capital requirement for credit risk,
- the procedure of setting limits and alarm values for credit risk,
- procedures for controlling compliance with credit risk limits,
- methods of credit risk mitigation and credit risk stress testing procedures regulated by a separate regulation.

## 26. Risk Management (continued)

### 26.1 Credit risk (continued)

*Credit Committee and Credit Committee for operations in financial markets*

Within the framework of the relevant provisions, such committees shall perform the following functions:

- Assessment of market and economic changes that may entail risk to the loan portfolio of business lines and taking necessary measures in accordance with these changes.
- Conducting an overall assessment of loans in accordance with the watch list and NPL indicator, assessing the indicators on reserves
- Ensuring credit risk management in the Bank within the powers, requirements and restrictions approved by the decisions of the Board of Directors of the Bank.
- Approval and submission for approval of the Board of Directors of the Bank's risk appetite management rules and other documents, periodic monitoring and control of the risk structure

For the effective functioning of the credit risk management process, the Bank ensures the availability of a system of limits. Limitation of accepted risks is carried out by setting limit values of credit risk within the established system of limits, as well as methods of reducing credit risk

To cover the expected losses from the realization of credit risk on assets exposed to credit risk, the Bank creates reserves for expected credit losses on loans and credit debt. The reserves are formed in accordance with the requirements of the provisions of the Bank of Russia, as well as international financial reporting standards.

Concentration of credit risk manifests itself in the provision of large loans to an individual borrower or a group of related borrowers, as well as a result of the Bank's debtors belonging either to certain sectors of the economy, or to geographic regions, or in the presence of a number of other liabilities that make them vulnerable to the same economic factors.

The main approaches to the organization of the Bank's credit risk management are as follows:

- provision of credit products to the client is carried out only on the basis of a written decision of the Credit Committee specifying the terms of provision;
- the Bank grants loans on terms of maturity, interest payment and repayment;
- The system of establishment of credit risks on a client stipulates complex and objective analysis of the financial position of the client, as well as other essential information on the activity of the potential borrower. A positive decision on establishing a limit should be conditioned by the presence of a set of factors, positively characterizing the client, with the simultaneous absence of significant negative aspects;
- the Bank aims for the maximum share of loan products secured by collateral of category I or II quality;
- the Bank's borrowers pay interest in the amount and within the terms stipulated in the loan agreements;
- the Bank aims at creating a stable loan portfolio on the basis of a sufficient number of established borrowers. The Bank seeks to avoid concentration of a significant share of its loan portfolio (more than 50%) on a small number of borrowers (less than five);
- The Bank strives to ensure that its borrowers are the clients using other bank products, besides credit ones. Lending to borrowers who are not yet the Bank's clients is considered an exceptional fact and requires an informed decision.

The purpose of credit risk assessment is to obtain the most reliable information on the state of the Bank's loan portfolio and the solvency of the borrowers.

## 26. Risk Management (continued)

### 26.1 Credit risk (continued)

The Bank assesses credit risk in the following areas:

- Analysis of financial stability, structure of assets and liabilities, efficiency of client's activity, riskiness of business, long-term and short-term prospects of client's solvency;
- Assessment of risk and expected credit losses is performed in accordance with the requirements of IFRS 9.
- Assessment of possible consequences in case of non-repayment (or untimely repayment) of the principal debt and (or) interest.

*Collateral and other credit enhancements*

Where appropriate, and in the case of most loans, the Bank obtains collateral and corporate and personal guarantees. Commitments to extend credit represent unused portions of credit in the form of loans, guarantees or letters of credit. Exposure to credit risk is also managed by obtaining sufficient and qualitative collateral. Bank foresees collateral as an instrument to mitigate the credit risk and considers collateral only as a secondary source of repayment.

The Bank normally considers as collateral any tangible assets, personal and corporate guarantees, property rights, cash equivalents, and cash flows which may be utilized to cover losses as a result of the default on the credit instrument (including principal and interest amounts outstanding at the moment of the default, as well as any other direct costs incurred by the Bank and associated with the possible default of the credit instrument).

Quality of the collateral is determined by its fair (market) value and liquidity. Fair (market) value of collateral is determined at each credit risk assessment date for every credit facility.

*Allowance for expected credit losses*

The Bank recognises the allowance for expected credit losses for loans and credit related commitments, including guarantees issued by the Bank, undrawn loan commitments.

The Bank estimates financial assets according to the credit risk group (Stage) determined by the Bank. Based on the analysis undertaken the Bank classifies financial assets into three Stages:

Stage 1 - 12-months' expected credit loss (12mECL)
Stage 2 - Lifetime expected credit loss - not credit-impaired assets (LTECL)
Stage 3 - Lifetime expected credit loss - credit-impaired assets (default).

When there has been a significant increase in credit risk the Bank transfers the asset from Stage 1 (an allowance is based on the 12 months' expected credit loss) to Stage 2 (an allowance is estimated for the lifetime expected credit losses). The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments or if there is objective evidence that the customer is unlikely to honour its obligations to the Bank in full.

The Bank calculates ECLs either on a collective or an individual basis.

In order to calculate expected credit losses on a collective basis the Bank groups financial assets with similar credit risk to analyse whether there has been a significant increase in credit risk.

In order to estimate credit risk of financial assets either on a collective or on individual basis the Bank analyses information related to past due payments, facilitated conditions provided to the counterparty in relation to the financial asset that shows a significant increase in credit risk or to the defaulted financial asset, and also other available reasonable and reasoned information received without committing unnecessary costs and efforts that affect future.

## 26. Risk Management (continued)

### 26.1 Credit risk (continued)

In the process of calculating the expected cash flows the Bank takes into account all contractual cash flows of the financial asset including cash flows from the realisation of collateral. The cash flows recorded by the Bank are then discounted using the effective interest rate method.

When an asset is uncollectible, it is written off against the related allowance for impairment. Also the Bank writes off accrued interest related to the uncollectible loans.

**Definition of default and cure**

The Bank considers a loan defaulted since it meets one of the following criteria:

- circumstances have arisen which indicate that the borrower is unlikely to pay its obligations to the Bank in full from the main sources;
- the borrower is more than 90 days past due on any significant credit obligations to the Bank.

Circumstances which indicate that the borrower is unlikely to pay its obligations to the Bank in full from the main sources are as follows:

- The borrower failed to fulfill contractual terms and the Bank demanded early repayment of the loan in accordance with the contract;
- Distressed restructuring - the Bank made a decision on a restructuring of obligations caused by financial difficulties of the counterparty which can result in significant decrease in contractual payments and/or postponement of loan repayments;
- Decision of the Bank on collateral realization to recover the loan;
- Decision of the Bank to sell the loan with significant economic loss (more than 10% of the loan value) as a result of credit-quality deterioration;
- The appeal of the Bank to the court with a petition to declare the borrower bankrupt;
- The borrower is declared bankrupt or bankruptcy proceedings were initiated against the borrower (supervision, external administration, financial rehabilitation) by the court;
- The borrower filed for the bankruptcy or took actions aimed at non-fulfilment of its obligations to the Bank (e.g., challenged the loan terms in the court);
- The borrower is deceased or incapacitated.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present for at least six consecutive months. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated credit grade, at the time of the cure, and whether this indicates there has been a significant increase in credit risk compared to initial recognition.

**Exposure at default (EAD)**

The exposure at default (EAD) represents the gross carrying amount of the financial instruments subject to the impairment calculation, addressing both the client's ability to increase its exposure while approaching default and potential early repayments too.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. However, if a Stage 1 loan that is expected to default in the 12 months from the balance sheet date and is also expected to cure and subsequently default again, then all linked default events are taken into account. For Stage 2, Stage 3 and POCI financial assets, the exposure at default is considered for events over the lifetime of the instruments.

## 26. Risk Management (continued)

### 26.1 Credit risk (continued)

**Loss given default (LGD)**

The credit risk assessment is based on a standardised LGD assessment framework that results in a certain LGD rate. These LGD rates take into account the expected EAD in comparison to the amount expected to be recovered or realised from any collateral held.

The Bank segments its retail lending products into smaller homogeneous portfolios, based on key characteristics that are relevant to the estimation of future cash flows. The applied data is based on historically collected loss data and involves a wider set of transaction characteristics (e.g., product type, wider range of collateral types) as well as borrower characteristics.

Further recent data and forward-looking economic scenarios are used in order to determine LGD rate for each group of financial instruments. When assessing forward-looking information, the expectation is based on multiple scenarios. Examples of key inputs involve changes in collateral values, including property prices for mortgages, commodity prices, payment status or other factors that are indicative of losses in the group.

LGD rates are estimated for the Stage 1, Stage 2, Stage 3 and POCI IFRS 9 segment of each asset class. The inputs for these LGD rates are estimated and, where possible, calibrated through back testing against recent recoveries. These are repeated for each economic scenario as appropriate.

**Significant increase in credit risk**

The Bank continuously monitors all assets subject to ECLs. In order to determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition. The Bank considers an exposure to have significantly increased in credit risk when the IFRS 9 lifetime PD has doubled since initial recognition and has increased by more than 20 bps a year.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or asset restructuring. In certain cases, the Bank may also consider that events explained in “The Probability of Default (PD) estimation process” are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

**The Probability of Default (PD) estimation process**

PD – a probability of default which is based on the risk segment and the internal rating (or past due group) for the relevant period (12 months or the entire life of the instrument (Lifetime PD)). Values are determined based on internal models, as well as migration matrices. PDs are then adjusted ECL calculations to incorporate forward looking information and Stage classification of the exposure.

**Settlement risk**

The Bank’s activities may give rise to settlement risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Bank mitigates this risk by conducting settlements through settlement/clearing agents to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Acceptance of settlement risk on free settlement transactions requires transactions specific and/or counterparty specific settlement limits which form part of the counterparty limit approval/monitoring process described earlier.

## 26. Risk Management (continued)

### 26.2 Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads and equity prices will affect the Bank's income or the value of its portfolios.

Market risk arises from open positions in interest rate, currency and equity financial instruments, which are exposed to general and specific market movements.

The objective of market risk management is to manage and control market risk exposures within the acceptable parameters, whilst optimizing the return on risk.

Market risk is managed primarily through daily mark-to-market procedures and control of position limits in various types of financial instruments, as well as stop-loss limits and pre-settlements limits.

*Price risk*

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices.

The risk is mitigated by establishing appropriate counterparty limits in accordance with the Bank's risk management policies and methodologies.

Sensitivity analyses below shows possible effect of the price change of the value of financial instruments as at 31 December 2020 and 31 December 2019 which would have been on the statement of comprehensive income and shareholders' equity given a 10% change in price (pre-tax):

| USD'000 | **31 December 2020** | **31 December 2019** |
|---|---|---|
| Price risk on fixed income debt securities | 5,373 | 5,632 |

*Foreign exchange rate risk*

The Bank has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

Currency risk is estimated as the size of the gap between active and passive transactions denominated in foreign currency (OCP). The way to minimize currency risk is to establish an internal system of limits. The Bank's system of limits, set in addition to the regulatory limits of the Central Bank of the Russian Federation, operates on a permanent and continuous basis. Control over the level of acceptance of foreign exchange risk is carried out by the Bank's management, as well as by the Board of Directors.

The Bank's foreign currency policy is reviewed and approved by the Executive Management Board.

The following table details the Bank's sensitivity analysis and possible effect on the statement of comprehensive income and shareholders' equity as at 31 December 2020 and 31 December 2019 assuming a 10% change in the functional currency against the relevant foreign currency:

| | **2020** | | **2019** | |
|---|---|---|---|---|
| USD'000 | Comprehensive income | Capital | Comprehensive income | Capital |
| 10% increase USD/RUB rate | (1,894) | (1,894) | (243) | (243) |
| 10% decrease USD/RUB rate | 1,894 | 1,894 | 243 | 243 |
| 10% increase EUR/RUB rate | 3,934 | 3,934 | 665 | 665 |
| 10% decrease EUR/RUB rate | (3,934) | (3,934) | (665) | (665) |

See Note 36 "Currency analysis".

## 26. Risk Management (continued)

### 26.2 Market risk (continued)

*Interest rate risk*

Interest rate risk is measured by the extent to which changes in market interest rates impact on margins and net interest income. To the extent the term structure of interest bearing assets differs from that of liabilities, net interest income will increase or decrease as a result of movements in interest rates.

Interest rate risk is managed by increasing or decreasing positions within limits specified by the Bank's management. These limits restrict the potential effect of movements in interest rates on current earnings and on the value of interest sensitive assets and liabilities.

Vast majority of the interest rate assets and liabilities of the Bank have a fixed rate interest. Settlement Treasury Department of the Bank is responsible for monitoring the interest rate margin gap and considers that the Bank is not significantly exposed to a fluctuation in the interest rates with respect to its cash flows.

An analysis of sensitivity of the Bank's projected net interest rate margin for the year to changes in the market interest rate based on a simplified scenario of a 100 basis point (bp) parallel shifts in all yield curves (assuming a constant balance sheet position), which could have had an effect on the Bank's statement of comprehensive income and shareholders' equity is presented as follows:

| USD'000 | **31 December 2020** | **31 December 2019** |
|---|---|---|
| 100 bp parallel increase | (363) | (437) |
| 100 bp parallel decrease | 363 | 437 |

See Note 33 "Average effective interest rates".
See Note 34 "Interest rate repricing analysis".

*VaR modeling*

In accordance with the standards adopted at DFSG Group level (Denizbank Financial Service Group), the VAR analysis methodology is also used to assess the risks assumed.

For the purpose of this instruction, the VaR method (Value-at-risk) is defined as the largest expected loss that can be realized within a given day with a given probability. The key parameters of VaR are a time interval equal to 1 business day for which the amount of possible losses due to fluctuations of each i-currency in the open currency position is calculated and a specified probability that losses will not exceed the specified value.

The calculation method consists in the following: for each foreign currency, in which assets or liabilities on the Bank's balance sheet are expressed, exchange rate volatility is calculated for a period of at least 270 business days. The VAR methodology is used to estimate the probability of a negative change in value (loss) greater than a certain level. The VAR characterizes the spread of a random value with respect to the average value in both directions (profits and losses). At the same time, the higher the given confidence level (95% or 99%), the greater the possible losses (VAR), as well as the deviation from the average (expected) value of a random value.

To minimize market risks, the Bank performs stress testing of financial instruments and the portfolio as a whole using a scenario approach, as well as analyzes sensitivity of the financial result to risk factors, assesses volatility and interrelationships of risk factors. The bond portfolio is exposed to such risks in the Bank. Market risks of the bond portfolio are calculated on a daily basis as for the traded portfolio. The Bank calculates VaR, which includes stock, currency and interest rate risks to which the bond portfolio is exposed.

To assess the volatility of the securities portfolio and to prevent potential future losses, the bank performs stress testing based on VaR method on an ongoing basis. To calculate the volatility of the portfolio, the market price base of the bonds in the portfolio that meet the consistency criterion (a continuous series of reporting data for the last 250 trading days) is taken.

## 26. Risk Management (continued)

### 26.2 Market risk (continued)

Then, using the standard deviation, the VaR for the portfolio is calculated. The calculated data are compared with actual gains/losses (P/L) on each security using a three-level evaluation system (50% 10-day VaR, 75% 10-day VaR, 100% 10-day VaR), which signals potential losses in advance. The VaR analysis is continuous. The results of the analysis are communicated to the assets and liabilities committee members on a regular basis (monthly), and in case of penetration of any of the established levels immediately. Below are the results of the VaR analysis as a quarterly snapshot of the data for 2020:

| Date | Portfolio of securities on SS through PSD USD eq. | Profit (+) / loss (-) (P / L) per day for the portfolio, USD | Daily P/L as % of portfolio | 10 - daily P/L, in USD | 10-day P/L change in % of portfolio 10 - daily P/L, in USD | VaR (10 days - 99%) USD eq. 10 - daily P/L, in USD | 100% 10-Day. VaR level (OK/YYY) | 75% 10-Day. VaR level (OK/YYY) | 50% 10-Day. VaR leve (OK/YYY) | Stop signal: 10-day. P/L and 300% 10-day VaR |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 30.12.2020 | 53 923 865.16 | 25 083.89 | 0.05% | 29 026.07 | 0.05% | 4 214 387.49 | OK | OK | OK | OK |
| 30.09.2020 | 36 611 446.15 | 1 101.15 | 0.00% | -4 493.08 | -0.01% | 2 147 369.18 | OK | OK | OK | OK |
| 30.06.2020 | 45 772 384.83 | 781.81 | 0.00% | 63 455.21 | 0.14% | 1 905 659.49 | OK | OK | OK | OK |
| 31.03.2020 | 33 610 735.58 | -45 520.74 | -0.14% | 51 912.13 | 0.15% | 2 864 529.75 | OK | OK | OK | OK |
| 30.12.2019 | 56 235 729.08 | -69 645.90 | -0.12% | 19 949.37 | 0.04% | 4 123 072.84 | OK | OK | OK | OK |

Below are the results of the VaR analysis as a quarterly snapshot of the 2019 data:

| Date | Portfolio of securities on SS through PSD USD eq. | Profit (+) / loss (-) (P / L) per day for the portfolio, USD | Daily P/L as % of portfolio | 10 - daily P/L, in USD | 10-day P/L change in % of portfolio 10 - daily P/L, in USD | VaR (10 days - 99%) USD eq. 10 - daily P/L, in USD. | 100% 10-Day. VaR level (OK/YYY) | 75% 10-Day. VaR level (OK/YYY) | 50% 10-Day. VaR level (OK/YYY)) | Stop signal: 10-day. P/L and 300% 10-day VaR |
|---|---|---|---|---|---|---|---|---|---|---|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| 30.12.2019 | 56 235 729 | -69 645 | -0.12% | 19 949 | 0.04% | 4 123 072 | OK | OK | OK | OK |
| 30.09.2019 | 32 788 056 | -39 885 | -0.12% | 19 424 | 0.06% | 1 746 677 | OK | OK | OK | OK |
| 28.06.2019 | 57 492 634 | -4 508 | -0.01% | -25 735 | -0.04% | 1 940 589 | OK | OK | OK | OK |
| 29.03.2019 | 29 316 540 | -13 223 | -0.05% | -18 726 | -0.06% | 949 243 | OK | OK | OK | OK |
| 29.12.2018 | 14 328 239 | 36 407 | 0.25% | -3 117 | -0.02% | 1 328 891 | OK | OK | OK | OK |

### 26.3 Liquidity risk

Liquidity risk is the risk of losses due to the Bank's inability to meet its obligations in full. Liquidity risk arises as a result of imbalance in the bank's financial assets and financial liabilities (including due to untimely discharge of financial liabilities by one or several counterparties of the bank) and (or) an unforeseen need of immediate and simultaneous discharge of its financial liabilities by the bank.

Liquidity risk is one of the major banking risks: lack of liquidity negatively affects profitability, and in extreme cases leads to loss of solvency. The Bank is working on liquidity management and control over its condition. The Department responsible for controlling the state of liquidity performs daily calculation of balance sheet and liquidity ratios (N2 "Instant Liquidity Ratio", N3 "Current Liquidity Ratio" and N4 "Long-term Liquidity Ratio"), performs current and future analysis of the Bank's liquidity, taking into account internal and external factors, and daily monitoring of gaps between assets and liabilities for different time zones.

The following methods of liquidity and liquidity risk analysis are implemented in the Bank:

## 26. Risk Management (continued)

### 26.3 Liquidity risk (continued)

- The method of general liquidity analysis based on the analysis of liquidity ratios (including the analysis of liquidity ratios of the Bank of Russia);
- Medium- and long-term liquidity analysis method based on liquidity gap analysis (GAP-analysis), taking into account
  - "behavioral" characteristics of clients;
  - Analysis of trends in changes of assets and liabilities items (cash flow forecast);
- Method of analysis of instant and current liquidity based on payment position management procedures;
- Expert analysis.

If there is a conflict of interests between liquidity and profitability of the Bank, including due to low profitability of liquid assets or high cost of resources, the Bank resolves such a conflict in favor of liquidity.
The Bank adheres to the policy of placing funds in liquid assets, which can be easily realized. In this connection, actual liquidity ratios are always higher (in case of N4 ratio - lower) than the limit ratios set by the Bank of Russia. Responsible employees of the Bank carefully monitor the state of liquidity in the Bank. If negative trends are detected, they immediately report them to the Bank's management in order to take subsequent decisions to improve the control values of liquidity ratios, namely:

- increasing the Authorized capital,
- obtaining subordinated loans (credits),
- raising short-term loans (deposits),
- attraction of long-term loans (deposits),
- limitation (termination) of lending for a certain period,
- reduction or suspension of expenses, including management expenses.

The Bank establishes the following requirements for the organization of assets and liabilities management in terms of liquidity management:

- liquidity shall be managed by departments and employees designated for that purpose,
- liquidity is managed on a daily basis and continuously,
- liquidity management is based on analysis of cash flows, taking into account realistic terms of assets realization, demand and repayment of liabilities,
- information on future cash inflows or outflows from departments is communicated immediately,
- planning of liquidity needs,
- development and adoption of measures to restructure resources in case of insufficient liquidity.

Values of the Bank's liquidity ratios are presented below:

| Norm | Limit value | 31 December 2020 | 31 December 2019 |
|---|---|---|---|
| N2 | > 15% | 150,683% | 99,191% |
| N3 | > 50% | 156,957% | 85,758% |
| N4 | < 120% | 28,394% | 46,219% |

During the year, the Bank complied with all ratios.

See also Note 35 “Maturity Analysis”.

## 26. Risk Management (continued)

### 26.3 Liquidity risk (continued)

#### 26.3.1 Description of the organizational structure of the credit institution in terms of liquidity risk management and activities to attract funding, establishment of limits and intra-group lending

The Department responsible for liquidity risk management and funding attraction activity is the Treasury Department. Its functions include the following types of major operations in terms of liquidity management:

- Attraction and placement of funds in the domestic and foreign money markets;
- Operations on purchase and sale of foreign currency, SWAP operations;
- Regulation of the open foreign exchange position of the bank;
- Operations on purchase and sale of bonds of Russian issuers / REPO operations.

The department in charge of setting limits is the Financial Institutions Department. Its functions include:

- Collection of limit-setting applications from interested departments;
- Primary analysis of counterparties;
- Submission of proposals for establishment of limits to the Credit Committee;
- Drawing up the minutes of the Credit Committee;
- Informing of the concerned subdivisions (Management, Treasury, back-office, risks) in taking positive decision by the Committee.

Intra-group lending limits are not set.

#### 26.3.2 A brief description of emergency liquidity risk management plans, including a description of how these plans relate to stress testing

A liquidity deficit occurs very quickly and may last for quite a long period of time. In order to avoid an unpredictable decrease in liquidity, the Bank has developed a Continuous Action Plan in case of unpredictable decrease in liquidity (hereinafter - the Plan), in which the Bank identifies a number of possible measures that can be taken in case of liquidity crisis, which would allow the Bank to timely fulfill its payment obligations and comply with all established limits and norms with the least expenses.

The plan has the following objectives:

- allow for timely identification of deteriorating liquidity situations, giving the bank sufficient time to respond to liquidity crises
- ensure continuity of the bank's business
- prevent or minimize reputation risks
- avoid excessive expenses for financing
- identify Early Warning Indicators of the Bank's liquidity crisis
- identify measures aimed at liquidity crisis management
- to define the responsibility of subdivisions in terms of Plan implementation

The following Early Warning Indicators (EWI) are used to identify the liquidity position of the Bank and to observe potential liquidity shortages at an early stage:

- Instant (N2) and current liquidity ratios (N3)
- Net outflow from current accounts of legal entities and individuals for the week/month
- Increase in NPLs during the month
- Decrease of the Rating of the Bank or banks of the Group
- Cumulative liquidity deficit for 3 months

**26. Risk Management (continued)**

**26.3 Liquidity risk (continued)**

Limits of risk indicators are approved by the Board of Directors. The indicators are monitored on a monthly basis.

In order to reduce the liquidity deficit and to ensure the continuity of the Bank's operations, the following measures are applied:

- Use of open lines in the interbank market
- Refinancing operations with the regulator - The Bank's existing bond portfolio is accepted as collateral for repo transactions with the regulator. Bonds of financial institutions (banks) may be used as collateral in the repo market with a single counterparty (Moscow Exchange). Non-market assets (rights of claim on credits and loans) can be used as collateral for the Bank of Russia refinancing instruments
- Sale of bond portfolios
- Attracting funding from banks within the Group
- SWAP operations
- Suspension of loans to legal entities The Bank may suspend disbursement of new loans and not extend the existing loans in the portfolio. Thus, to provide itself with cash flow from repayment of existing loans
- Work with large clients to prevent cash outflow, increase deposit rates for legal entities Increase deposit rates for key clients on a point-by-point basis Negotiations with leading clients to increase account turnover, to place new deposits, to extend existing deposits, to discuss possible early loan repayment
- Sale of credit portfolio
- Reduction/cancellation of overdrafts on LORO accounts, uncommitted open lines of credit.

**26.4 Regulatory risk**

Regulatory risk - is the risk of financial loss occurring as a result of non-compliance with legislation of the Russian Federation, internal documents of the Bank, standards of self-regulatory organisations (if such standards or rules are mandatory for the Bank) and also as a result of the application of sanctions or other enforcement actions undertaken by the regulatory authorities. The main purpose of regulatory risk management is the reduction (elimination) of potential losses for the Bank as well as the imposition of sanctions and / or other enforcements on behalf the regulatory authorities due to the non-compliance with the requirements of federal laws and other legal acts of the Russian Federation, internal documents of the Bank, standards of self-regulatory organisations (if such standards or rules are mandatory for the Bank.

The main objectives of regulatory risk management are:
- Obtaining reliable information on the regulatory risk
- Determination of the acceptable level of regulatory risk for the Bank
- Development of internal control procedures aimed at preventing / minimising the consequences of risk realisation for the Bank
- Permanent monitoring of regulatory risk
- Improving the approaches to risk management.

Control over the upper limit and monitoring of regulatory risk is carries out by those charged with governance, including by:
- Establishing and ensuring the effective functioning of the internal control system
- Regular evaluation of the effective functioning of the internal control system carried out at the meetings as well as discussion of the structure of internal controls and measures for improving its efficiency
- Review of internal documents on internal control, annual and currents audit plans of the Internal Audit Service, reports on the implementation of the audit plans of the Internal Audit Service, annual reports on implementation of the workplans of Internal Control Service, other documents;

## 26. Risk Management (continued)

### 26.4 Regulatory risk (continued)

- Taking actions to ensure that the recommendations and comments of the Internal Audit Service, the Internal Control Service, the audit organization conducting (or was conducting) audit, and the regulatory authorities are promptly implemented by the executive bodies of the Bank.

The identification of regulatory risk is carried out permanently and is based on the following areas:

- Analysis of changes in the legislation of the Russian Federation which may affect the efficiency of the Bank's activities
- Analysis of internal documents of the Bank for compliance with the existing legislation of the Russian Federation as well as the timeliness of their updating
- Analysis of the regulatory risk exposure of the Bank's activities, taking into account its priorities and development strategies.

## 27. Capital management

The general principles and approaches to risk management and capital adequacy in the Bank are based on the recommendations of the Bank of Russia within the framework of the organization of work on assessment of capital adequacy and risk and capital management (CGAP), documents of the Basel Committee and documents concerning internal procedures for assessing capital adequacy applied by the parent bank, as well as on international practices.

Based on the strategic development plans, the ECAAP procedures serve the purpose of allocating capital and keeping it at the required level for the long-term development, thus ensuring sustainable continuity of the Bank's operations.

The Board of the Bank is responsible for organizing the capital adequacy management in the Bank. In order to implement the effective capital structure and adequacy management process, the Bank's Management Board develops the necessary procedures and regulations for interaction between business units and monitors the organization of the process.

The following tools are used to manage capital adequacy:

- business planning and capital adequacy management plan;
- a system of limits for capital adequacy indicators;
- a plan for capital adequacy management in case of a crisis situation.

The Bank applies quantitative assessment methods in accordance with the requirements of the Bank of Russia to assess capital adequacy for current and future activities of the Bank. The Bank also uses internal procedures to monitor and control capital adequacy ratios.

In accordance with the nature and scale of operations performed, the Bank uses internal procedures for assessing capital adequacy, which serve the purpose of allocating capital and keeping it at the necessary level for long-term development, thereby ensuring sustainable continuity of the Bank's operations. Changes in the Bank's capital management policy, including quantitative data, are made taking into account recommendations and requirements of the Bank of Russia.

**27. Capital management (continued)**

As at 31 December 2020 and 31 December 2019 the capital adequacy ratio calculated in accordance with the requirements of the Bank of Russia was as follows:

| | 2020<br>USD'000 | 2019<br>USD'000 |
|---|---|---|
| Tier I Capital | 81,454 | 72,552 |
| Tier II Capital | 21,293 | 17,918 |
| **Total capital** | **102,747** | **90,470** |
| **Risk weighted assets** | **504,701** | **405,662** |
| **Capital adequacy ratio (N1.0)** | **22,36%** | **22,30%** |

The amount of dividends that may be paid by the Bank is limited to the amount of retained earnings determined in accordance with the requirements of the legislation of the Russian Federation.

The procedure of profit (part of profit) distribution depending on the date and the ratio of actual and minimum allowable values of the amount of surcharges is established by Instruction of the Central Bank of the Russian Federation No 199-I dated 29.11.2019 "On mandatory standards and surcharges to capital adequacy ratios of banks with a universal license".

The minimum allowable numerical value of surcharges shall be determined as the sum of the minimum allowable numerical values of the capital adequacy maintenance surcharge, the countercyclical surcharge, and, if the bank is systemically important, the surcharge for systemic importance. Compliance with the minimum allowable numerical values of the mark-ups shall be ensured at the expense of the sources of basic capital in the amount exceeding the amount required for compliance with the bank's capital adequacy ratios. Banks shall be obliged to comply with allowances on a quarterly basis as of the first day of the month following the reporting quarter. The bank has the right to distribute part or all of the amount of profit, to direct it to the purposes stipulated by Article 24 of the Federal Law "On Banks and Banking Activity" in the amount not exceeding the established values, only if the actual value of the sum of all allowances is in the range of the second - fourth quartile or exceeds the sum of all minimum allowances.

During 2020, the sum of all minimum allowable numerical allowances at the Bank was 2.5% (as at 31 December 2020, 2019 - 2.25%).

The base capital available for directing surcharges to equity (capital) adequacy ratios as at 31 December 2020 was 10.139% (31 December 2019 - 11.884%).

In the reporting period (and earlier) the Bank has no counterparties - residents of the countries where the countercyclical surcharge is set.

The Bank's core capital to equity ratio as at 31 December 2020 was 79.28% (as at 31 December 2019 - 80.19%).

The Bank monitors compliance with these regulatory requirements on a daily basis and submits monthly reports to the Bank of Russia. During 2020 and 2019, the Bank complied with the capital adequacy ratio set by the Bank of Russia.

**Capital adequacy ratio of the Bank:**

| **Capital adequacy (%):** | **31 December 2020** | **31 December 2019** | **The threshold** |
|---|---|---|---|
| Core equity ratio (N1.1) | 16.14% | 17,89% | >4.5% |
| Tier I Capital adequacy ratio (N1.2) | 16.14% | 17,89% | >6% |
| **Total capital adequacy ratio (N1.0)** | **20.36%** | **22,30%** | **>8%** |
| Financial leverage ratio (N1.4) | 15.83% | 17,07% | >3% |

## 28. Offsetting of Financial Instruments

Disclosures presented in the following tables include information on financial assets and financial liabilities which are:

- offset in a financial statement of the Bank, or
- are subject to a legally enforceable agreement of offsetting or similar agreements that apply to similar financial instruments, regardless of whether they are offset in a financial statement.

Operations with derivative financial instruments of the Bank, which are not carried on a stock exchange, conducted in accordance with general agreements with counterparties of the Bank. Basically, in accordance with these agreements, the amounts payable by each counterparty on a particular day in respect of pending operations in the same currency form a single net amount payable by one party to the other. Under certain circumstances such as credit event or default; all outstanding transactions under contracts are terminated. The net value of transactions at the time of termination is estimated and paid as a single amount.

## 28. Offsetting of Financial Instruments (continued)

The table below presents financial assets and financial liabilities, being a subject of legally enforceable netting agreements and similar agreements as at 31 December 2020:

| USD'000<br>Type of financial assets / financial liabilities | Total sum of financial assets/financial liabilities | Total sum of financial assets/financial liabilities, which were offset in a financial statement | Net sum of financial assets/financial liabilities, which were not offset in a financial statement | Sums which were not offset in a financial statement<br>Financial instruments | Sums which were not offset in a financial statement<br>Obtained cash security | Net sum |
|---|---|---|---|---|---|---|
| Derivatives - assets | 39 | - | 39 | 39 | - | - |
| **Total financial assets** | **39** | **-** | **39** | **39** | **-** | **-** |
| Derivatives - liabilities | 4 | - | 4 | (4) | - | - |
| **Total financial liabilities** | **4** | **-** | **4** | **(4)** | **-** | **-** |

The table below presents financial assets and financial liabilities, being a subject of legally enforceable netting agreements and similar agreements as at 31 December 2019:

| USD'000<br>Type of financial assets / financial liabilities | Total sum of financial assets/financial liabilities | Total sum of financial assets/financial liabilities, which were offset in a financial statement | Net sum of financial assets/financial liabilities, which were not offset in a financial statement | Sums which were not offset in a financial statement<br>Financial instruments | Sums which were not offset in a financial statement<br>Obtained cash security | Net sum |
|---|---|---|---|---|---|---|
| Derivatives - assets | 37 | - | 37 | 37 | - | - |
| **Total financial assets** | **37** | **-** | **37** | **37** | **-** | **-** |
| Derivatives - liabilities | 23 | - | 23 | (23) | - | - |
| Amounts payable under repurchase agreements | 9,694 | | 9,694 | (9,694) | | |
| **Total financial liabilities** | **9,717** | **-** | **9,717** | **(9,717)** | **-** | **-** |

## 29. Contingencies and Commitments

### 29.1 Insurance

The Bank insures its fixed assets amounting to 566 USD’000 (as at 31 December 2019: 673 USD’000), civil liability amounting to 203 USD’000 (as at 31 December 2019: 242 USD’000), cash on hand amounting to 1,354 USD’000 (as at 31 December 2019: 3,231 USD’000) and business interruption amounting to 7,513 USD’000 (as at 31 December 2019: 8,335 USD’000).

### 29.2 Legal proceedings

From time to time and in the normal course of business, claims against the Bank are received. On the basis of its own estimates and internal and external professional advice the Management of the Bank is of the opinion that no material losses will be incurred in respect of the claims. Accordingly, no provision for any claims has been made in these financial statements.

### 29.3 Credit related commitments and performance guarantees

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to 1 year.

The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted.

| | **31 December 2020** USD’000 | **31 December 2019** USD’000 |
|---|---|---|
| **Contracted amount** | | |
| Guarantees and letters of credit | 115,130 | 146,213 |
| Undrawn loan commitments | 29,834 | 22,058 |
| **Total commitments** | **144,964** | **168,271** |

Credit related commitments and performance guarantees as at 31 December 2020 and 31 December 2019 relate to Stage 1 impairment.

**Significant exposures**

As at 31 December 2020 the Bank had one exposures to counterparties (as at 31 December 2019: two exposures to counterparties), which individually comprised more than 10% of guarantees issued. The gross value of these exposures as at 31 December 2020 was 108,098 USD'000 (as at 31 December 2019: 124,902 USD'000).

### 29.4 Taxation contingencies

The taxation system in the Russian Federation is relatively new and is characterised by numerous taxes and frequently changing legislation, which may be applied retroactively and is often unclear, contradictory, and subject to interpretation. Often, differing interpretations exist among numerous taxation authorities and jurisdictions. Taxes are subject to review and investigation by a number of authorities, which are enabled by law to impose severe fines, penalties and interest charges.

These facts may create tax risks in the Russian Federation substantially more significant than in other countries. Management believes that it has adequately provided for tax liabilities based on its interpretation of tax legislation. However, the relevant authorities may have differing interpretations and the effects could be significant.

Fiscal period remain open and subject to review by the tax authorities is 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.

## 29. Contingencies and Commitments (continued)

### 29.4 Taxation contingencies (continued)

According to Russian transfer pricing rules Russian tax authorities are allowed in certain circumstances to adjust controlled transactions' prices for tax purposes and may charge additional income tax and value added tax on these transactions if transfer prices deviate from market prices and this deviation resulted in underpayment of tax to the Russian budget. Controlled transactions include in particular transactions between related parties (with a few exceptions) and certain types of cross-border transactions and domestic transactions between related parties. In relation to securities, derivatives and interests there are special transfer pricing rules.

During the year ended 31 December 2020 the Bank have been determining its tax liabilities arising from controlled transactions using actual transaction prices.

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

## 30. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability (i.e. an exit price) in an orderly transaction between market participants in the principal (or most advantageous) market at the measurement date under current market condition, regardless of whether that price is directly observable or estimated using another valuation technique.

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

- Level 1 measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) and
- Level 3 measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs).

The fair value of financial instruments at fair value is based on market prices at the reporting date. The fair value of financial assets and liabilities not measured at fair value in the financial statements is estimated based on expected cash flows discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the currency, the maturity of the instrument and the credit risk of the counterparty.

The following table shows an analysis of financial instruments estimated at fair value by level of the fair value hierarchy as at 31 December 2020:

| | **Level 1** USD'000 | **Level 2** USD'000 | **Level 3** USD'000 | **Total** USD'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through other comprehensive income | 53,725 | - | - | **53,725** |
| Derivative financial assets | - | 39 | - | **39** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 4 | - | **4** |

**30. Fair Value of Financial Instruments (continued)**

The following table shows an analysis of financial instruments estimated at fair value by level of the fair value hierarchy as at 31 December 2019:

| | Level 1<br>USD'000 | Level 2<br>USD'000 | Level 3<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Financial assets at fair value through other comprehensive income | 56,323 | - | - | **56,323** |
| Derivative financial assets | - | 37 | - | **37** |
| **Financial liabilities** | | | | |
| Derivative financial liabilities | - | 23 | - | **23** |

Management of the Bank believes that as at 31 December 2020 and 31 December 2019 the fair value of assets and liabilities not measured at fair value is not significantly different from their book value.

The following table presents an analysis of financial instruments not recorded at fair value by level of the fair value hierarchy as at 31 December 2020:

| | Level 1<br>USD'000 | Level 2<br>USD'000 | Level 3<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 1,788 | - | - | 1,788 |
| Amounts due from the Central Bank of Russia | 16,690 | - | 2,340 | 19,030 |
| Amounts due from banks | 28,774 | 21,456 | - | 50,230 |
| Loans to customers | - | - | 196,531 | 196,531 |
| Other financial assets | - | - | 219 | 219 |
| **Liabilities** | | | | |
| Due to banks | 5,792 | 79,149 | - | **84,941** |
| Due to customers | 36,992 | 100,094 | - | **137,086** |
| Subordinated loans | - | 9,531 | - | **9,531** |
| Other financial liabilities | - | - | 1,467 | **1,467** |

The following table presents an analysis of financial instruments not recorded at fair value by level of the fair value hierarchy as at 31 December 2019:

| | Level 1<br>USD'000 | Level 2<br>USD'000 | Level 3<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 873 | - | - | **873** |
| Amounts due from the Central Bank of Russia | 17,382 | - | 2,085 | **19,467** |
| Amounts due from banks | 12,958 | 897 | - | **13,855** |
| Loans to customers | - | - | 205,005 | **205,005** |
| Other financial assets | - | - | 313 | **313** |
| **Liabilities** | | | | |
| Amounts payable under repurchase agreements | - | 9,694 | - | **9,694** |
| Due to banks | 9,995 | 111,465 | - | **121,460** |
| Due to customers | 28,155 | 24,436 | - | **52,591** |
| Subordinated loans | - | 9,020 | - | **9,020** |
| Other financial liabilities | - | - | 280 | **280** |

## 30. Fair Value of Financial Instruments (continued)

### Fair value of non-current assets for sale

Two approaches to valuation were used: the comparative approach and the income approach. Under the comparative approach the method of comparative sales analysis was used, under the income approach the method of direct capitalization was used.

The method chosen for particular asset classes was as follows:
- Commercial real estate - predominantly the comparative sales analysis method and the direct capitalization method;

The following table demonstrates the sensitivity to changes in significant unobservable inputs to the fair value of instruments categorized within Level 3 of the fair value hierarchy:

| Assumptions | Description of assumptions | Sensitivity Description |
|---|---|---|
| Bargaining (distinction between bid and ask prices) | According to the real estate market analysis, the value of the bargain adjustment amounted to 6.8%. | Depending on the demand for the properties, the bargaining adjustment can range from 3.5% to 11.3%. A change in this assumption could result in a material change in the fair value of the property |
| Capitalization rate | The capitalization rate is the ratio of the net operating income generated by an investment to its market value. The capitalization rate was 9.5%. | Depending on changes in market conditions in the real estate market, the capitalization rate can vary from 9% to 10%. A change in this assumption could result in a material change in the fair value of the property. |
| Underutilization of premises | Underutilization - the value of underutilization of the object's areas, as a result of the impossibility of 100% leasing of all designated areas.<br>The amount of underutilization was 12.6%. | Depending on market conditions, the amount of under-utilization can range from 11% to 13.1%.<br>A change in this assumption could result in a material change in the fair value of the property. |

## 31. Related Party Transactions

The Bank’s shareholding structure as at 31 December 2020 is, as follows:
- DenizBank A.S. 49%
- DenizBank AG 51%.

### 31.1 Transactions with key management

During 2020 total key management remuneration was 786 USD’000 (2019: 854 USD’000).

The outstanding balances and average interest rates as at 31 December 2020 and 31 December 2019 with key management are, as follows:

| | **31 December 2020** USD’000 | **Average effective interest rate** | **31 December 2019** USD’000 | **Average effective interest rate** |
|---|---|---|---|---|
| **Assets** | | | | |
| Loans to customers | - | - | - | - |
| Other assets | 1 | - | - | - |
| **Liabilities** | | | | |
| Amounts due to customers | 519 | 0,21% | 2,401 | 4,47% |
| Other liabilities | 464 | - | 366 | - |

## 31. Related Party Transactions (continued)

### 31.1 Transactions with key management (continued)

Information on the transactions with key management for 2020 is, as follows:

| | 31 December 2020 USD'000 | Payment USD'000 | Repayment USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2019 USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Other assets | 1 | - | - | - | 1 |

| | 31 December 2020 USD'000 | Withdrawal USD'000 | Placement USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2019 USD'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts due to customers | 519 | (11,187) | 9,658 | (353) | 2,401 |
| Other liabilities | 464 | - | 161 | (63) | 366 |

Information on the transactions with key management for 2019 is, as follows:

| | 31 December 2019 USD'000 | Payment USD'000 | Repayment USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2018 USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Loans to customers | - | 2 | (8) | 1 | 5 |
| | 1 | 1 | - | - | - |

| | 31 December 2019 | Withdrawal | Placement | Effect of translation to presentation currency | 31 December 2018 |
|---|---|---|---|---|---|
| **Liabilities** | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| Amounts due to customers | | | | | |
| Other liabilities | 2,401 | (9,016) | 11,108 | 118 | 191 |

Amounts included in the statement of comprehensive income in relation to transactions with key management are, as follows:

| | 2020 USD'000 | 2019 USD'000 |
|---|---|---|
| Interest expense | 2 | 3 |

## 31. Related Party Transactions (continued)

### 31.2 Transactions with Shareholders

| | 31 December 2020 RUB'000 | Average effective interest rate | 31 December 2019 RUB'000 | Average effective interest rate |
|---|---|---|---|---|
| **Assets** | | | | |
| Amounts due from banks | 25,382 | - | 3,232 | - |
| **Liabilities** | | | | |
| Amounts due to banks | 75,474 | 0,56% | 110,815 | 1,02% |
| Subordinated loans | 9,531 | 2,41% | 9,020 | 2,74% |

Information on the transactions with Shareholders for 2020 is, as follows:

| | 31 December 2020 USD'000 | Payment USD'000 | Repayment USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2019 USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Amounts due from banks | 25,382 | 5,875,059 | (5,851,840) | (1,069) | 3,232 |

| | 31 December 2020 USD'000 | Withdrawal USD'000 | Placement USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2019 USD'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts due to banks | 75,474 | (7,479,325) | 7,461,522 | (17,538) | 110,815 |
| Subordinated loans | 9,531 | (7,628) | 9,647 | (1,508) | 9,020 |

Information on the transactions with Shareholders for 2019 is, as follows:

| | 31 December 2019 USD'000 | Payment USD'000 | Repayment USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2018 USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Amounts due from banks | 3,232 | 6,879,719 | (6,879,243) | 320 | 2,436 |

| | 31 December 2019 USD'000 | Withdrawal USD'000 | Placement USD'000 | Effect of translation to presentation currency USD'000 | 31 December 2018 USD'000 |
|---|---|---|---|---|---|
| **Liabilities** | | | | | |
| Amounts due to banks | 110,815 | (14,636,595) | 14,624,621 | 12,884 | 109,905 |
| Subordinated loans | 9,020 | (4,654) | 3,479 | 1,062 | 9,133 |

## 31. Related Party Transactions (continued)

### 31.2 Transactions with Shareholders (continued)

**Commitments and Contingent liabilities**

As at 31 December 2020 the Bank has also obtained from shareholders 36 guarantees (as at 31 December 2019: 32 guarantees) as securities for granted loans to customers with total value of 108,098 USD'000 (2019: 109,188 USD'000) and 1 guarantee (as at 31 December 2019: 9 guarantees) as security for guarantees issued with total value of 140 USD'000 (as at 31 December 2019: 10,943 USD'000).

Amounts included in the statement of comprehensive income in relation to transactions with Shareholders are, as follows:

| | **2020**<br>USD'000 | **2019**<br>USD'000 |
|---|---|---|
| Interest income | 22 | 36 |
| Interest expense | (847) | (1,549) |
| Fee and commission income | 1,745 | 1,189 |
| Fee and commission expense | (146) | (418) |
| Net gains / (losses) from foreign exchange transactions | (4,842) | (1,662) |
| Net gains / (losses) on financial assets at fair value through profit or loss | 3,116 | 2,896 |

## 32. Cash and Cash Equivalents

Cash and cash equivalents as at the end of the year as shown in the statement of cash flows are, as follows:

| | **31 December 2020**<br>USD'000 | **31 December 2019**<br>USD'000 |
|---|---|---|
| Cash | 1,788 | 873 |
| Due from the Central Bank of Russia | 16,690 | 17,382 |
| Due from banks | 50,210 | 13,855 |
| **Total cash and cash equivalents** | **68,688** | **32,110** |

As at 31 December 2020 amounts due to banks are included in cash and cash equivalents less accrued interest in the amount of 2 USD'000, amounts due from the Central Bank of Russia - less accrued interest.

## 33. Average Effective Interest Rates

The table below presents the Bank's interest bearing assets and liabilities and the corresponding average effective interest rates as at 31 December 2020 and 31 December 2019:

| | Effective interest rates as at 31 December 2020 | Effective interest rates as at 31 December 2019 |
|---|---|---|
| **Interest Bearing Assets** | | |
| **Amounts due from the Central Bank of Russia** | 0 – 3,25% | 0 – 5,25% |
| **Amounts due from banks** | | |
| - RUB | 4,00-4,25% | 0% |
| - USD | 0,01% | 0,8% |
| - EUR | 0% | 0% |
| - other | 0% | 0% |
| **Loans to customers** | | |
| - RUB | 5,5 - 13% | 7,05 - 13% |
| - USD | 4,48 – 4,48% | 2 – 3,3% |
| - EUR | 2,5 – 8,5% | 1 – 8,5% |
| **Financial assets at fair value through other comprehensive income** | | |
| - RUB | 4,25 – 8,70% | 6,15 – 9,15% |
| **Interest Bearing Liabilities** | | |
| **Amounts payable under repurchase agreements** | | |
| - RUB | 0% | 6,75 – 6,8%% |
| - USD | 0% | 0% |
| **Amounts due to banks** | | |
| - RUB | 0 – 3,5% | 0 - 7% |
| - USD | 0 – 1,2% | 0 – 2,4% |
| - EUR | 0 - 1% | 0 - 1% |
| **Amounts due to customers** | | |
| - RUB | 0 – 7,25% | 0 – 7,5% |
| - USD | 0 – 2,5% | 0 – 2,5% |
| - EUR | 0 – 0,4% | 0 – 0,35% |
| - other | 0% | 0% |
| **Subordinated loans** | | |
| - USD | 4 - 5% | 5 - 6% |
| - EUR | 1% | 1% |

## 34. Interest Rate Repricing Analysis

The table below presents assets and liabilities by contractual interest rate repricing date as at 31 December 2020:

| | Less than 1 month USD'000 | 1 to 3 months USD'000 | 3 months to 1 year USD'000 | More than 1 year USD'000 | Maturity Undefined USD'000 | Total USD'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash | 1,788 | - | - | - | - | **1,788** |
| Amounts due from the Central Bank of Russia | 19,030 | - | - | - | - | **19,030** |
| Amounts due from banks | 50,230 | - | - | - | - | **50,230** |
| Derivative financial assets | 39 | - | - | - | - | **39** |
| Loans to customers | - | 15,718 | 137,356 | 43,457 | - | **196,531** |
| Financial assets at fair value through other comprehensive income | 6,830 | 2,341 | - | 44,554 | - | **53,725** |
| **Total assets** | **77,917** | **18,059** | **137,356** | **88,011** | **-** | **321,343** |
| **Liabilities** | | | | | | |
| Derivative financial liabilities | 4 | - | - | - | - | **4** |
| Amounts payable under repurchase agreements | - | - | - | - | - | **-** |
| Amounts due to banks | 56,358 | 4,019 | 24,564 | - | - | **84,941** |
| Amounts sue to customers | 44,417 | 91,746 | 923 | - | - | **137,086** |
| Subordinated loans | - | - | 9,531 | - | - | **9,531** |
| **Total liabilities** | **100,779** | **95,765** | **35,018** | **-** | **-** | **231,562** |
| **Net position as at 31 December 2020** | **(22,862)** | **(77,706)** | **102,338** | **88,011** | **-** | **89,781** |
| Net position as at 31 December 2019 | (17,597) | (23,270) | 104,079 | 39,560 | - | **102,772** |

**34. Interest Rate Repricing Analysis (continued)**

The table below presents assets and liabilities by contractual interest rate repricing date as at 31 December 2019:

| | **Less than 1 month** USD'000 | **1 to 3 months** USD'000 | **3 months to 1 year** USD'000 | **More than 1 year** USD'000 | **Maturity Undefined** USD'000 | **Total** USD'000 |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| Cash | 873 | - | - | - | - | **873** |
| Amounts due from the Central Bank of Russia | 19,467 | - | - | - | - | **19,467** |
| Amounts due from banks | 13,855 | - | - | - | - | **13,855** |
| Derivative financial assets | 37 | - | - | - | - | **37** |
| Loans to customers | 37,435 | 27,560 | 127,421 | 12,589 | - | **205,005** |
| Financial assets at fair value through other comprehensive income | 13,100 | 11,957 | 4,030 | 27,236 | - | **56,323** |
| **Total assets** | **84,767** | **39,517** | **131,451** | **39,825** | **-** | **295,560** |
| **Liabilities** | | | | | | |
| Derivative financial liabilities | 23 | - | - | - | - | **23** |
| Amounts payable under repurchase agreements | 9,694 | - | - | - | - | **9,694** |
| Amounts due to banks | 59,799 | 44,859 | 16,802 | - | - | **121,460** |
| Amounts sue to customers | 32,848 | 17,928 | 1,550 | 265 | - | **52,592** |
| Subordinated loans | - | - | 9,020 | - | - | **9,020** |
| **Total liabilities** | **102,364** | **62,787** | **27,372** | **265** | **-** | **192,788** |
| **Net position as at 31 December 2019** | **(17,597)** | **(23,270)** | **104,079** | **39,560** | **-** | **102,772** |
| Net position as at 31 December 2018 | (35,587) | 9,022 | 79,157 | 29,449 | - | **82,041** |

## 35. Maturity Analysis

The table below presents the undiscounted cash flows as at 31 December 2020 of the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability commitment. In case where maturity is not fixed, it is determined on the conditions ruling at the reporting date. The Bank's expected cash flows on these financial liabilities and unrecognised loan commitments vary significantly from this analysis.

| | **Less than 1 month** | **1 to 3 months** | **3 months to 1 year** | **More than 1 year** | **Maturity undefined** | **Notional value of cash flow** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Non-derivative financial instruments** | | | | | | | |
| Amounts due to banks | 56,365 | 4,025 | 24 756 | - | - | 85,146 | **84,941** |
| Amounts due to customers | 44,419 | 91,791 | 924 | - | - | 137,134 | **137,086** |
| Subordinated loans | - | 54 | 162 | 10 599 | - | 10,815 | **9,531** |
| Other liabilities | 249 | 76 | 151 | 1 111 | - | 1,587 | **1,467** |
| **Derivative financial instruments** | | | | | | | |
| Inflow | 40,910 | - | - | - | - | 40,910 | **35** |
| Outflow | (40,875) | - | - | - | - | (40,875) | **-** |
| **Total liabilities** | **101,068** | **95,946** | **25,993** | **11,710** | **-** | **234,717** | **233,060** |
| Guarantees and letters of credit | 9,408 | 12,436 | 63,248 | 30,038 | - | 115,130 | - |
| Credit related commitments | 29,834 | - | - | - | - | 29,834 | - |

**35. Maturity Analysis (continued)**

The table below presents the undiscounted cash flows as at 31 December 2019 of the Bank's financial liabilities and unrecognised loan commitments on the basis of their earliest possible contractual maturity. The gross nominal inflow/outflow disclosed in the table is the contractual, undiscounted cash flow on the financial liability commitment. In case where maturity is not fixed, it is determined on the conditions ruling at the reporting date. The Bank's expected cash flows on these financial liabilities and unrecognised loan commitments vary significantly from this analysis.

| | **Less than 1 month** | **1 to 3 months** | **3 months to 1 year** | **More than 1 year** | **Maturity undefined** | **Notional value of cash flow** | **Carrying amount** |
|---|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Non-derivative financial instruments** | | | | | | | |
| Amounts payable under repurchase agreements | 9,710 | - | - | - | - | **9,710** | **9,694** |
| Amounts due to banks | 59,828 | 44,953 | 16,857 | - | - | **121,638** | **121,460** |
| Amounts due to customers | 32,846 | 18,151 | 1,561 | 272 | - | **52,830** | **52,591** |
| Subordinated loans | - | 61 | 186 | 10,253 | - | **10,500** | **9,020** |
| Other liabilities | 101 | 82 | 129 | - | - | **312** | **282** |
| **Derivative financial instruments** | | | | | | | |
| Inflow | (34,200) | - | - | - | - | **(34,200)** | **(14)** |
| Outflow | 34,186 | - | - | - | - | **34,186** | **-** |
| **Total liabilities** | **102,471** | **63,247** | **18,733** | **10,525** | - | **194,967** | **193,033** |
| Guarantees and letters of credit | 1,729 | 39,451 | 42,111 | 62,922 | - | 146,213 | - |
| Credit related commitments | 22,058 | - | - | - | - | 22,058 | - |

**35. Maturity Analysis (continued)**

The table below presents assets and liabilities by remaining contractual maturity dates as at 31 December 2020. Management believes that in spite of substantial portion of accounts and deposits from customers being on demand (customer current/settlement accounts) being reflected as having maturity of less than one months, diversification of these deposits by number and type of depositors, and the past experience of the Bank, would indicate that these accounts provide a long-term and stable source of funding to the Bank.

| | Less than 1 month | 1 to 3 months | 3 months to 1 year | More than 1 year | Maturity undefined | Total |
|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Assets** | | | | | | |
| Cash | 1,788 | - | - | - | - | **1,788** |
| Amounts due from the Central Bank of Russia | 19,030 | - | - | - | - | **19,030** |
| Amounts due from banks | 50,230 | - | - | - | - | **50,230** |
| Derivative financial assets | 39 | - | - | - | - | **39** |
| Loans to customers | - | 15,718 | 137,356 | 43,457 | - | **196,531** |
| Financial assets at fair value through other comprehensive income | 6,830 | 2,341 | - | 44,554 | - | **53,725** |
| Non-current assets for sale | - | - | 5,540 | - | - | **5,540** |
| Fixed assets and right-of-use assets | 23 | 68 | 181 | 1,009 | 54 | **1,335** |
| Intangible assets | - | - | - | - | 562 | **562** |
| Current tax assets | - | 392 | - | - | - | **392** |
| Other assets | 249 | - | - | - | - | **249** |
| **Total assets** | **78,189** | **18,519** | **143,077** | **89,020** | **616** | **329,421** |
| **Liabilities** | | | | | | |
| Derivative financial liabilities | 4 | - | - | - | - | **4** |
| Amounts payable under repo agreements | - | - | - | - | - | **-** |
| Amounts due to banks | 56,357 | 4,019 | 24,565 | - | - | **84,941** |
| Amounts due to customers | 44,417 | 91,746 | 923 | - | - | **137,086** |
| Subordinated loans | - | - | - | 9,531 | - | **9,531** |
| Current tax liabilities | - | - | - | - | - | **-** |
| Deferred tax liabilities | - | - | - | - | 3,081 | **3,081** |
| Other liabilities | 245 | 361 | 121 | 1,035 | 658 | **2,420** |
| **Total Liabilities** | **101,023** | **96,126** | **25,609** | **10,566** | **3,739** | **237,063** |
| **Net position as at 31 December 2020** | **(22,834)** | **(77,607)** | **117,468** | **78,454** | **(3,123)** | **92,358** |
| Net position as at 31 December 2019 | (17,363) | (22,659) | 112,971 | 30,539 | (3,742) | **99,746** |

**35. Maturity Analysis (contnued)**

The table below presents assets and liabilities by remaining contractual maturity dates as at 31 December 2019. Management believes that in spite of substantial portion of accounts and deposits from customers being on demand (customer current/settlement accounts) being reflected as having maturity of less than one months, diversification of these deposits by number and type of depositors, and the past experience of the Bank, would indicate that these accounts provide a long-term and stable source of funding to the Bank.

| | Less than 1 month | 1 to 3 months | 3 months to 1 year | More than 1 year | Maturity undefined | Total |
|---|---|---|---|---|---|---|
| | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 | USD'000 |
| **Assets** | | | | | | |
| Cash | 873 | - | - | - | - | **873** |
| Amounts due from the Central Bank of Russia | 19,467 | - | - | - | - | **19,467** |
| Amounts due from banks | 13,855 | - | - | - | - | **13,855** |
| Derivative financial assets | 37 | - | - | - | - | **37** |
| Loans to customers | 37,436 | 27,560 | 127,420 | 12,589 | - | **205,005** |
| Financial assets at fair value through other comprehensive income | 13,100 | 11,957 | 4,030 | 27,236 | - | **56,323** |
| Fixed assets and right-of-use assets | - | - | - | - | 317 | **317** |
| Intangible assets | - | - | - | - | 718 | **718** |
| Current tax assets | - | 1,074 | - | - | 1,074 | **1,074** |
| Other assets | 333 | - | - | - | 333 | **333** |
| **Total assets** | **85,101** | **40,591** | **131,450** | **39,825** | **2,442** | **298,002** |
| **Liabilities** | | | | | | |
| Derivative financial liabilities | 23 | - | - | - | - | **23** |
| Amounts payable under repo agreements | 9,694 | - | - | - | - | **9,694** |
| Amounts due to banks | 59,799 | 44,859 | 16,802 | - | - | **121,460** |
| Amounts due to customers | 32,848 | 17,928 | 1,549 | 266 | - | **52,591** |
| Subordinated loans | - | - | - | 9,020 | - | **9,020** |
| Current tax liabilities | - | 383 | - | - | - | **383** |
| Deferred tax liabilities | - | - | - | - | 4,137 | **4,137** |
| Other liabilities | 100 | 80 | 128 | - | 640 | **948** |
| **Total Liabilities** | **102,464** | **63,250** | **18,479** | **9,286** | **4,777** | **198,256** |
| **Net position as at 31 December 2019** | **(17,363)** | **(22,659)** | **112,971** | **30,539** | **(3,742)** | **99,746** |
| Net position as at 31 December 2018 | (49,157) | (17,002) | 77,101 | 72,025 | (3,724) | **79,243** |

## 36. Currency Analysis

The table below presents the currency structure of assets and liabilities as at 31 December 2020:

| | RUB<br>USD'000 | USD<br>USD'000 | EUR<br>USD'000 | Other<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | 1,552 | 229 | 7 | - | **1,788** |
| Amounts due from the Central Bank of Russia | 19,030 | - | - | - | **19,030** |
| Amounts due from banks | 18,988 | 2,494 | 28,748 | - | **50,230** |
| Derivative financial assets | 27 | 12 | - | - | **39** |
| Loans to customers | 98,333 | 7,842 | 90,356 | - | **196,531** |
| Financial assets at fair value through other comprehensive income | 53,725 | - | - | - | **53,725** |
| Non-current assets for sale | 5,540 | - | - | - | **5,540** |
| Fixed assets and right-of-use assets | 1,335 | - | - | - | **1,335** |
| Intangible assets | 562 | - | - | - | **562** |
| Current tax assets | 392 | - | - | - | **392** |
| Other assets | 249 | - | - | - | **249** |
| **Total assets** | **199,733** | **10,577** | **119,111** | **-** | **329,421** |
| **Liabilities** | | | | | |
| Derivative financial liabilities | 4 | - | - | - | **4** |
| Amounts payable under repo agreements | - | - | - | - | **-** |
| Amounts due to banks | 7,691 | 8,289 | 68,961 | - | **84,941** |
| Amounts due to customers | 114,576 | 17,526 | 4,984 | - | **137,086** |
| Subordinated loans | - | 3,700 | 5,831 | - | **9,531** |
| Current tax liabilities | - | - | - | - | **-** |
| Deferred tax liabilities | 3,081 | - | - | - | **3,081** |
| Other liabilities | 2,420 | - | - | - | **2,420** |
| **Total Liabilities** | **127,772** | **29,515** | **79,776** | **-** | **237,063** |
| **Net on balance sheet position as at 31 December 2020** | **71,961** | **(18,938)** | **39,335** | **-** | **92,358** |
| Irrevocable commitments | 15,973 | 12,634 | 42,103 | - | **70,710** |
| Issued guarantees and sureties | 104,743 | 897 | 9,490 | - | **115,130** |
| **Net (short) / long position as at 31 December 2020** | **192,677** | **(5,407)** | **90,928** | **-** | **278,198** |
| Net (short) / long position as at 31 December 2019 | 259,717 | 6,088 | 36,395 | - | **302,200** |

**36. Currency Analysis (continued)**

The table below presents the currency structure of assets and liabilities as at 31 December 2019:

| | RUB<br>USD'000 | USD<br>USD'000 | EUR<br>USD'000 | Other<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash | 606 | 209 | 58 | - | **873** |
| Amounts due from the Central Bank of Russia | 19,467 | - | - | - | **19,467** |
| Amounts due from banks | 1,162 | 1,261 | 11,432 | - | **13,855** |
| Derivative financial assets | 37 | - | - | - | **37** |
| Loans to customers | 99,102 | 12,282 | 93,621 | - | **205,005** |
| Financial assets at fair value through other comprehensive income | 56,323 | - | - | - | **56,323** |
| Fixed assets and right-of-use assets | 317 | - | - | - | **317** |
| Intangible assets | 718 | - | - | - | **718** |
| Current tax assets | 1,074 | - | - | - | **1,074** |
| Other assets | 333 | - | - | - | **333** |
| **Total assets** | **179,139** | **13,752** | **105,111** | **-** | **298,002** |
| **Liabilities** | | | | | |
| Derivative financial liabilities | - | - | 23 | - | **23** |
| Amounts payable under repo agreements | 9,694 | - | - | - | **9,694** |
| Amounts due to banks | 24,889 | 5,476 | 91,095 | - | **121,460** |
| Amounts due to customers | 43,564 | 7,008 | 2,019 | - | **52,591** |
| Subordinated loans | - | 3,700 | 5,320 | - | **9,020** |
| Current tax liabilities | 383 | - | - | - | **383** |
| Deferred tax liabilities | 4,137 | - | - | - | **4,137** |
| Other liabilities | 948 | - | - | - | **948** |
| **Total Liabilities** | **83,615** | **16,184** | **98,457** | **-** | **198,256** |
| **Net on balance sheet position as at 31 December 2019** | **95,524** | **(2,432)** | **6,654** | **-** | **99,746** |
| Irrevocable commitments | 32,038 | 1,802 | 22,402 | - | **56,242** |
| Issued guarantees and sureties | 132,155 | 6,718 | 7,339 | - | **146,212** |
| **Net (short) / long position as at 31 December 2019** | **259,717** | **6,088** | **36,395** | **-** | **302,200** |
| Net (short) / long position as at 31 December 2018 | 80,647 | (1,070) | (338) | 4 | **79,243** |

## 37. Geographical Analysis

The table below presents the geographical concentration of assets and liabilities as at 31 December 2020:

| | Russia<br>USD'000 | OECD<br>USD'000 | Other<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 1,788 | - | - | **1,788** |
| Amounts due from the Central Bank of Russia | 19,030 | - | - | **19,030** |
| Amounts due from banks | 22,025 | 28,205 | - | **50,230** |
| Derivative financial assets | 39 | - | - | **39** |
| Loans to customers | 124,019 | 72,511 | 1 | **196,531** |
| Financial assets at fair value through other comprehensive income | 53,725 | - | - | **53,725** |
| Non-current assets for sale | 5,540 | - | - | **5,540** |
| Fixed assets and right-of-use assets | 1,335 | - | - | **1,335** |
| Intangible assets | 562 | - | - | **562** |
| Current tax assets | 392 | - | - | **392** |
| Other assets | 240 | 9 | - | **240** |
| **Total assets** | **228,695** | **100,725** | **1** | **329,421** |
| | | | | |
| **Liabilities** | | | | |
| Derivative financial liabilities | 4 | - | - | **4** |
| Amounts payable under repo agreements | - | - | - | **-** |
| Amounts due to banks | - | 76,900 | 8,041 | **84,941** |
| Amounts due to customers | 132,147 | 4,938 | 1 | **137,086** |
| Subordinated loans | - | 9,531 | - | **9,531** |
| Deferred tax liabilities | 3,081 | - | - | **3,081** |
| Other liabilities | 2,420 | - | - | **2,420** |
| **Total Liabilities** | **137,652** | **91,369** | **8,042** | **237,063** |
| | | | | |
| **Net on balance sheet position as at 31 December 2020** | **91,043** | **9,356** | **(8,041)** | **92,358** |

## 37. Geographical Analysis (continued)

The table below presents the geographical concentration of assets and liabilities as at 31 December 2019:

| | Russia<br>USD'000 | OECD<br>USD'000 | Other<br>USD'000 | Total<br>USD'000 |
|---|---|---|---|---|
| **Assets** | | | | |
| Cash | 873 | - | - | **873** |
| Amounts due from the Central Bank of Russia | 19,467 | - | - | **19,467** |
| Amounts due from banks | 9,726 | 4,129 | - | **13,855** |
| Derivative financial assets | 37 | - | - | **37** |
| Loans to customers | 132,238 | 72,760 | 7 | **205,005** |
| Financial assets at fair value through other comprehensive income | 56,323 | - | - | **56,323** |
| Fixed assets and right-of-use assets | 317 | - | - | **317** |
| Intangible assets | 718 | - | - | **718** |
| Current tax assets | 1,074 | - | - | **1,074** |
| Other assets | 333 | - | - | **333** |
| **Total assets** | **221,106** | **76,889** | **7** | **298,002** |
| | | | | |
| **Liabilities** | | | | |
| Derivative financial liabilities | 23 | - | - | **23** |
| Amounts payable under repo agreements | 9,694 | - | - | **9,694** |
| Amounts due to banks | 9,692 | 111,768 | - | **121,460** |
| Amounts due to customers | 43,498 | 9,090 | 3 | **52,591** |
| Subordinated loans | - | 9,020 | - | **9,020** |
| Current tax liabilities | 383 | - | - | **383** |
| Deferred tax liabilities | 4,137 | - | - | **4,137** |
| Other liabilities | 948 | - | - | **948** |
| **Total Liabilities** | **68,375** | **129,878** | **3** | **198,256** |
| | | | | |
| **Net on balance sheet position as at 31 December 2019** | **152,731** | **(52,989)** | **4** | **99,746** |

## 38. Events after the Reporting Date

There are no significant events that have occurred after the reporting date and require disclosure in the financial statements.

Всего прошнуровано,
пронумеровано, скреплено
печатью и подписью 79
листов.
Руководитель задания по аудиту
__________ М.М. Карапетян