TINKOFF

Annual Report 2021

TCS GROUP HOLDING PLC

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STRATEGIC REVIEW

FINANCIALS

Tinkoff is an online ecosystem offering a full range of financial services for individuals and businesses. In 15 years of our history we have secured our place among one of the world's leading neobanks, with more than 20 million customers. Our unique values, entrepreneurial spirit, the culture of innovation and teamwork are the key foundations of our success.

Our strategic objective is to grow our customer base profitably by building the most comprehensive, engaging, innovative, and sustainable financial and lifestyle ecosystem in the world.

About this report

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

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

STRATEGIC REVIEW

Chairman's Statement

Dear stakeholders,

Looking back now at FY 2021 as I must for the purposes of this annual report, I feel we as a Board made our contribution, supporting as before the Group's traditional strengths-strong capital and liquidity positions, innovative technologies, good control of risk, fast and cool-headed reactions to change and the opportunities it creates.

I wrote last year that advancing technology allowed the Board to carry forward its supervisory and oversight work despite the many challenges thrown at us by the pandemic, and the same was true for 2021. The continued rollout of our corporate governance enhancement programme saw very significant changes. We increased in the strength and depth of the Board while diversifying its composition. From the onboarding of a number of new directors, many of them INEDs, strengthening the executive management component on the Board to setting up two new committees, the Strategy Committee and Sustainability Committee, all clear pointers to greater transparency.

On the business frontline, corporate governance changes mirror the Group's commitment to developing and promoting its outstanding talent, deepening the management bench even as we maintain our trajectory of fast and profitable growth.

As I have mentioned in the past, the outstanding financial performance such as the Group delivered in FY2021 is the result of many contributions, over many years, of informed, timely and astute decisions taken, well targeted investments, allied to complete professionalism, a focused and talented management team, passion for the Tinkoff brand and devotion to serving our customers. And last but not least a dash of true entrepreneurial instinct.

All of this put us in the strongest possible position for the unexpected, coming into 2022. Tinkoff in its 15 years of life has survived a number of crises, with different causes and different impacts, testing the Tinkoff business model. Everyone appreciates that the current operating environment is markedly different to anything we have ever seen before. Yet the business model has always been very flexible, highly resilient, and skillfully led. The Group has been able to thrive whatever the challenges, whatever the environment, and although the Board is currently facing several setbacks, I believe we will outperform expectations in 2022.

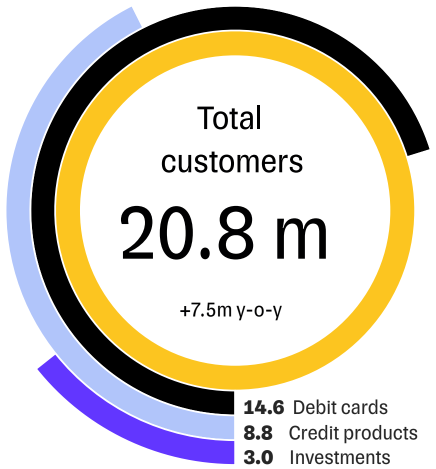
Keep safe, keep optimistic in these difficult times.

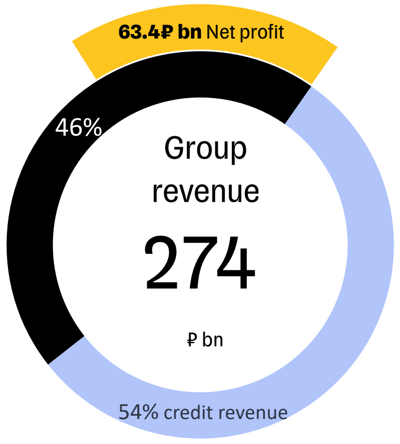
Yours sincerely

Constantinos Economides
Chairman of the Board of Directors

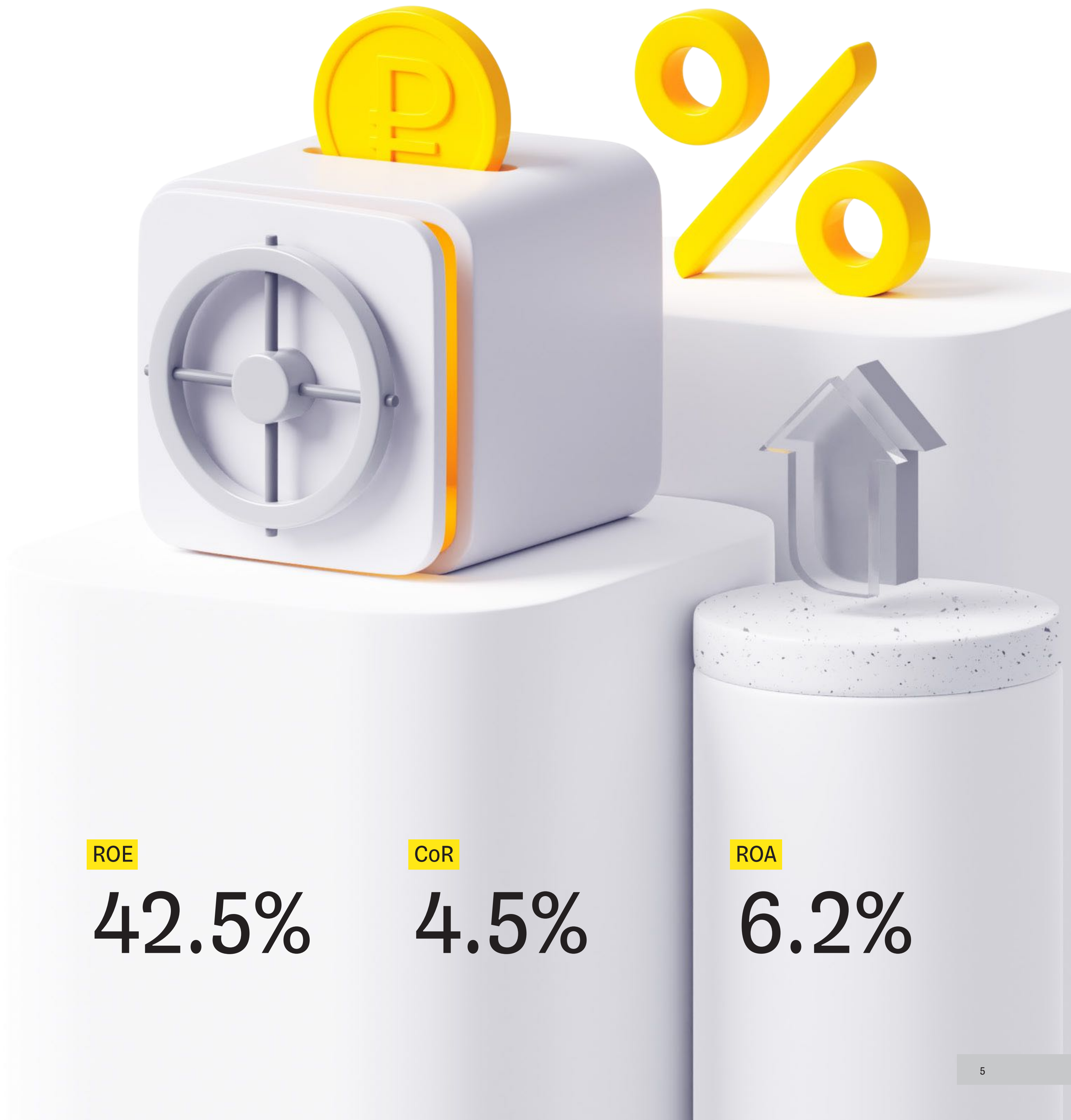
HIGHLIGHTS FOR THE YEAR

TCS GROUP IS AN INNOVATIVE PROVIDER OF DIGITAL FINANCIAL AND LIFESTYLE SERVICES. BRANCHLESS SINCE ITS INCEPTION IN 2006, TCS DEVELOPED A FULL RANGE OF IN-HOUSE PROPRIETARY TECHNOLOGY SOLUTIONS AND SERVICES, INCLUDING DIGITAL BANKING, BROKERAGE, ACQUIRING AND OTHER MERCHANT SOLUTIONS, INSURANCE, SME BANKING AND MUCH MORE.





2021



Customer accounts
0.9
RUB tn

Total assets
1.3
RUB tn

Net loans
+61%
to 31.12.2020

ROE
42.5%

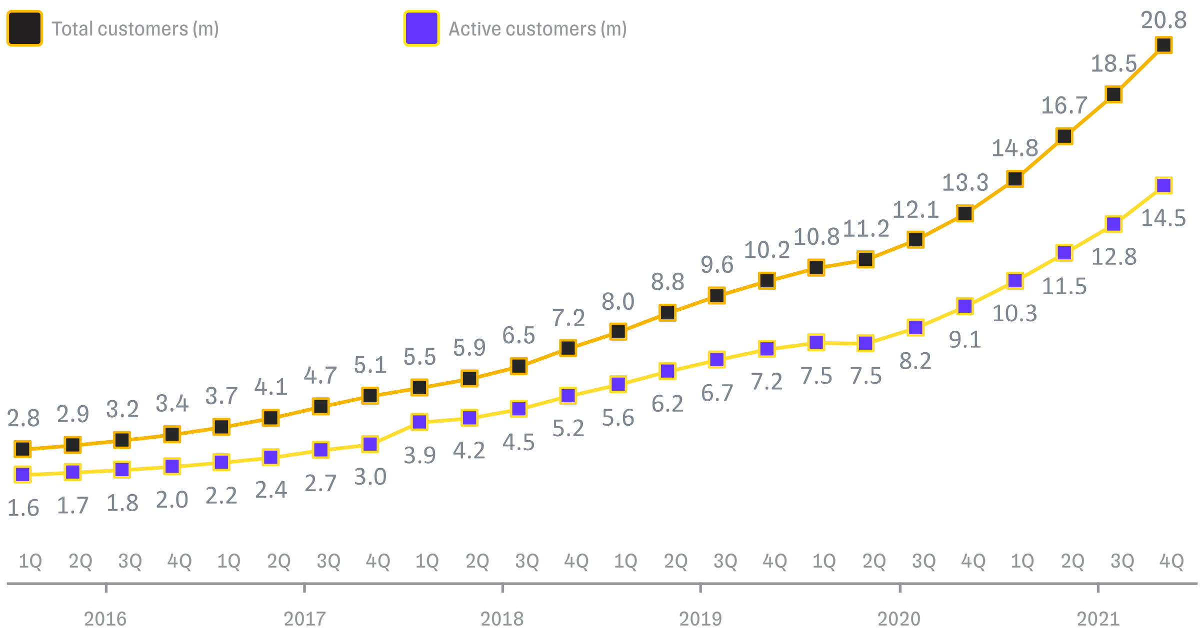
CoR
4.5%

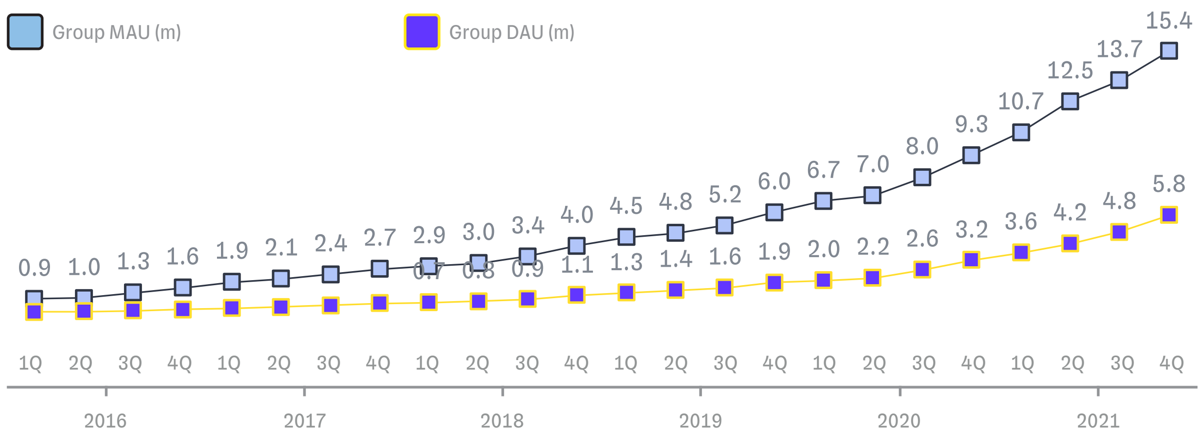
ROA
6.2%

2021

HIGHLIGHTS FOR THE YEAR

Russia's one of the largest banks of active retail customers





- Total customer: Customers with a utilized product that has not been closed
- Active customer: Customer who generated revenue in the last month
- Group MAU and DAU refers to unique monthly and daily active users of all Tinkoff platforms (incl. Tinkoff banking app, Tinkoff Investments, Tinkoff Internet Banking, SME, Tinkoff Junior and other smaller platforms)

HISTORY

HIGHLIGHTS OF TCS GROUP'S INNOVATIVE DEVELOPMENT **NET PROFIT (RUB BN)**

2021 — 63.4

- Tinkoff among world's Top 3 neo-banks according to WhiteSight
- Russia's best-performing bank by The Banker
- Oleg voice assistant was integrated into Tinkoff phone call center
- Top 3 best employer in Russia according to Forbes
- Tinkoff Mobile launched an Ad Blocker for its customers
- Tinkoff launched Russia's first BNPL service (buy-now-pay-later) - "Dolyami"
- Tinkoff Investments launched its ECM and DCM business line
- Tinkoff becomes a shareholder of Beskontakt LLC, the developer of Koshelek
- Most Innovative Digital Bank in Central and Eastern Europe at 2021 Worlds Best Digital Bank Awards
- Tinkoff launched Tinkoff Private
- Tinkoff, together with CIAN, launched the first Russian service for conducting remote electronic real estate deals
- Tinkoff Capital received asset management licence
- Tinkoff took the second place in the Forbes Woman 2021 rating
- TCS Group Holding Plc introduced Co-CEOs structure
- Tinkoff`s celebrated 15-year anniversary
- Tinkoff presented ETNA Russias first open-service tool for analysing and forecasting business processes
- Tinkoff named Russia's Bank of the Year
- Tinkoff Group became a signatory to the Principles of Responsible Banking and joined the United Nations Environment Programme Finance Initiative
- Tinkoff announced the launch of Oleg's free telephone secretary
- Tinkoff has acquired 5% of the St. Petersburg Exchange
- Tinkoff adopted Anodot's Next-Level Technology to Revolutionize its Customer Experience, Payment, and Trading Monitoring
- Tinkoff completed its debut mortgage securitisation
- Tinkoff Named CEE's Best Digital Bank at Euromoney's Awards for Excellence 2021
- Tinkoff launched 9 development hubs
- Tinkoff was recognized as Most Innovative Digital Bank by Global Finance

2020 — 44.2

- Tinkoff becomes the largest player in the CBR's Faster Payments System
- Tinkoff GDRs included in the MSCI Russian Main Index
- Tinkoff included into Top 50 Most Valuable Russian Brands
- Tinkoff Capital launched Russia's first ETF tracking the Nasdaq (*) -100 Technology Sector Index (NDXT)
- Tinkoff non-credit product customers overtake the number of credit product customers for the first time
- Tinkoff deploys its cloud home call centre platform to assist the Moscow City Government in fielding calls on pandemic-related problems

2017–2019 — 36.1*

- The Company's GDRs are listed on MOEX
- Launch of the first "Super App" in Russia
- Introduction of 'Oleg', the world's first voice assistant for financial and lifestyle tasks
- Full brokerage and depositary services license obtained
- Launch of Tinkoff Junior app, a service for children and teenagers

2014–2016 — 11.0*

- Launched a network of software development hubs countrywide
- Introduced a face recognition system for scoring
- Launched a new management long term incentive plan
- Became Russia's second largest credit card provider
- Launched new business lines, transitioning to online financial marketplace Tinkoff.ru

2010–2013 — 5.8*

- TCS Group IPO on the London Stock Exchange Main Market
- Launch of Tinkoff Insurance
- Launch of online POS loan programme

2006–2008 — 0.6*

- Tinkoff Credit Systems Bank was created by Oleg Tinkov
- First debit card issued
- First credit card issued

** For the last year of respective period*

TINKOFF'S DNA

Regardless what happens around us, the Tinkoff spirit remains that of a young, flexible, and innovative company. We are proud of our culture and values, and it is important for us to work with those who share them. The Tinkoff DNA is built around five key values that were born from the everyday behaviour and suggestions of our employees. They are not imposed artificially on our workforce.

We are customer-centric

We succeed as a business only when our customers are satisfied. We listen to our customers: what they need is what we need. We aim to anticipate our customers' needs and expectations, and as pioneers since the very beginning we create products and services our customers could not even have imagined.

We are one team

Our successes and failures are shared. We achieve success together and work to improve together as well. We are motivated by the success of our colleagues, just as our success motivates them. We debate, and while we may sometimes disagree we always listen to each other. Together, we find the best possible solutions for the success of our company.

We are trendsetters

We are not afraid of making mistakes – we learn from them. Everyone is free to act as they see fit, and everyone can make mistakes. We share ideas even if they do not seem promising at first and test hypotheses quickly and make decisions based on considered analysis.

We have an ownership mindset

We do not categorize what we do into primary and secondary responsibilities. If something can be improved, we will improve it. We think about how our actions will affect the future – not as fortune tellers but as visionaries. We make sure the company operates in a sustainable fashion. Despite our successes, we are never satisfied and we build on our success by nurturing and motivating our talent and resources.

We love what we do

We do more than is expected of us, because we know that there are no extraordinary results without extraordinary efforts. As we forge ahead, we strive to inspire others by our example.

BUSINESS MODEL

TINKOFF IS A FULLY DIGITAL ECOSYSTEM OFFERING CUSTOMERS A FULL RANGE OF FINANCIAL, TRANSACTIONAL, AND LIFESTYLE SERVICES. THROUGH OUR MOBILE AND INTERNET PLATFORMS WE OFFER TINKOFF-BRANDED PRODUCTS – CREDIT PRODUCTS, CURRENT ACCOUNTS, DEPOSITS, SECURITIES DEALING, INSURANCE AND MOBILE SOLUTIONS, AS WELL AS NON-TINKOFF PRODUCTS THROUGH OUR LIFESTYLE MARKETPLACE.
WE OFFER A DIVERSIFIED SET OF RETAIL AND SME PRODUCTS, THROUGH A BUSINESS MODEL PREDICATED ON OPERATING FLEXIBILITY, ROBUST DATA AND RISK MANAGEMENT, HIGH QUALITY FUNDING, POWERFUL DISTRIBUTION, PREMIUM LEVEL SERVICE, AND ASPIRATIONAL BRANDING.

WE RELY ON…

A customer centric approach

We think about the customers' needs, journey, and experience.

A data-driven obsession

We create, collect, analyse, and use big data to inform our decisions.

Deploying capital methodically

Where measurable, we deploy capital within an NPV framework with 30% hurdle rate, constantly updating and refining our models.

Our aspirational brand for all stakeholders

Over the years we have created a brand that's associated with innovation, agility, top-notch service, reliability – being recognized as a company that it's good to be a customer of, that it's great to work for, and that it's great to work with.

Strategic focus

We deploy time and resources in financial and lifestyle activities where we think we have competitive advantages. Strategy is what we don't do as much as it is what we do.

A state-of-the-art technology stacks

We are a tech company with a banking license – we employ some of the finest tech talent to frequently launch, update, and refine user-friendly and innovative products, programs, and applications – at a fraction of the cost of our competitors. Our capabilities include some of the most advanced data protection and cybersecurity technologies.

An entrepreneurial and innovative mindset

We are results-driven and run a very flat organization where decision making is quick, collegial and often delegated as close to the customer as possible. We test our hypotheses and learn from them, making sure we are always pushing the boundaries of innovation.

Best talents

We hire the brightest and most entrepreneurial employees from top Russian schools and universities. We wouldn't be sustainable if we didn't have the tech talent to execute on our strategy.

TO CREATE…

Financial and lifestyle products

and services that serve to satisfy at least one of three purposes:

- acquire customers to grow our customer base;
- engage with our customers in order to build loyalty and long standing relationships;
- monetize in order to generate satisfactory returns for our shareholders.

Financial and lifestyle products

that delight our customers because of their quality, their ease-of-use, their seamlessness, and the level of service that comes with them

Financial content

that is educational, informative, useful, and helps to grow the financial literacy and financial inclusion of society as a whole.

THAT ENABLES US TO…

Bring digital financial services to more and more people

We aim to grow our customer base and to become the primary banking relationship of our customers, therefore bringing best in class products and services to the masses via our Super App.

Generate superior returns for shareholders

We aim to continue deploying capital to produce more than satisfactory returns for our shareholders.

Lead by example to build sustainable businesses

We aim to introduce products and practices that take into consideration the long-term wellbeing and safety of our people, our society, and our environment, always upholding the highest standards of governance.

OUR STRATEGIC DEVELOPMENT

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

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

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

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

Our ecosystem will encourage customers to be more engaged with Tinkoff, lowering CAC, improving retention and loyalty and increasing LTV.

In 2021 Tinkoff became one of only 13 profitable digital banks globally, and the only profitable one in Russia, according to Boston Consulting Group (BCG). In order to create and scale a digital bank successfully in the long term, the research team suggests focusing on the following three pillars of success: customer obsession, scalable and flexible technology and agile organization and management.

A customer-centric approach

We wouldn't be sustainable if we didn't offer a superior customer service experience. Our cloud-based servicing platform is increasingly enhanced with AI capabilities, enabling us to cost-efficiently service all our customers as if they were premium customers.

2021 was a year of service for us. In order to maintain high level of service for all our new and existing customers we have a variety of formal and informal means of soliciting customer feedback including through our call centres. This gives us feedback on a massive scale about our products and services and about the Tinkoff Group as a whole to which we respond with interest and enthusiasm, as well as on the products and services of other financial services providers in Russia.

Our Innovative mindset

Innovation is embedded in our corporate culture. We employ highly scalable technological platforms, giving us fast time to market and cost advantages. Our teams are always looking to innovate: innovations save time, enhance the customer experience, and in most cases reduce the environmental impact of the business.

We are aiming at supporting business expansion through advanced IT systems and AI Banking as Tinkoff looks at business as a science. In 2020, Tinkoff unveiled its AI Banking strategy that aims to transform its customer offering through personalisation with the help of artificial intelligence across all products and services. We have the technological know-how to become the “AI Bank” - ecosystem of the future, which helps customers become wealthier, helps them reach their goals, gives them advice and recommendations, automates their finances, beats their expectations and simplifies their life. To that end, Tinkoff has expanded the use of AI across its financial and lifestyle services to provide tailored advice, interface personalisation, automation of repetitive financial tasks and interactive content that drives engagement and improves the customer experience.

MOST INNOVATIVE DIGITAL BANK IN CENTRAL AND EASTERN EUROPE AT 2021 WORLD'S BEST DIGITAL BANK AWARDS

In August 2021, Tinkoff was recognised for its innovative banking solutions as the Most Innovative Digital Bank in Central and Eastern Europe at Global Finance magazine's 2021 World's Best Digital Banks awards.

In 2021, Tinkoff Bank continues to expand its technological advantages over traditional Russian banks. We encourage our young employees to innovate and even make mistakes. To us, experimentation and innovation are not merely buzzwords. Each team member looks at problems from different angles and tests a range of possible solutions to find the best way to address the challenges. Following the launch of super-computer Kolmogorov to support AI-based processes and expertise in 2020, in 2021 Tinkoff's Centre for AI technologies continue to introduce innovative technologies to the market.

About ETNA

In 2021 Tinkoff's Centre for AI technologies unveiled ETNA — the first service on the Russian market that helps to analyse and predict a wide range of data-driven processes, ranging from precipitation levels to a company's recruitment needs. ETNA is an open-source tool that is currently available in the programming language Python, but will in the future become accessible to a wider audience of users.

It is an open-source tool that uses data uploaded by users and gathered from public sources to conduct analyses, verify hypotheses and generate forecasts. Among its capacities, ETNA can be used to determine those factors that most affect a company's profit, forecast demand for specific products, and calculate next year's budget.

ETNA uses machine learning algorithms and neural networks, while ensuring total data security by storing downloaded information directly on the user's computer and not sharing it with third parties.

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

Innovative solutions for cybersecurity and data protection

Tinkoff firmly believes that technology can make its ecosystem safer. Our goal is to maintain and enhance the protection of customers data and resources and to monitor the security threats. The work of the information security team permeates every part of the Group's business. Tinkoff pays great attention to the continuing development of a safety culture, and works hard to boost its information security culture.

We follow the best international security standards as NIST framework, COBIT for security risk management, CIS controls, Software Assurance Maturity Model framework for software security.

Our information security management system certified to

1. PCI Council standards (PCI DSS, PIN Security, 3DS Assessment)
2. Central Bank security standards (382-P, 683-P, etc.)
3. SWIFT
4. Roskomnadzor personal data security standard

Tinkoff Bank successfully passed regular governance compliance audits executed by

1. Central Bank
2. RosComNadzor (personal data)
3. Federal Security Service of the Russian Federation (cryptography)
4. PCI DSS

We have also developed a comprehensive fraud monitoring and protection system for our clients.

2021 HIGHLIGHTS FOR THE YEAR

BUSINESS DESCRIPTION, POSITION AND STRATEGY

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

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. At the moment the Group is organised on the basis of 8 main business segments.

Segment	Description	Customer experience	
1. Consumer finance	representing retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, also lifestyles and travel services to individuals	**Borrowing** • Cash loans • Instalments • Auto loans **Daily banking** • Debit cards • Credit products • Utilities payments • Deposits	**Entertainment** • E-commerce • Ticketing • Restaurant reservations • Stories • Travel **Tinkoff Pro Subscription** • Higher deposit rates • Special offers • More cashback categories • Free SMS notifications • Higher P2P transfer limits
2. Retail debit cards	representing customer current accounts services to individuals with the loyalty programs, co-branded offers, and also lifestyles and travel services to individuals. Assets of the segment are represented by placements of the funds attracted in investments in securities, treasury transactions, other financial and non-financial assets		
3. InsurTech	representing retail loans (credit cards, cash loans, consumer loans, car loans, secured loans), deposits and savings, also lifestyles and travel services to individuals	**Insurance** • Cars • Travel • Property • Health & Life	
4. SME services	representing customer current accounts, savings, deposits services and loans to individual entrepreneurs and small to medium businesses. Assets of the segment are represented by placements of the funds attracted into investments in securities, treasury transactions, other financial and non-financial assets	**Small and medium business** • Business account • Salary projects • Overdraft • Business loans • Accounting	
5. Acquiring and payments	providing merchants and businesses the ability to acquire and process payments online and offline, through direct-to-merchant agreements, aggregators and the Group's own payment service provider Cloud	**Acquiring and payments** • Payments • P2P transfers • SME banking services • Safer deals	
6. InvestTech	representing online brokerage platform for investing in a range of securities including Russian and international securities (ETFs, stocks, bonds, etc.)	**Investments** • Securities • Retail brokerage • Investment strategy	
7. Mobile virtual network operator (MVNO) services	providing full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc.	**Mobile** • Own number • Own mobile network code • Own SIM cards • Anti-fraud features	
8. Other investments	represent investments in associated companies and equity instruments. The CODM made a decision to allocate such investments into a separate business segment. Disclosures for comparative periods were amended accordingly		

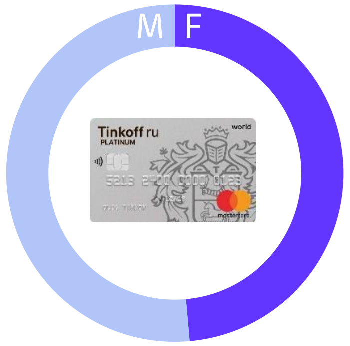
CONTINUED

BUSINESS DESCRIPTION, POSITION AND STRATEGY

Diversified revenue and profit sources ensure stability of the business and of our profitability. We see two main runways for our growth – we can deepen markets where penetration is still low, and we can continue to gain market share across all the various markets in which we already operate or planning to enter.

DIVERSIFICATION (%)	2014	2015	2020	2021
Share of non-credit revenues	1	13	47	54
Share of secured lending in net loans	0	0	19	24
Share of credit cards in net loans	93	92	57	46
Share of customer accounts in liabilities	49	77	86	83
Current accounts in customer funding	30	29	78	84
Coverage of admin expenses by net F&C and insurance income	4	41	120	111

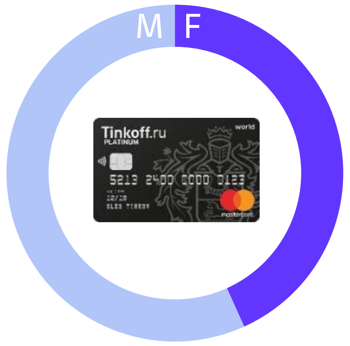
CUSTOMER PROFILE



Platinum

Flagship credit card

Moscow & St. Petersburg: **24%**
Max other region: **5%**
Monthly income (₽k): **59**
Age: **37**



Tinkoff Black

Flagship debit card

Moscow & St. Petersburg: **37%**
Max other region: **4%**
Monthly income (₽k): **75**
Age: **33**

Black Edition

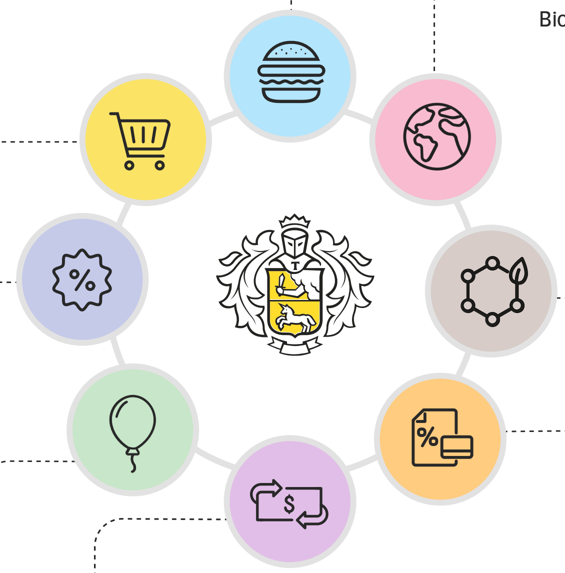
Premium debit/credit cards

Moscow & St. Petersburg: **34%**
Max other region: **13%**
Monthly income (₽k): **201**
Age: **37**

	PLATINUM CREDIT CARDS	TINKOFF ALLAIRLINES	HOME EQUITY LOANS	AUTO LOANS	TINKOFF BLACK	TINKOFF INVESTMENTS	BLACK EDITION CUSTOMERS
Gender (M/F)	51% / 49%	51% / 49%	53% / 47%	72% / 28%	55% / 45%	61% / 39%	70% / 30%
Average age	37	35	39	40	33	32	37
Monthly income (₽k)	59	108	105	86	75	79	201
Moscow and Moscow Region	17%	37%	19%	17%	27%	27%	30%
Saint-Petersburg and Leningradsky Region	7%	11%	8%	7%	10%	10%	4%
Every other region	≤5%	≤3%	≤4%	≤6%	≤4%	≤4%	≤13%

TINKOFF SUPER-APP

We offer a variety of online financial and lifestyle services through our single super app. The Tinkoff super app acts as an entry point for customers to access all of Tinkoff's financial products as well as a combination of proprietary and partner lifestyle services. This is complemented by interesting and educational content, tailored and targeted offers, and is provided through an incredible UI. Tinkoff is continuously improving its super app by introducing new high-tech solutions for various tasks.



Lifestyle

Proprietary integrations:
Cinema, Concerts, Theaters
Travels
Restaurants
Shopping
Sport
...

Marketplace

Offers from partners in different areas of a client's life:
Products and online retail
Health and beauty
Food and Food Delivery
Auto, Breakfast, Taxi
Recreation and entertainment
Culture and education
Fitness and wellness
Cleaning
Flowers and animals
...

Bonuses

Management of cashback, bonuses, points, miles
Life style cashback
Special offers with cashback up to 30%
Installment plan

Tinkoff Junior

Banking for children from 7 years old
Limit management and spending control
Assignments for children for a fee
Child geolocation
Standalone Tinkoff Junior App
Baby Lifestyle Services
Baby Stories

Payments and transfers

Transfers, including by phone number and card
Quick payment system
Government services
Traffic police fines
Subscriptions to accounts from government agencies
Payment for services in various fields
Payment automation
QR code operations

Artificial intelligence

Voice assistant Oleg
Tinkoff Stories
Tinkoff Target
Individual offers with cashback up to 30%
Big Data и Machine Learning
Biometrics

Tinkoff Ecosystem

Unique Tinkoff ID
Wallet with ecosystem products
Tinkoff Investments
Tinkoff Insurance
Tinkoff Mobile
Tinkoff Business

Daily banking

All financial products of the bank
Discovery of new products
Detailing checks from stores
Cost structure with filters
Ordering documents
24/7 live chat support
Apple Pay, Samsung Pay, Google Pay
Crowdfunding
...

TINKOFF SUPER APP RECOGNIZED BY FRANK CARDS & REWARD AWARD 2021 AS BEST MOBILE DAILY BANKING APP

The share of mobile internet users in Russia is growing year-on-year. Tinkoff being a leader in the mobile space from its very first day continues to pay a close attention to not only interfaces and seamlessness of processes in its mobile application but also hugely invests into customer satisfaction and retention. Tinkoff Super-App launched in 2019 continues to be a revolutionary product with integrated Tinkoff platform which not only aggregates all of the Tinkoff Group products under one umbrella, but seamlessly allows customers to satisfy their daily banking, credit, transactional, and lifestyle needs.

During the year, a wide range of new features and services were introduced to help customers take care of their banking and everyday needs in one place.

- Open a joint Tinkoff Black account or grant access to an individual account to other Tinkoff customers;
- Upload a QR code certifying vaccination or the presence of antibodies to COVID-19, as well as schedule a PCR test for travel purposes;
- Sign a credit card agreement directly in the app;
- Activate the Oleg voice assistant and access his services with a quick voice greeting;
- Pull up the money transfer or request function with a shake of the phone;
- Upload and store receipts, pay parking and toll fees, and much more.

2021 Highlights:

86%	38%	5.8m	15.4m	4.5min	130m	>450	35	2.3m	1release
customers use app every month	sticky factor (DAU / MAU)	DAU	MAU	avg time spent per day	monthly in-app payments	App team employees	Independent teams	monthly applications via the App	every month

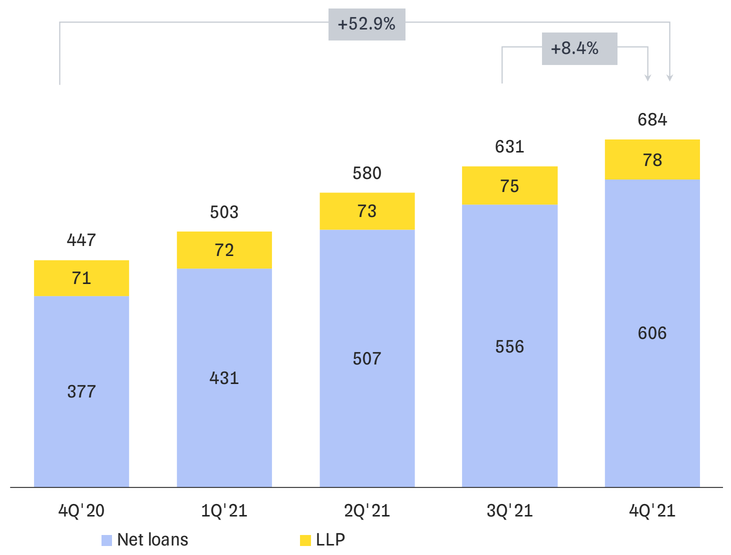
BUSINESS DESCRIPTION, POSITION AND STRATEGY

Consumer finance

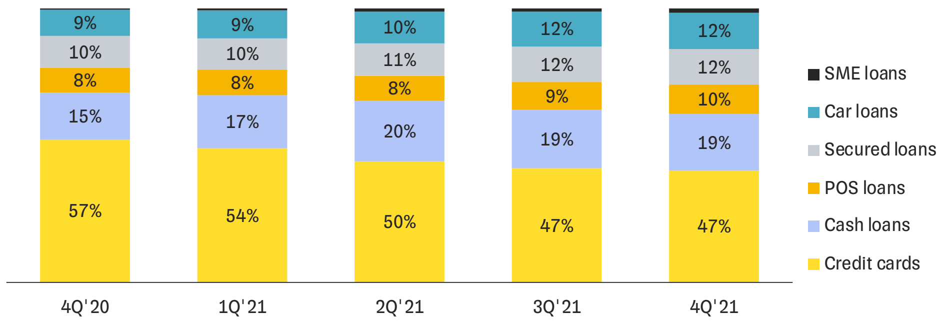
Retail lending remained Tinkoff's core business in 2021

- Russian Credit card market - 14.9% share of Tinkoff
- Steadily growth continued to accelerate, resulting in 8.4% growth q-o-q and 52.9% y-o-y
- More than half of our credit portfolio consists of non-credit card loans
- NPL coverage settled at 132% as NPL ration declined q-o-q. We retain high recovery expectations for NPL in courts
- Total LLP was down to 11.4% of our total loan balance

GROSS LOANS (RUB bn)



NET LOANS breakdown



The Group rigorously applies a "low and grow" approach. This means applying a model according to which we assign the smallest possible credit limit, which is then increased gradually over time for borrowers with good internal credit history – supported by estimates of credit history bureaus – and who have shown their creditworthiness over time. This leads to average ticket sizes that are smaller than the market. The Bank applies four main components to the underwriting process: initial selection; credit bureaus; verification; and limit management. The approach provides a low level of first payment defaults and in general overdue debts.

Retail debit cards

Leadership in overall customer experience

Transparent cashback and interest

Access to best Super App in the market

Fastest mobile onboarding

Best customer service

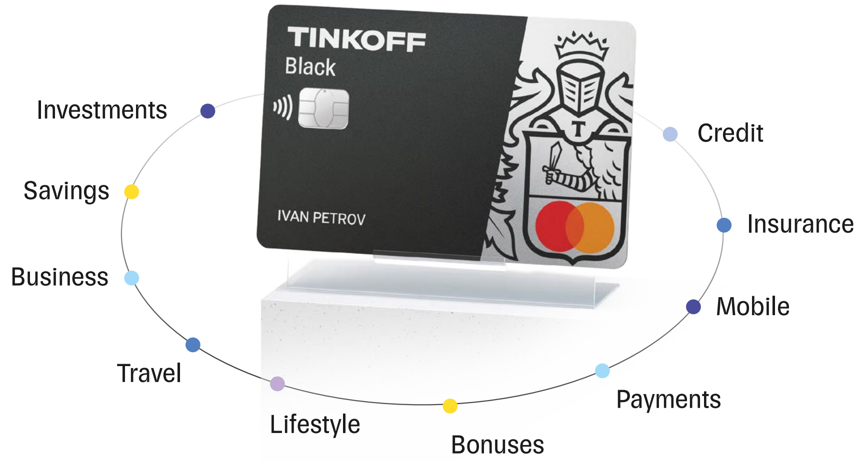
Paramount attention to details

+100 more features that make us unique

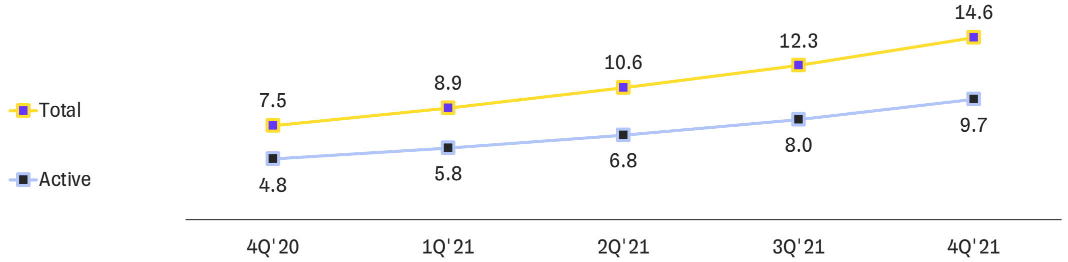
Tinkoff Black customers are highly transactional, engaged and more open to trying products and services in the Tinkoff suite. The Group had over 14.6 mn total Tinkoff Black customers as of 1 January 2022.

We purposely tune this product line close to break-even in terms of transactional economics as we see our current accounts business as the cornerstone of our customer relationships.

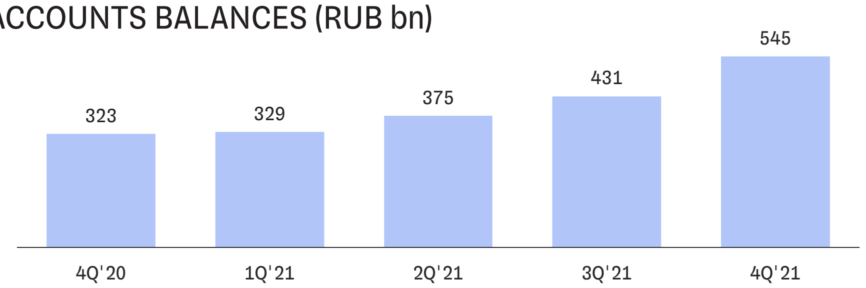
TINKOFF BLACK IS AT THE CORE OF TINKOFF ECOSYSTEM



CUSTOMERS (m)



CURRENT ACCOUNTS BALANCES (RUB bn)



BUSINESS DESCRIPTION, POSITION AND STRATEGY

Tinkoff Insurance

Doubled fees and growth rates for both complex and obligatory auto insurance

More than 13,000 people received support by the 'People in Yellow' team on the roads in Moscow

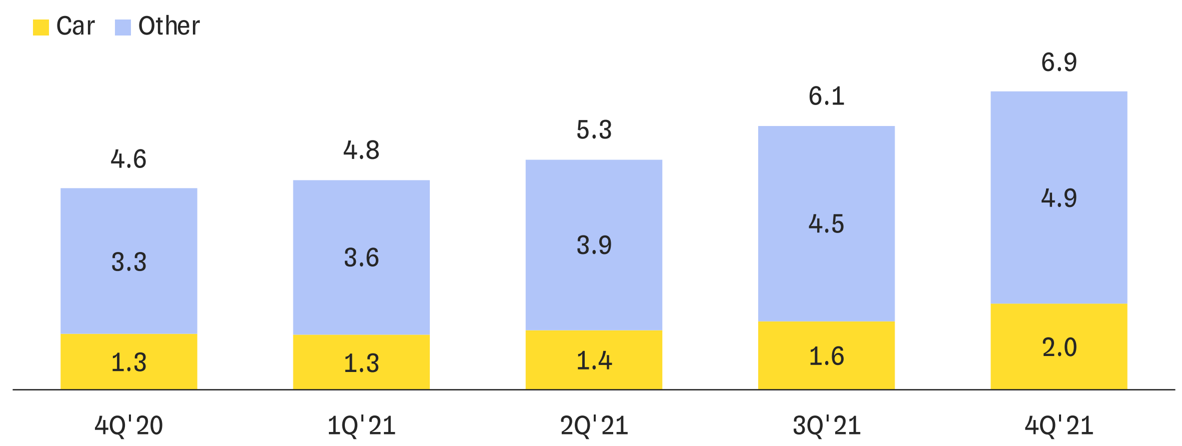
Mortgage insurance launched

Premium service via personal managers became available for all clients

Reduced settlement timing by 6 times for complex insurance and by 2 times for obligatory auto insurance

Insurance business follows the expansion of our credit and non-credit customer base. We are putting additional focus on the cross-sell of our car insurance to growing transactional customer base, which starts to produce solid results

INSURANCE PREMIUMS EARNED (RUB bn)



Tinkoff Business

Tinkoff Business is a financial and technology services ecosystem for SMEs and large enterprises, serving more than 500,000 companies and entrepreneurs across Russia. Tinkoff Business provides core banking products, including payments, loans, payroll, and international transactions support, as well as solutions for optimizing business processes and increasing sales. These include open APIs, call center, automated payments for the self-employed, online accounting, and many other services. Each customer has a personal manager, 24-hour support, and an ability to manage their business via a mobile app.

At the beginning of 2021 Tinkoff launched Tinkoff Checkout, a payment service for businesses. Tinkoff Checkout is operating as a one-stop shop, enabling companies to take care of all of their online and offline financial needs in one place. The launch of Checkout is a natural step for Tinkoff, given the growth of the e-commerce market, which has accelerated during the pandemic. It provides a full range of services for businesses, including cash management services, merchant acquiring, in-house solutions for online cash registers and it is compliant with Law No. 54-FZ.

Tinkoff Checkout will enable businesses to perform a wide range of tasks such as the following via a single platform:

- Accept payments in an online store
- Introduce fiscal cash registers
- Turn a phone into a payment terminal
- Provide customers with a POS loan or an installment plan online
- Set up sales analytics
- Get accounting workstreams organized
- Tailor Internet acquiring to the company's needs using open APIs

Tinkoff Checkout is designed to address all business tasks simultaneously. Tinkoff Checkout covers all of those scenarios, both online and offline.

Upgraded work with freelancers and self-employed

In 2021 Tinkoff acquired a controlling stake (51%) in Just Look, the developer of Jump. Finance, a fintech service that automates interactions with freelancers, including payments. Jump. Finance customers will receive seamless access to business finance products such as credit, identification, virtual card issuance and account management. We remain open to integrating other solutions into our ecosystem, where we can enable their significant growth by providing access to Tinkoff's financial technologies.

E-commerce

In 2021 we launched Tinkoff E-commerce to better serve the needs of online merchants and to create new synergies with Tinkoff Business, taking our offering for businesses of all sizes to a new level. It will combine non-financial and financial instruments for entrepreneurs and companies that will help them succeed as they go online and develop online sales through major marketplaces, social networks, online stores, etc.

Our task is to create a fundamentally new dimension to e-commerce — to build an ecosystem where entrepreneurs would be able to find any e-commerce solution, from a single gateway to all Russian marketplaces to tools for growing their own sales in Russia and globally.

BUSINESS DESCRIPTION, POSITION AND STRATEGY

Acquiring and Payments

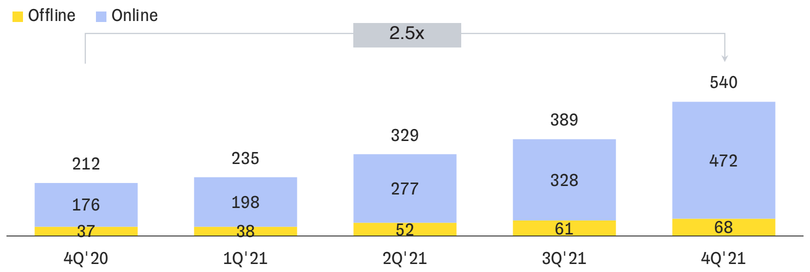
Stable acquiring commission with steady growth of TPV gives us one of the most financially sustainable business lines

Online acquiring remains our main playing field, as we reman ion track to become Russia's second largest online acquirer. At the same time the number of offline merchants kept growing through our continued expansion in SME banking services

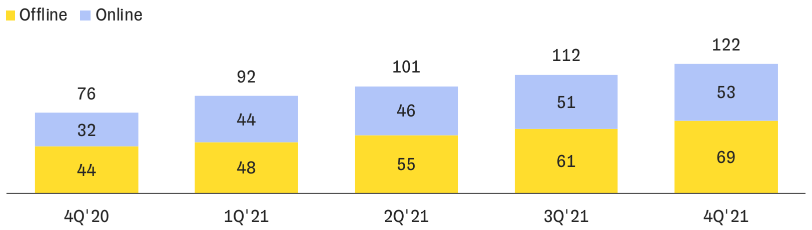
Our acquiring platform is developed in-house, making onboarding, integration, and customer experience for our corporate customers significantly better that anywhere else in the market

Segment result improved substantially y-o-y in spite of significant step up in market in spend

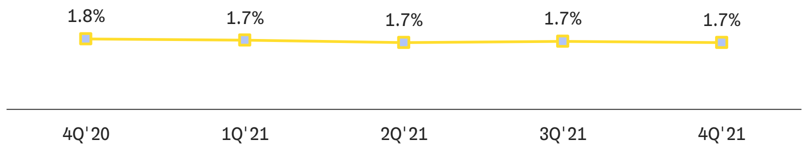
TOTAL PAYMENT VOLUME (TPV)



ACTIVE MERCHANTS (000' EoP)



GROSS ACQUIRING COMMISSION



Tinkoff's acquiring and payment services are currently used by more than 200,000 companies and individual entrepreneurs. Its partners include major Russian and international companies, such as online and offline retailers, online marketplaces, brokers and management companies, microfinance organizations, taxi firms, airlines, social media entrepreneurs and various other SMEs and large businesses.

International money transfers

In 2021 we launched a new service enabling clients of foreign banks to make transfers using their phone number. At the moment, Tinkoff clients can make transfers to 4 countries via more than 30 banks. International transfers by phone number can be made through the Tinkoff mobile app or within a customer's personal account on the Tinkoff website.

InvestTech

Tinkoff Investments has become synonymous to retail investment in Russia

Tinkoff is number 1 by number of active customers on Moscow Exchange

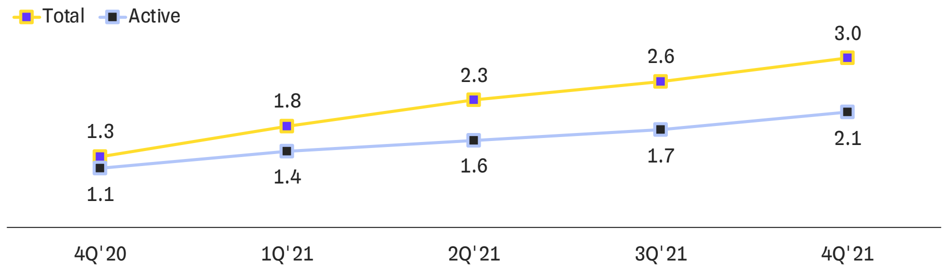
Tinkoff investment is also the leading broker by number of active customers on the Saint Petersburg Exchange

In 2021 Tinkoff solidified its dominant position as it accounted for 68% of active accounts on Moscow Exchange, almost 5x ahead of the second largest broker.

Tinkoff Investments is consistently one of the largest traders on the St. Petersburg Exchange, topping the ratings in trading volumes, the number of registered and active customers, as well as customers' assets. In 2021 Tinkoff signed a Cooperation Memorandum with the Non-Profit Association for the Development of the RTS Financial Market (NP RTS Association), a primary shareholder of the St. Petersburg Exchange. TCS ended up with 5% stake in the St. Petersburg Exchange from the NP RTS Association. The parties agreed to unite their efforts to extend the list of financial instruments traded on the St. Petersburg Exchange. Tinkoff and the NP RTS Association intend to boost the further development of the Russian securities market, both primary securities and derivatives, including options on international securities.

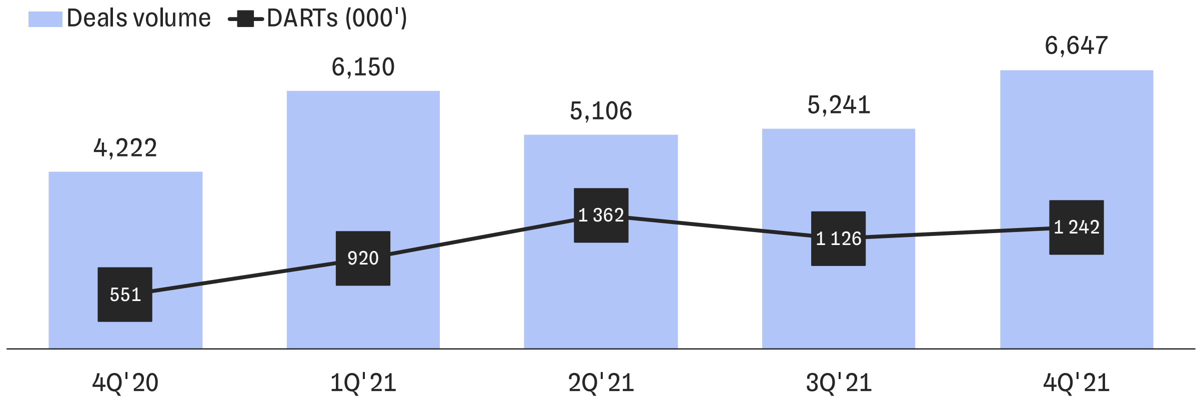
Consistent growth of customers of Tinkoff Investments

CUSTOMERS (m)

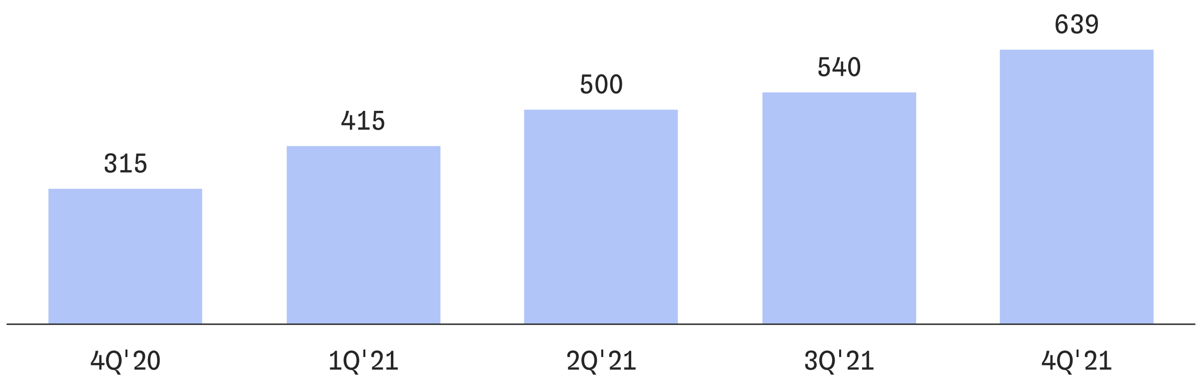


BUSINESS DESCRIPTION, POSITION AND STRATEGY

TRANSACTION VOLUMES*



ASSETS UNDER CUSTODY (bn)



*w/o derivatives

Risk management and protection of clients

The Company conducts a risk profiling procedure, analyses the risk appetite of its customers and compares this information with their experience (which is also a legal requirement). Tinkoff strives to develop robo-advising schemes which help to diversify customers' assets.

Tinkoff thoroughly analyses various groups of customers (size and frequency of topping up of brokerage accounts, vintage of the account, etc.), the level of diversification of their portfolios and any distortions. In the premium customer segment, there are business development managers who provide advice on portfolio construction and diversification.

In 2021 Tinkoff developed its investment education guides and integrated them into the Tinkoff Investments app. There is also a special educational app Tinkoff Investment Academy that accumulates information and materials for the retail investors. In addition, Tinkoff limits the use of high-risk instruments (margin lending, financial derivatives) and does not advertise them.

We continue to strengthen Tinkoff Investments by diversifying our investment offering. In 2021 Tinkoff Capital Management Company was licensed as a professional securities management operator. Leveraging the power of retail investors, we launched ECM and DCM advisory services. In 2021 Tinkoff Investments launched its ECM and DCM business line with a focus on new-economy companies.

Private - our new business line

- In September we unveiled Tinkoff Private to serve the needs of the modern affluent consumer. It is our 'Swiss banker in a mobile app' solution, available both via the Tinkoff super app and Tinkoff Investments app.
- Tinkoff Private will focus on the digitization of traditional Private Banking. We will provide our affluent customers with a full range of Wealth Management services within the Tinkoff and Tinkoff Investments applications. Tinkoff Private is currently being tested, and I have several important tasks to undertake, including organizing a large-scale service launch for all our customers in the near future, and ensuring we assume leadership in Private Banking in the medium term.

Tinkoff Investments became the first broker in Russia to offer securities trading on weekends. Weekend trading is now available to customers of any Tinkoff Investments plan between the hours of 10:00 a.m. and 7:00 p.m. Moscow time.

Tinkoff Investments launched a social trading platform Signal operating in synergy with the largest social network for investors – Pulse, which allows investors to follow strategies based on the investment ideas from the market professionals.

Today Tinkoff Investments continues to develop its informational and educational services available both in the mobile app and on the corporate website tinkoff.ru. Since the launch of its Investment Guide, more than 4.3 million users started exploring its tasks. The Pulse social network maintained by Tinkoff Investments has 2 million registered users.

BUSINESS DESCRIPTION, POSITION AND STRATEGY

Mobile

Since launching our own mobile operator Tinkoff, we have focused on creating a unique and high-quality service offering, providing our subscribers with access to new services that are not yet available on the market but that we see a strong demand for.

Tinkoff has launched a beta version of its free voice assistant Oleg. Tinkoff's voice assistant will protect them from spammers and fraudsters. Oleg is a smart personal assistant which is now available not only to customers of various services within the Tinkoff ecosystem but also to subscribers of any Russian mobile operator which is what makes it unique globally.

This is Oleg

Today people in Russia have two big problems while making and receiving calls on mobile phones: spammers who inundate them with calls and fraudsters who try to deceive them. This is why we decided to train Oleg to turn it into a "wall" between mobile subscribers and undesirable calls, and open it to subscribers of all mobile operators.

We noticed that people have a real problem for which we have an excellent fintech solution Oleg can answer, record and transcribe calls, including calls from unknown numbers. Oleg can also converse with callers and recognize their speech activating necessary conversation scripts. Oleg is not just a personal assistant but also a "defender". This voice assistant has special functions aimed to protect people from dangerous, undesirable or annoying calls from spammers and fraudsters.

Oleg is a product of artificial intelligence and machine learning. It uses technologies from the Tinkoff VoiceKit, a market leader in voice recognition and synthesis. It recognizes people's speech, can convert audio into text and activate different conversation scripts for different categories of incoming calls if a subscriber does not answer them.

The voice assistant has scripts for "useful" calls, spammers, and potential fraudsters. Currently, Oleg can respond to more than 100 different call scenarios. The voice assistant learns as conversation scripts get regularly updated by a special team of people who regularly perform in various stand-up comedy shows.

Oleg can also hold a conversation: it can tell jokes, if it is asked to do so, or offer advice on how to get protected from fraudsters.

2021 HIGHLIGHTS FOR THE YEAR

CORPORATE GOVERNANCE

Group structure

TCS Group Holding PLC (LI: TCS, MOEX: TCSG) is a leading provider of online financial and lifestyle services in Russia via its Tinkoff ecosystem. The Company's Home State up to and including 2021 was Cyprus[1].

TCS Group Holding PLC's shares, in the form of Global Depositary Receipts (GDRs), have been trading on the London Stock Exchange under the ticker TCS LI since October 2013; its GDRs are also listed on the Moscow Exchange, and certain of its debt securities are admitted to trading on the Global Exchange Market of the Irish Stock Exchange.

The Group is required to comply and does comply with the UK corporate governance regime to the extent it applies to foreign issuers of GDRs listed on the London Stock Exchange, and well as those relating to its debt securities. No shares of the Group are listed. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

TCS Group Holding PLC's share capital consists of 199,305,492 ordinary shares. One GDR represents an interest in one ordinary share. The number of GDRs in issue is 129, 391,443. TCS Group Holding PLC's depositary bank is JPMorgan Chase Bank, N.A.

Following the conversion of Class B shares to Class A shares completed in January 2021 Oleg Tinkov's voting rights decrease from 84,38% to 35,1%.

Holders of GDRs are not direct shareholders in the Company but instead derive their rights through holding a GDR. A description of the terms and conditions of the GDRs can be found at on the website at https://tinkoff-group.com/

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

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

Articles of Association

The Company's current Articles of Association were adopted on 19 November 2021.

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

Corporate governance structure

In 2021 TCS Group Holding plc announced new governance enhancements and changes to the composition of its governing bodies. The changes underscore the Group's commitment to developing and promoting its outstanding talent, deepening the management bench and continuing to strengthen the Group's corporate governance, as it maintains its trajectory of fast and profitable growth.

Key changes in the corporate governance system in 2021

- The conversion of Class B shares to Class A shares completed
- Each shareholder of the Company has equal rights to any other holder of shares of the Company (1 share – 1 vote)
- Oleg Tinkov's voting rights decrease from 84,38% to 35,1% via Tinkov family trust
- The majority of directors were independent as of 31 December 2021
- The Risk and Emerging Risk ('Sustainability') Committee and the Strategy Committee launched
- New Co-CEO structure

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

CORPORATE GOVERNANCE

Decision making body	Relationship to other key governing bodies	Key powers
TCS Group Holding PLC (Cyprus) Board of Directors	Operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013 Appoints members of the Tinkoff Bank Board of Directors The Company is sole shareholder of Tinkoff Bank and determines all the matters reserved to shareholders and other stakeholders	• Provides leadership and oversight to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed; • Sets the Group's strategic objectives and ensures the necessary financial and human resources are in place for the Group to meet its objectives; • Appoints the Group's external auditors; • Sets the Group's values and standards and ensures its obligations to shareholders/investors and other stakeholders are understood and met; • Reviews management performance; • Decides the Group's remuneration policy; • Approves the Group's credit policies; • Makes the Group's dividend policy and decides the level of dividends • Covers sustainabilityrelated responsibilities and targets.
Tinkoff Bank Board of Directors	The authorities of the members of the Board are specified by the Articles of Association of the Company and by law Appoints and oversees the Tinkoff Bank Management Board	• Determines the strategic priorities of the Bank; • Approves capital markets operations of the Bank, major and related party transactions, risk and capital management strategy, procedures for managing conflicts of interest, HR policies, employee and management compensation and bonus policies; • Convenes annual and extraordinary meetings of shareholders, decides on the agenda and the record date for meetings; • Recommends dividends; • Oversees esgrelated topics and activities.
Tinkoff Bank Management Board	Reports to the Tinkoff Bank Board of Directors Responsible for the Bank's asset, liability and risk management operations, policies and procedures Delegates and monitors decision making to the fuctions within the Bank	• Determines the Bank's asset, liability and risk management operations, policies and procedures; • The Chairman appoints the members of the Finance, Credit, Technology and Business Development Committees. The decisions of these Committees frame most of the day to day operations of Tinkoff Bank.

Board of directors

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

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

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

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

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

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

The office of director shall be vacated if the director:

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

The Articles of Association of the Company provide for the retirement by rotation of a number of directors at each Annual General Meeting. At the AGM on 19 November 2021 one director retired by rotation and he was duly re-elected to the Board. A number of other directors, whose initial appointment was made by the Board, also retired then and were duly reelected to the Board.

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2022 on the basis of the composition of the Board at the relevant date.

Composition of the Board of directors significantly changed during 2021. Those changes were being made as part of the programme of enhancements to TCS Group Holding plc corporate governance. Please review the Board of directors and other officers Consolidated Management Report for further details.

Proceedings of the Board of Directors

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

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

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

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

CORPORATE GOVERNANCE

Committees of the Board of directors

The Company has established four Committees of the Board of directors: the Audit Committee, the Remuneration Committee, the Strategy Committee and the Risk and Emerging Risk (Sustainability) Committee. The Audit Committee and the Remuneration Committees were formed in October 2013, whereas the other two were formed during 2021. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees. The current terms of reference of all Committees can be found on the Group's websites and in the Consolidated Management Report.

Tinkoff Bank Management Board

Tinkoff has survived a number of crises in its life. Even though these crises have all been 'different', the Tinkoff business model has always been and remains highly flexible, very resilient and led by a skillful management team which has proved true this time around too. We have been working in the decentralised, horizontal organisational structure that empowers our employees and moves quickly. Tinkoff Bank Management Board consists of people on the following positions: Chairman of the Management Board, Group Risk Director, Chief Financial Officer, Chief Accountant, Chief Legal Counsel, Chief Operational Officer, Head of Payment Systems.

Shareholder information

The Company is required to hold an annual general meeting each year on such date and at such place as the directors may determine provided that not more than 15 months should elapse between annual general meetings. The Board of directors or any director may convene general meetings. The board of directors will also convene extraordinary general meetings of the Company on the requisition of a shareholder or shareholders together, holding or representing in aggregate, shares which constitute or represent at least five per cent. of the total number of votes carried or conferred by the shares.

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

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

Shareholders' rights at meetings

All shareholders are entitled to attend the general meeting or be represented by a proxy authorised in writing. With effect from 7 January 2021 none of the shareholders of the Company has any rights different from any other holder of shares of the Company.

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

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

Pre-emption rights

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

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

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

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

Voting rights at general meetings

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

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

Dividend and distribution rights

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

AGM results in 2021

Copies of the resolutions passed at the AGM (other than resolutions concerning ordinary business) have been submitted to the UK Listing Authority, and were available for inspection at the UK Listing Authority's National Storage Mechanism which is located at https://data.fca.org.uk/#/nsm/nationalstoragemechanism.

RISK MANAGEMENT AND CONTROL

Robust data and risk management

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

The goal of the Group's risk management function is to identify potential problems before they materialize and have a plan for addressing them if and when, and in the form, they do. Covering both internal and external risks which might have an adverse impact on the group, the group's approach can be stripped down to four essentials: defining a risk management strategy, identifying and analyzing and re-analyzing risks, pro-actively managing risks through implementing that strategy and drawing up a contingency plan and/or preventative measures.

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

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

	2014	2015	2016	2021
Diversification				
Share of non-credit revenues	1%	13%	37%	46%
Share of secured lending in net loans	0%	0%	19%	24%
Share of credit cards in net loans	93%	92%	57%	46%
Share of customer accounts in liabilities	49%	77%	86%	83%
Current accounts in customer funding	30%	29%	78%	84%
Coverage of admin expenses by net F&C and insurance income	1%	49%	115%	110%
Asset quality				
LLPs as % of gross total loans	21%	19%	16%	11%
NPL as % of gross loans	14%	12%	10%	9%
Liquidity				
Share of cash & investments as % of total assets	16%	23%	44%	41%
Cash & Investments to customer accounts	39%	37%	61%	57%
Net loan-to-deposit ratio	172%	92%	60%	64%
Capital				
N1.0 ratio	15.5%	15.2%	13.1%	15.3%
N1.1 ratio	9.4%	9.4%	10.2%	9.5%
N1.2 ratio	9.4%	9.4%	12.4%	14.0%
Leverage (x)	5.2	6.1	6.8	7.5
Customer loyalty				
Total customers (m)	2.7	2.9	13.3	20.8
MAU (m)	0.2	0.6	9.3	15.4
DAU (m)	NA	NA	3.2	5.8

As a data-driven organisation, the Group uses a wide range of databases in its loan approval processes and portfolio management and is constantly in search of new sources of relevant data. We take loan approval decisions based on a range of available information, including credit bureau data and scores, proprietary scoring models, a proprietary application verification process and sophisticated NPV models. The Bank uses credit scoring models (which are regularly updated), ranking potential customers by the likelihood of fraud or default.

The Group also calculates the debt burden per borrower (PTI), according to the rules established by the Central Bank of Russia. The PTI for a loan provided to a customer is calculated as the ratio of the average monthly payments for all loans and borrowings of the specific customer relative to his or her average monthly income. PTI is calculated to complement the decision of issuance of a new loan or for a credit limit increase. It also helps to ensure customers are not overwhelmed with a debt burden.

In 2021 Tinkoff adopted cutting-edge approach to credit-scoring based on securely-merged data on oneFactor platform. The plaform covers AI-powered predictive analytics tools, based on combined data from multiple sources, including telecom operators, Russia's largest credit bureau and Tinkoff itself.

In addition to providing greater security, the technological solution embedded in the oneFactor platform ensures that the quality of the combined data is 20–40% higher, compared with using separate data sets. Using this platform for credit-scoring helps to reduce the level of non-performing loans (NPLs), potentially allowing banks to unlock additional profit.

The ML platform allows to confidentially combine and process data from multiple data owners and launch AI services based on this combined data. It trains and utilizes ML algorithms by relying only on encrypted data. Therefore, the platform allows to securely and confidentially combine data sourced across different industries and use it in AI predictive analytics services.

This is made possible by the oneFactor platform, which uses a Hardware Security Module (HSM) solution in conjunction with Machine Learning (ML) algorithms and processes encrypted information in the perimeter of the data owner, ensuring the safety and confidentiality of client data. Such software architecture and the way it employs big data analytics is unique, making this application the first of its kind in Russia and worldwide.

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

Risk Management Organisational Structure

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

Policy Making Bodies

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

These bodies perform the following functions:

Tinkoff Bank Board of Directors

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

Tinkoff Bank Management Board

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

Finance Committee

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

RISK MANAGEMENT AND CONTROL

Credit Committee

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

Business Development Committee

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

Policy Implementation Bodies

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

Finance Department

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

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

Risk Management Department

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

Collections Department

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

Internal Control Service

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

Compliance department

The centralised Compliance Department was formed out in March 2021. It consolidated previously created functions in different business units of the Group's and connected the following competences into one broader function:

1. Financial Monitoring Service: compliance with anti-money laundering legislation, development and implementation of control methodology, identification of public Russian and foreign officials, reporting to Russian regulators, detection of illegal drug trafficking, illegal transactions in casinos, cryptocurrencies.
2. Operational compliance: online financial monitoring for compliance against anti-money laundering legislation
3. Sanction and counter-sanction control, FATCA, CRS
4. Methodology: development and updating of internal regulatory documents and regulations
5. Monitoring of regulatory risk and corporate givernance policies

Management Reporting Systems

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

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

Overview of principal risks

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

Substantially all of the Group's assets and customers were located in or had businesses related to Russia in 2021. Consequently, the Group is affected by the state of the Russian economy which is itself to a significant degree dependent on exports of key commodities such as oil, gas, iron ore and other raw materials, on imports of material amounts of consumer and other goods and on access to international sources of financing. During recent years the Russian economy has been significantly and negatively impacted by a combination of macroeconomic and geopolitical factors such as a significant decline in the price of oil, ongoing political tension in the region, economic sanctions imposed against Russian individuals and companies, economic restrictions imposed by Russia on other countries, capital outflows as well as depreciation of the Rouble and a decrease in Russia's international reserves. In addition, emerging markets such as Russia are subject to greater risks than more mature markets, including significant political, economic and legal risks. This overarching risk environment could impact one or more of the principal risks.

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

- Credit risk
- Market risk
- Foreign currency exchange risk
- Interest rate risk
- Liquidity risk
- Operational risk
- Business (global and country) risks

The Group has sophisticated business continuity plans and a recovery plan in accordance with the requirements of the Central Bank of the Russian Federation.

Credit risks

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

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

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

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

1. Loan Approval Criteria and Procedures

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

Tinkoff's lending approach is centred around ensuring a long-standing mutually beneficial relationship with its customers. Tinkoff rigorously applies a "low and grow" approach, offering the smallest possible credit limits and increasing them gradually only to borrowers with positive credit history. Debt-restructuring programs are implemented to retain bona fide customers. Margin lending in securities dealing is only offered to qualified investors and turned off by default.

RISK MANAGEMENT AND CONTROL

Loan Collection

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

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

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

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

Non-Performing Loans Management

When loans are overdue by more than 90 days, the Group collection efforts consists of (i) the restructuring of credit card debt to personal instalment loans, which is the preferred option of the Group to handle such delinquency, or, if customers do not agree to such restructuring, then either

(ii) collections through courts with the enforcement of judgments with the help of the Federal Service of Court Bailiffs of the Russian Federation or (iii) sales of non-performing loans to its internal collection agency (Feniks) or external collection agencies.

Fraud Prevention

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

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

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

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

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

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

Provisioning Policy

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

Write Off Policy

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

2. Market risk

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

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

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

3. Foreign Currency Exchange Risk

The Group suffered from the Rouble devaluation in November 2008 to February 2009 and has since implemented a "low foreign exchange risk tolerance" policy aiming to minimise exposure to foreign currency exchange risks. The policy imposes neutral hedging that matches assets and liabilities by currency, foreign exchange hedging of funding received in foreign currency and prohibits foreign exchange trading for speculative purposes. Non-monetary assets are not considered to give rise to any material currency risk.

4. Interest Rate Risk

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

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

The Group monitors interest rates for its financial instruments.

5. Liquidity Risk

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

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

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

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

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

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

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

CONTINUED

RISK MANAGEMENT AND CONTROL

6. Operational Risk

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

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

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

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

The Group has not experienced any material operational failures in recent years. In order to minimise potential losses from such failures, ensure business continuity in case of disruption to IT systems and provide reliable and continuous access to business data and services, the Group's IT systems are located in two dedicated data centres each connected to separate and independent power supply sources.

Both data centres provide 24 hours a day, seven day a week, year round power, cooling, connectivity and security capabilities to protect mission-critical operations and preserve business continuity for IT systems. Moreover, the Group keeps additional hardware on its premises for back-up purposes and has stand-by servers for each key system, including active standby for critical systems such as processing and transaction authorisation. Data connections to the data centres are 100 per cent. reserved via separate physical lines

RESPONSIBLE BUSINESS

When executing sustainability-related projects, we want to make sure that all our stakeholders understand how Tinkoff DNA is inextricably linked to sustainability. We believe that we have what it takes to be an example in Russia and beyond of how to build a business that is innovative, responsible, customer-centric, investor-friendly, with loyal and motivated employees.

We are contributing to the UN Sustainable Development Goals and broader global sustainable development agenda. We want to tackle shared global environmental and social challenges by focusing on the six areas where we can deliver the most value for our stakeholders.

Throughout 2021 we set the base for significant corporate governance improvements. In 2021 our double share class was collapsed, we launched new segmental reporting to better reflect the evolution of the Tinkoff business model, and we added new independent non-executive directors, launched two new committees: Risk and Emerging Risk (Sustainability) and Strategy, introduced and updated new policies. In 2021 we also became signatories to the UNEP Finance Initiative Principles for Responsible Banking. We are aiming to stay a responsible corporate citizen and drive our ESG agenda.

Driving financial culture and literacy

In addition to the customer protection we go further, trying to protect our customers from harm. This includes borrower education and promoting financial literacy through our 'Tinkoff Journal', and the excellent support available through our highly trained call centre staff.

Tinkoff Journal is our media platform for providing our customers and broader community with knowledge about various aspects of their lives, including health, work, security, personal finance, doing business, education, leisure activities, raising children, government services, legal practices, and many others.

From its launch, 'Tinkoff Journal' has been focusing on personal finance management, investments, interaction with banks and other consumer issues (such as loans, saving, markets, luxury purchases, taxes, careers, retirement small business finance and real estate).

TINKOFF JOURNAL	2018	2019	2020	2021
Number of unique users	23,500,000	45,500,000	80,000,000	136,000,000
Number of registered users	12,000	80,000	930,000	1,950,000
Number of students on the online platform	0	30,000	500,000	1,100,000
Number of authors/contributors	50+	600	850	1000
Number of new textbooks	0	1	12	13
% Growth in the number of released materials	213	27	25	100

RESPONSIBLE BUSINESS

In 2021, more than 136 million users visited the Tinkoff Journal website compared to 80 million in 2020. Its average daily audience is 750k users. Almost 1.5k new materials are published monthly. 70% of these materials are created by the community of readers under the supervision of editors and moderators, 30% - by authors and experts of Tinkoff Journal. More than 1,000 authors and experts are creating materials for the Journal. Tinkoff Journal has built an active community of readers comprised of nearly 2 million people who regularly leave thousands of comments and make hundreds of thousands of social actions every month.

We deliberately do not try monetise this platform through promotion of our own services and products on Tinkoff Journal as we aim to keep it objective and trustworthy for the Russian population. The Journal's content is deeply embedded in our mobile banking app and increasingly tailored to individual customers' needs and circumstances.

Environmental strategy

In November, Tinkoff became the first Russian financial institution to join the Science Based Targets initiative (SBTi), a global body enabling businesses to set ambitious science-based emissions reduction targets in line with the latest climate science. It is focused on accelerating companies and financial institutions across the world to halve emissions before 2030 and achieve net-zero emissions before 2050. By joining the SBTi, Tinkoff has committed to set science-based emissions reduction targets — across the entire value chain — that are consistent with keeping global warming to 1.5°C above pre-industrial levels. Tinkoff has also committed to a long-term target to reach net-zero emissions by no later than 2050.

In November, Tinkoff analysed and published its greenhouse emissions gas inventory on the website for the entire value chain for 2019 and 2020 baseline years, making us, to our knowledge, one of the first fintechs in the world to do so. Total carbon footprint of the Group is significantly lower than traditional financial institutions and IT companies generally show. The detailed description of the methodology and its results could be found on the website https://tinkoffgroup.com/corporate-governance/esg/

Tinkoff has ambitious plans to raise awareness of environmental issues within the organisation, but also to the broader community. In May 2021 we launched a campaign "Goodbye plastic bags – ecochallenge", where Tinkoff rewarded customers that did not buy plastic bags for 30 days with 5% cashback for purchases in supermarkets. The campaign was complemented by several educational resources on how to be more environmentally conscious, including resources offered through Tinkoff Journal. More than 224,000 customers participated in the campaign, the total outreach was around 120m. What's more important 89% of participants ended the challenge, and the number of bought plastics bags were decreased by 40% compared to previous months.

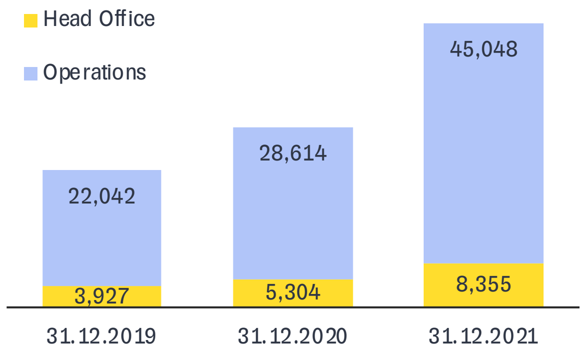
HR practices

Tinkoff is committed to offering equal opportunity and equal treatment to all current and prospective employees, such that no applicant or employee is discriminated in favour of or against on the grounds of sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation in recruitment, training, promotion or any other aspect of employment. Recruitment, training and promotion are based exclusively on merit, with all Tinkoff employees involved in the recruitment and management of staff responsible for ensuring the policy is fairly applied within their areas of responsibility.

The Group applies this approach throughout, at all levels. All these norms are explicitly stated in the Corporate Code of Conduct and employment contracts.

Tinkoff significantly enhanced its HR team and practices due to significant headcount growth which was in direct correlation the growth of the customer base. In 2021 we started to see the HR practices from the business product point of view. This objective reflects the importance of providing our people with an engaging and seamless platform to grow, built on a foundation of fair remuneration and equal opportunities for all, attractive working conditions that protect fundamental rights, and special measures to support the diversity of our workforce.

Total headcount, including part-time workers and contractors in 2019-2021



Tinkoff was ranked 5th in HeadHunter's annual rating of the best employers in Russia in 2021. Tinkoff competed in the tier of the largest companies — those with more than 5,000 employees. Based on its performance in 2021, Forbes granted Tinkoff platinum status in its annual ranking of the best employers in Russia. It also rated Tinkoff second in its ranking of female-friendly companies.

Tinkoff implements three types of compensation for its employees: salary, cash bonus, and long-term incentives. No external consultants are involved in the setting of remuneration. Cash bonuses are paid in accordance to the achievement of pre-set KPIs.

Launch of a new management long-term incentive program (MLTIP) and a Key-Employee Retention Programme (KERP)

The Group's original MLTIP launched in 2016 proved very successful in motivating and retaining key staff. It will soon come to an end. After consulting with stakeholders the Group has therefore decided to scale the MLTIP (equity-based) and create a new KERP (cash-based, equity-linked) which will initially cover around 300 beneficiaries. These are top- and mid-level managers representing all operational divisions of the Group. We expect that the KERP will be significantly expanded later this year.

The equity-based MLTIP includes awards currently totaling 5.35m GDRs and vests over 5 years, starting from August 2021.The MLTIP contains a standard deferral clause in case of underperformance by the management team. The Group plans to fund the MLTIP through a combination of opportunistic buy-backs and new share issuance.

IT talent is a scarce and extremely valuable resource. Being an appealing employer for these talent pools is of paramount importance to the long-term success and sustainability of our business. To acquire talent, we continue to invest heavily in partnerships with leading Russian universities, summer IT schools, mathematics competitions, and more. Just a few days ago, we launched Tinkoff Stewardship to support talents in the Russian universities.

To retain talent, we continue to provide extensive training programs, flexible work environments, ensure a decentralised and horizontal organisational structure, jealously cultivating our Tinkoff DNA.

RESPONSIBLE BUSINESS

Community investments

As part of our sustainability strategy, the Group is committed to use next generation financial technologies for building a safe, low-carbon future that puts people first and is based on impeccable and equitable governance. We want to imporove quality of people's life and overall well-being by using cutting-edge technologies, offering simple, comprehensible solutions, providing access to trusted, secure information, and bringing those who care together for better results.

Our priorities

	Improving life quality through the development of financial wellbeing and ensuring availability of products and solutions	Financial technology for the benefit of the nonprofit sector	Oncohematology
Target audiences	children, teenagers, adults, including seniors and people with disabilities	not-for-profit organisations and their beneficiaries, employees of foundations and the Group, the society as a whole	not-for-profit organisations helping people with blood cancers or those suffering the consequences of such illnesses
Themes	**Knowledge and protection:** we want our customers and other stakeholders to make informed, thoughtful financial decisions so they can look to the future with confidence. Investing in better financial literacy and developing the financial culture of our customers, their families, and the society as a whole is our top priority as an ecosystem in all countries where we operate. **Accessibility:** we consistently invest in increasing physical and digital accessibility of products and services and empower vulnerable populations financially.	**Financial products and services:** we develop complex hi-end financial products to upgrade fundraising processes in favour of proven reliable charitable foundations and not-for-profit organisations in the form of cashback, transfers, acquiring, and other formats of support. **Cause-related marketing and advertising:** we use modern, hi-tech and non-standard approaches to the responsible promotion of the philanthropic culture through the channels, formats and platforms available to us. **Intellectual volunteering:** we support our employees in all aspects of intellectual assistance and professional advice for non-for-profit organisations.	We want to **help adults cope with any oncohematological disease** (blood cancer) or its consequences through the widest range of partnerships with reliable foundations, fundraisings in their favour, partnership initiatives and ambassadorship of care for adult patients in general.

Giving back to our communities for us is a duty as a responsible corporate citizen. Our efforts to support vulnerable and less fortunate groups continue, through both corporate and employee-driven programs. In 2021 we achieved great results and engaged the record number of customers and employees in our cause-related marketing campaigns and charity activations.

Key achievements

- Total employee donations via Super App increased by 18 times to 34.3m in 2021
- Total customers donations reached nearly 344m
- Customers engagement into charity and cause-related marketing activities

[1]At least one transaction to a non-for-profit organization during the reporting period

FINANCIAL PERFORMANCE

CFO's Financial Review

Ilya Pisemsky
Chief Financial Officer

Dear Investors

When looking at our 2021 results, I should say it was a second year of COVID environment when the Group demonstrated its promiment ability to develop exceptional products, to grow its business, to reach strong financial results and to effectively manage its risks even in a highly volatile circumstances.

Our original plan for this annual report was to present great results that Tinkoff had in 2021. We generated RUB 63.4 billion of net income, and 42.5% return on equity. We grew our customer base by 57% to over 20 million total customers, and we solidified our position as one of the world's leading fintechs. But obviously, a lot has changed since the end of last year. We, at Tinkoff, were extremely saddened by the recent turn of events, and we all very much hope the situation gets resolved quickly and that peace will be restored as soon as possible.

Since the very beginning of our journey, we are remaining profitable. We went through the 2008-2009 global financial crisis, the 2014-2015 crisis after the first wave of sanctions, when we went through the first credit cycle in Russia's history, the devaluation of the ruble, oil shock, banking sector crisis, liquidity crisis. And we stayed profitable. We then had the COVID stress test back in 2020. And we stayed profitable and actually grew significantly all the way through 2020 and 2021.

This is a very different crisis, and this is completely unchartered territory. But as you know, our business model is very flexible, and we can withstand severe shocks. We have ample ruble and FX liquidity and a solid capital position. We are monitoring the operational performance of our business on a minute-by-minute basis and have all key systems in place to ensure the security, protection, and flow of our customers' funds and assets.

We have abundant liquidity in both rubles and foreign currency. We have very strong capital buffers, which have actually just been beefed up further by the Central Bank sector support measures. We have a very high margin business, with a very high variable cost base, which can be adjusted very quickly, and a team of 40,000+ Tinkoff employees and experienced managers working around the clock to make sure that our operations remain uninterrupted and that all of our customers, 20 million of them, continue to access, use and transfer their funds. By now we have much more experience to deal with such crisis situations, while using these changing market conditions to our advantage, improving our efficiency, growing our customer base and business volumes and contributing value to all stakeholders of the Group.

Among the main highlights of the 2021, I would name the following events and developments:

- In April 2021 the Group acquired a 77.4% shareholding in LLC "Beskontakt" and later in July 2021 the Group exercised a call option agreement with the founders and remaining stakeholders of LLC "Beskontakt" and acquired an additional 8%. LLC "Beskontakt" is a fintech company developing the "Koshelek" app, which is a digital wallet and a mobile app aggregating bank and loyalty cards. The acquired entity will assist the expansion of the Group's customer base through the marketing and cross-selling of its products to the app's users.
- In August 2021 Mortgage agent TB-1 was established as a special purpose entity which issued bonds secured by portfolio of home equity loans.
- In forth quater 2021, the Group acquired a 51.0% stake in "Dzhast Luk" LLC – the company that operates Jump.Finance, a fintech service that automates payments to individuals and the self-employed.

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FINANCIAL PERFORMANCE

The Group's Balance Sheet

Starting with the composition of the Balance Sheet I will emphasize the following: Total Assets of the Group continued to grow further and reached RR 1.3 trln by the year end, demonstrating the growth of 53% year by year. Mostly the growth is provided by the increase in loan portfolio and cash balances.

In terms of financial performance, the profit of the Group for the year ended 31 December 2021 was RR 63,368 million (2020: RR 44,213 million). This result is driven by two major continuing trends: the ongoing growth of the Group's consumer finance business and a growing contribution from the non-credit fees-and-commission business lines. Net margin increased by 26.6% to RR 132,558 million (2020: increased by 19.1% to RR 104,702 million) on the back of growth in the underlying commission, credit and investment businesses. The growth of the credit portfolio was driven not only by credit card loans but also by other types of loans, such as secured, cash and POS loans. The Group aims to diversify its credit portfolio by the extension of collateralised credit products which represents a business line with lower credit risks. The 90 days plus overdue loans ratio ("NPL") decreased to 8.6% as at 31 December 2021 (2020: 10.4%). The NPL coverage ratio reduced to 131.9% as at 31 December 2021 (2020: 153%). The Group's Insurance business continues to develop at a good pace. This year insurance premiums earned increased by 24.2% to RR 23,063 million (2020: increase by 31.6% to RR 18,567 million). The increase was a result of the growth in the sale of auto (including CTP and VTP) and travel insurance policies, especially to existing Group customers, as well as the growth of personal accident insurance policies sold along with the credit portfolio and providing a wider coverage of insured risks.

The investment in securities portfolio decreased by 9.7% to RR 215,311 million as at 31 December 2021. As a result of attaining systemically important status, management made a decision to create a portfolio of investments in debt securities managed under a "hold to collect" business model. These securities will be accounted for amortised cost, as opposed to fair value, will be held until full maturity and will not be susceptible to market price fluctuations. Initially this portfolio will be created from the Bank's existing portfolio of high-grade bonds, consisting of Russian government bonds. The Group effectively managed this portfolio under the "hold to collect" business model throughout 2021. The purpose of this decision is to create a source of low-risk, long term interest income while minimizing pressure on the Bank's regulatory capital and capital adequacy position, as well as decreasing overall market risks of the Group.

Group performance

The Tinkoff ecosystem comprises some of the most technologically advanced fintech solutions in the world, in the field of digital banking, retail brokerage, SME banking, payments, credit underwriting, big data, artificial intelligence, and much more.

Every one of our employees is empowered to be an innovator. Through our test and learn approach, we encourage our employees to try out new ideas, take measured risks, make mistakes. This incredibly entrepreneurial atmosphere rewards everyone of our employees and ultimately Tinkoff as a whole, giving us the ability to continue to innovate, respond to our customer's needs, and maintain our leadership over the competition.

Tinkoff Tops The Bankers Best-Performing Russian Banks List

Tinkoff Bank was named Russia's best-performing bank by The Banker, a leading international financial publication which is part of the Financial Times Group.

Tinkoff topped Russia's Best-Performing Banks Overall ranking, which uses 17 ratios to score such performance categories as growth, profitability, operational efficiency, asset quality, return on risk, liquidity, soundness and leverage. Each performance category receives equal weighting, according to the methodology.

FINANCIAL AND OPERATING REVIEW

RUB bn	4Q'21	4Q'20	Change	FY'21	FY'20	Change
Credit accounts acquired (mn pcs)	1.9	1.5	31%	7.0	4.3	62%
Net margin	35.4	27.1	+30.5%	132.6	104.7	+26.6%
Net margin after provisions	28.5	21.7	+31.3%	110.9	65.4	+69.6%
Profit before tax	21.9	15.6	+40.5%	81.0	56.2	+44.1%
Net profit	16.6	12.3	+34.6%	63.4	44.2	+43.3%
Return on equity	39.2%	40.5%	-1.3 p.p.	42.5%	40.6%	+1.9 p.p.
Net interest margin	13.7%	16.1%	-2.4 p.p.	15.1%	17.8%	-2.7 p.p.
Cost of risk	4.9%	5.7%	-0.8 p.p.	4.5%	10.0%	-5.5 p.p.

RUB bn	31 Dec 2021	31 Dec 2020	Change
Total assets	1,318	859	+53.4%
Net loans and advances to customers	606	376	+61.0%
Share of NPLs	8.6%	10.4%	-1.8 p.p
Cash and treasury portfolio	538	375	+43.4%
Total liabilities	1,142	732	+55.9%
Customer accounts	946	627	+50.9%
Total equity	176	127	+38.6%
Tier 1 capital ratio	20.2%	17.9%	+2.3 p.p.
Total capital ratio	20.2%	17.9%	+2.3 p.p.
CBR N1.0 (capital adequacy ratio)	15.3%	13.1%	+2.2 p.p.

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FINANCIAL PERFORMANCE

In 4Q'21, the Group's total revenue grew by 51% year-on-year to RUB 80.4 bn (4Q'20: RUB 53.1 bn). Gross interest income increased by 40% year-on-year to RUB 45.8 bn (4Q'20: RUB 32.8 bn), driven primarily by loan portfolio growth.

Gross yield decreased to 27.8% in 4Q'21 (4Q'20: 30.4%), mainly as a result of changes in the loan mix. The interest yield on the Group's securities portfolio increased to 5.9% (4Q'20: 5.0%), in connection with rising rouble interest rates.

In 4Q'21, interest expense increased by 83% year-on-year to RUB 9.5 bn (4Q'20: RUB 5.2 bn) as a result of the significant expansion of our customer base. The Group's cost of borrowing increased from 3.3% in 4Q'20 to 4.0% in 4Q'21, following increase of market rates.

In 4Q'21 net margin grew by 31% year-on-year to RUB 35.4 bn (4Q'20: RUB 27.1 bn), primarily as a result of our growing loan portfolio.

Cost of risk fell to 4.9% 4Q'21 from 5.7% in 4Q'20. Our risk-adjusted net interest margin decreased from 13.1% in 3Q'21 to 11.0% on 4Q'21 (4Q'20: 12.9%).

Our non-credit business lines continue to deliver an increasing share of our revenue and bottom line thanks to growth of the customer base, our widened range of product offerings and continued monetisation efforts. In 4Q'21 non-credit revenue represented 46% of the Group's revenue and 26% of the Group's profit before tax.

At the end of 4Q'21, the Group had: over 14.6 mn total current account customers with a total balance of RUB 545 bn across all accounts; over 671k total SME customers, with a total current account balance of RUB 144 bn; over 3.0 mn total Tinkoff Investments customers

In 4Q'21, operating expenses increased 72% year-on-year to RUB 33.0 bn (4Q'20: RUB 19.2 bn) driven by resumed growth of our loan portfolio, and investments into our growing new business lines.

The Group reported robust quarterly net profit of RUB 16.6 bn in 4Q'21 (4Q'20: RUB 12.3 bn), supported by continued customer acquisition and monetisation. As a result, ROE for 4Q'21 stood at 39.2% (4Q'20: 40.5%).

In 4Q'21, the Group continued to maintain a healthy balance sheet, with total assets growing by 53.3% since the end of 2020 to RUB 1,318 bn (31 Dec'20: RUB 859 bn).

The Group's gross loan book grew by 52.9% since the end of 2020 to RUB 684 bn (31 Dec'20: RUB 447 bn), while the net loan book increased by 61.0% to RUB 606 bn (31 Dec'20: RUB 377 bn).

The Group's NPL ratio fell to 8.6% (31 Dec'20: 10.3%), while our credit loss allowance coverage stood at 1.3x non-performing loans.

The Group's customer accounts increased by 50.9% since the end of 2020 to RUB 946 bn (31 Dec'20: RUB 627 bn).

The Group's total equity over 2021 rose by 38.6% to RUB 176 bn at the end of FY'21 (31 Dec'20: RUB 127 bn) on the back of solid net profit. As of 1 January 2022, the Bank's statutory N1.0 ratio amounted to 15.3%, its N1.2 ratio stood at 14.0%, and the N1.1 ratio stood at 9.5%.

FINANCIAL STATEMENTS

Forward looking statements

Certain statements and/or other information included in this document may not be historical facts and may constitute “forward looking statements”. The words “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “forecast”, “target”, “project”, “will”, “may”, “should” and similar expressions may identify forward looking statements

but are not the exclusive means of identifying such statements. Forward looking statements include statements concerning our plans, expectations, projections, objectives, targets,

goals, strategies, future events, future revenues, operations or performance, capital expenditures, financing needs, our plans or intentions relating to the expansion or contraction of our business as well as specific acquisitions and dispositions, our competitive strengths and weaknesses, our plans or goals relating to forecasted operations, reserves, financial position

and future operations and development, our business strategy and the trends we anticipate in the industry and the political, economic, social and legal environment in which we operate, together with the assumptions underlying these forward looking statements. We do not make any representation, warranty or prediction that the results anticipated by such forward looking statements will be achieved.

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

31 DECEMBER 2021

TCS Group Holding PLC

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

Contents

Board of Directors

Except where stated all directors served throughout 2021 and through to the date of these consolidated financial statements.

Director	Role	Retirement	Appointment
Martin Cocker	Independent non-executive director	-	-
Ashley Dunster	Independent non-executive director	1 March 2022	11 May 2021
Constantinos Economides	Chairman of the Board, Executive director	-	-
Pavel Fedorov	Group Co-CEO, Executive director	-	10 September 2021
Maria Gordon	Independent non-executive director	-	11 May 2021
Margarita Hadjitofi	Independent non-executive director	-	11 May 2021
Nicholas Huber	Independent non-executive director	-	11 May 2021
Oliver Hughes	Group Co-CEO, Executive director	-	25 March 2021
Alexios Ioannides	Executive director	11 May 2021	-
Jacques Der Megreditchian	Independent non-executive director	28 May 2021	-
Marilou Pavlou	Executive director	-	10 September 2021
Nitin Saigal	Independent non-executive director	-	11 May 2021
Mary Trimithiotou	Executive director	-	-

The Company's Articles of Association include regulations for the retirement by rotation of Directors at each annual general meeting. These regulations will operate in 2022 on the basis of the composition of the Board at the relevant date.

Company Secretary Caelion Secretarial Limited

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Berengaria 25, 5^{th} floor,
3036, Limassol, Cyprus

Registered office

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3036, Limassol, Cyprus

31 DECEMBER 2021

Consolidated Management Report

The Board of directors presents its report together with the audited consolidated financial statements of TCS Group Holding PLC (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2021.

Principal activities and nature of operations of the Group

1. The Group's principal activities are mainly undertaken within the Russian Federation and consist of on-line retail banking operations, through its subsidiary JSC "Tinkoff Bank" (the "Bank"), and other operations through its subsidiaries, such us insurance operations through JSC "Tinkoff Insurance" (the "Insurance Company"), mobile services through LLC "Tinkoff Mobile" and asset management through LLC "Tinkoff Capital" (Note 1).
2. The Bank specialises in consumer finance, retail banking for individuals, individual entrepreneurs ("IE"), small and medium enterprises ("SME"), acquiring and payments services and brokerage services. The Bank which is fully licensed by the Central Bank of Russia, launched its operations in the Summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. As at 31 December 2021 in accordance with IFRS 10 definition of control the Group has no ultimate controlling party.

Changes in group structure

3. In April 2021 the Group acquired a 77.4% shareholding in LLC "Beskontakt". In July 2021 the Group exercised a call option agreement with the founders and remaining stakeholders of LLC "Beskontakt" and acquired an additional 8%. As a result, the Group's shareholding increased to 85.4%. LLC "Beskontakt" is a fintech company developing the "Koshelek" app, which is a digital wallet and a mobile app aggregating bank and loyalty cards. The acquired entity will assist the expansion of the Group's customer base through the marketing and cross-selling of its products to the app's users. Refer to Note 41 for the details of this acquisition.
4. In August 2021 Mortgage agent TB-1 was established as a special purpose entity which issued bonds secured by portfolio of home equity loans (Note 16). The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to significant risks and rewards through the retention of a junior tranche in the transaction.
5. In November 2021, the Group acquired a 51.0% stake in "Dzhast Luk" LLC – the company that operates Jump.Finance, a fintech service that automates payments to individuals and the self-employed (Note 1).
6. In late 2021, the Group acquired a 83.2% stake in Aximetria GmbH – a Swiss financial services company providing crypto-currency services (Note 1).

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

7. The Group operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending upon the availability of funding and market conditions. The Bank's primary customer acquisition channels are Internet and Mobile, but it also uses Direct Sales Agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank's virtual network, afford it a geographic reach across all of Russia's regions resulting in a highly diversified portfolio.
8. In October 2021 the Bank has been added to the Bank of Russia's list of 13 systemically important banking institutions due to a recognition of the Bank's growing presence in the financial market and expanding customer base of its ecosystem. As a result, the Bank will be obliged to comply with the additional capital adequacy buffers, as well as advanced risk management requirements. The Bank is operating with ample liquidity and capital buffers above regulatory minimums and intends to continue comfortably meeting all applicable requirements comfortably. Going forward management of the Group expects that it will have positive effect on the cost of funding as well as positively affect the Bank's credit ratings.
9. The key offerings of JSC "Tinkoff Insurance" are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP) (Note 24). The Insurance Company focuses on online sales.
10. In terms of financial performance the profit of the Group for the year ended 31 December 2021 was RR 63,368 million (2020: RR 44,213 million). This result is driven by two major continuing trends: the ongoing growth of the Group's consumer finance business and a growing contribution from the non-credit fees-and-commission business lines. Net margin increased by 26.6% to RR 132,558 million (2020: increased by 19.1% to RR 104,702 million) on the back of growth in the underlying commission, credit and investment businesses. The growth of the credit portfolio was driven not only by credit card loans but also by other types of loans, such as secured, cash and POS loans. The Group aims to diversify its credit portfolio by the extension of collateralised credit products which represents a business line with lower credit risks. The 90 days plus overdue loans ratio ("NPL") decreased to 8.6% as at 31 December 2021 (2020: 10.4%). The NPL coverage ratio reduced to 131.9% as at 31 December 2021 (2020: 153%). The Group's Insurance business continues to develop at a good pace. This year insurance premiums earned increased by 24.2% to RR 23,063 million (2020: increase by 31.6% to RR 18,567 million). The increase was as a result of the growth in the sale of auto (including CTP and VTP) and travel insurance policies, especially to existing Group customers, as well as the growth of personal accident insurance policies sold along with the credit portfolio and providing a wider coverage of insured risks.
11. The value of the investment in securities portfolio decreased by 9.7% to RR 215,311 million as at 31 December 2021 (2020: increased by 76.4% to RR 238,454). As a result of attaining systemically important status, management made a decision to create a portfolio of investments in debt securities managed under a "hold to collect" business model. These securities will be accounted for amortised cost, as opposed to fair value, will be held until full maturity and will not be susceptible to market price fluctuations. Initially this portfolio will be created from the Bank's existing portfolio of high-grade bonds, consisting of Russian government bonds. The Group effectively managed this portfolio under the "hold to collect" business model throughout 2021. The purpose of this decision is to create a source of low-risk, long term interest income while minimizing pressure on the Bank's regulatory capital and capital adequacy position, as well as decreasing overall market risks of the Group.
12. In order to reflect appropriately the uncertainty associated with the COVID-19 pandemic, the Group has made changes to its ECL model, which resulted in approximately RR 3.5 billion of additional credit loss allowance as at 31 December 2021 (2020: RR 5.6 billion). Refer to Notes 2 and 3.
13. In September 2021 the Group issued perpetual subordinated loan participation notes in the amount of USD 600 million (RR 43.5 billion). Refer to Note 17.

Environmental matters

14. As the Group is an online-only financial institution, the management of the Group believes that none of the Group's business relationships, products or services are likely to have any significant actual or potential environmental impacts and do not believe its operations are exposed to any material environmental risks. Management, in reaching this view, have taken into account the risk of adverse impacts that may stem from the Company's own activities as well as its business relationships including its supply and subcontracting chains. The Group is continuously reviewing its processes to identify opportunities to reduce their environmental impact adhering to best market practices. In 2021 the Group analysed and disclosed its greenhouse gas (GHG) inventory for all three scopes for the entire value chain. Emissions of the seven GHGs listed in the Kyoto Protocol were assessed. The analysis of the Company's business processes shows that its operations result in CO_2, CH_4, N_2O (Scopes 1, Scope 2 and Scope 3), and HFCs (hydrofluorocarbons) (Scope 1) emissions. Total carbon footprint of the Group is significantly lower than traditional financial institutions and IT companies generally show. In 2021 Tinkoff became the first Russian financial institution to join the Science Based Targets initiative, a global body enabling businesses to set ambitious science based emissions reduction targets in line with the latest climate science.

Human resources

15. Empowerment is an important ingredient in the success of our organization. To achieve this, decision-making is delegated to levels deep below the management team, discussion, idea generation and exchange and transparency are actively promoted and encouraged and an open leadership style ensures that information can move freely. The Group utilizes all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Group offers clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation.
16. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators as well as to provide feedback which can be used for their career development and to determine incentive compensation.
17. Prior to its IPO in 2013, the Group set up share-based management long term incentive plans as retention and motivational tools for key and senior managers. In March 2016, the Group announced a consolidated long-term management incentive and retention plan (MLTIP). Since then the Group has announced the expansion of MLTIP over the next 5 years. Each grant before 2020 is divided into 4 equal awards, and each award vests over 4 years in equal tranches. Each grant provided in 2020 and 2021 vests over 5 years.
18. In April 2020 the Group launched a key employees retention plan (KERP), which is a new long term incentive program for senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. In November 2021 the Group converted existing cash-settled equity-based KERP into an expanded equity-settled program MLTIP, which should put all the participants on the same footing. Additionally, Shareholders of the Company approved at the AGM in November 2021 granting the authority to the Board of Directors to fund the expanded MLTIP program via annual capital issuance of up to 1.5% (initially for a period of 5 years), which makes funding the MLTIP more capital efficient.

In the fourth quarter of 2021 the Group issued a new instrument that represents a share-based equity-settled compensation: 5-year warrants with an aggregate value equal to 1.2% of an increase in the market capitalisation of the Company as at 1 January 2027 (calculated as the volume-weighted average GDR price over the preceding six months, which amounted to 89.2 USD at the date of the grant) over a GDR price of USD 92 (the "Warrants"). The Warrants vest on 1 January 2027 and are exercisable at any time on or after that date. The Group has a unilateral right to terminate the Warrants at a one month's notice. When the Warrants are exercised, the Group is required to deliver the Ordinary Shares (GDRs) up to the value of

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Consolidated Management Report (Continued)

the Company relating to class B shares deemed deleted.

The Company's Home State is Cyprus.

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

Copies of the Articles of Association of the Company adopted on 19 November 2021, the terms of reference of the Committees, and other corporate governance related as well as investor relations related materials can also be found on the website www.tinkoff.ru/eng, at the Company's main website www.tcsgh.com.cy, on the Company's page on the London Stock Exchange website (www.londonstockexchange.com/exchange/prices-and-markets/stocks/summary) and at the official site of the Department of Registrar of Companies, Cyprus (http://www.mcit.gov.cy).

The Board of directors

The role of the Board is to provide entrepreneurial leadership to the Group within a framework of prudent and effective controls which enable risk to be assessed and managed. The Board sets the Group's strategic objectives, ensures that the necessary financial and human resources are in place for the Group to meet its objectives and reviews management's performance. The Board also sets the Group's values and standards and ensures that its obligations towards the shareholders and other stakeholders are understood and met. The Board operates under a formal schedule of matters reserved to the Board for its decision, approved by shareholders in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current ten strong Board of directors is comprised of five executive directors including the chairman, and five independent non-executive directors. The changes in the composition of the Board during the year are disclosed above.

The longest serving director Mr. Constantinos Economides took over the role of Chairman of the Board of directors in June 2015. The names of the people who served on the Board during 2021 are listed at the Board of directors and other officers.

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

The Board is required to undertake a formal and rigorous review annually of its own performance, that of its committees and of its individual directors. That review was recently carried out, in-house, in relation to 2021, looking at overall performance. All directors completed detailed questionnaires on the Board's, the committees' and individual director's performance. The role of appraising the Chairman of the Board for 2021 was performed by the Chairman of the Audit Committee. Analysis of the resultant feedback will be discussed at a meeting of the Board of directors scheduled for 3 March 2022.

The Board has not appointed a senior independent director. As of the year ended 2021 there were six independent directors, representing the majority of the Board, of whom at least one will retire each year.

Number of directors

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

The Articles of Association of the Company provide for the retirement by rotation of a number of directors at each Annual General Meeting (AGM). At the AGM on 19 November 2021 one director Mr Martin Cocker retired by rotation and he was duly re-elected to the Board. A number of other directors, whose initial appointment was made by the Board, also retired then and were duly reelected to the Board: Mr. Ashley Dunster (retired on 1 March 2022), Mr. Pavel Fedorov, Ms. Maria Gordon, Ms. Margarita Hadjitofi, Mr. Nicholas Huber and Mr. Nitin Saigal.

Committees of the Board of directors

The Company has established four Committees of the Board of directors: the Audit Committee, the Remuneration Committee, the Strategy Committee and the Risk and Emerging Risk (Sustainability) Committee. Their terms of reference are summarized below. The Audit Committee and the Remuneration Committees were formed in October 2013, whereas the other two were formed during 2021. The Board reserves the right to amend their terms of reference and arranges a periodic review of each Committee's role and activities and considers the appropriateness of additional committees.

Committees-current composition

The Audit Committee comprises its chair Mr. Martin Cocker and three other independent non-executive directors.

The Remuneration Committee following the resignation of its chair on 1 March 2022, temporarily comprises one independent non-executive director.

The Risk and Emerging Risk (Sustainability) Committee comprises its chair Ms. Margarita Hadjitofi and two other independent non-executive directors.

The Strategy Committee comprises its chair Mr. Nitin Saigal, two other independent non-executive directors and two executive directors.

All the chairs are (or will be) independent. The current terms of reference of all Committees are available to the public and can be found on the Group's websites. A short summary of them is set out below.

Role of the Audit Committee

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

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

Role of the Remuneration Committee

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

The Remuneration Committee continued with its work into 2021 on an ongoing review of the operation of the Group's MLTIP which launched in 2016 and in considering additional awards to existing and new participants for this and subsequent years. It also with the assistance of external consultants carried out an in-depth review of chief executive officer level compensation packages.

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

In the end of Q2 2020 the Committee recommended that the Board approve the proposals of launching a new incentive and retention plan for more than 250 senior and middle managers (KERP). In 2021 the Committee considered an expansion of this program for over 400 senior and middle managers and that existing cash-settled equity-based KERP be converted into expanded equity-settled program MLTIP and recommended that the Board approve the expansion.

Refer to Note 39 for the details of MLTIP and KERP.

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

Role of the Risk and Emerging Risk (Sustainability) Committee

The primary purpose and responsibility of the Sustainability Committee is to oversee management and advise the Board of the Company on matters required to enable the Group to (a) operate on a sustainable basis for the benefit of current and future generations; (b) embed sustainable practices and adopt best industry

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Consolidated Management Report (Continued)

practices across the full range of the Group's businesses; (c) to enhance the Company's reputation as a good corporate citizen; (d) drive sustainable growth by maintaining and enhancing the Group's economic, environmental, human, technological and social capital in the long term; and (e) the effective management of the Group's sustainability-related risks.

In this context Sustainable and Sustainability encompass the following elements (which are all of equal importance): social, environmental and governance, including climate change; health and safety; security and cybersecurity; diversity and inclusion; responsible lending and sustainable finance; relationships with employees; relationships with communities and other stakeholders; and ethical, elements affecting, or relevant to, the Group's business or operations.

Under its terms of reference the Sustainability Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Sustainability Committee is relatively newly created and is considering how best to meet this obligation.

Role of the Strategy Committee

The primary purpose and responsibility of the Strategy Committee is (i) to assess the strategic development plans, business plans, major financing and investment proposals and other material issues that affect the development of the Group; (ii) define top-priority areas, strategic targets and major principles of strategic development of the Group and its sustainable development; and (iii) to provide fresh perspectives on strategy and economic trends, act as a sounding board for new ideas, to look at big picture, long range trends, disruptive new technologies and their potential to be or become opportunities or threats to the Group.

Under its terms of reference the Strategy Committee is required at least once each year to review its own performance, constitution and terms of reference to ensure it is operating at maximum effectiveness and to recommend any changes it considers necessary for Board approval. The Strategy Committee is relatively newly created and is considering how best to meet this obligation.

Appointment, retirement, rotation and removal of directors

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

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

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

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

The office of director shall be vacated if the director:

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

Changes in the top management team

In light of the continued rapid growth of Group's Russian business, the launch of multiple new business lines and international expansion initiatives the Group announced the appointment of Oliver Hughes and Pavel Fedorov as co-CEOs of the Group.

Significant direct/indirect holdings

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

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

Policies, procedures and controls exist around financial reporting.

Financial reporting process

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

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

Internal Controls and Risk Management

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

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

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

Diversity policy

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

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

The composition and diversity information of the Board of directors of the Group for the year ended and as at 31 December 2021 is set out below:

Name	Age	Male/Female	Educational/professional background
Martin Cocker	62	Male	ICAEW, BSc in Mathematics and Economics,
Ashley Dunster (retired on 1 March 2022)	58	Male	Investment manager, Bachelor of Engineering Melbourne University, Masters Mathematical Modelling & Numerical Analysis, Oxford University

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Name	Age	Male/Female	Educational/professional background
Constantinos Economides	46	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Pavel Fedorov	47	Male	Banker, Diploma in Economics/Operations Research, Novosibirsk State university, MBA in Finance, Edmund Muskie Fellow, University of Washington
Maria Gordon	47	Female	Investment manager, BA in Political Science University of Wisconsin and MALD from the Fletcher School at Tufts University
Margarita Hadjitofi	41	Female	Lawyer, LLB (Law), Bachelor of Commerce (Business and Finance) Western Sydney University, LLM (Law) University of Sydney, Sustainability Leadership and Corporate
Responsibility at London Business School	47	Female	Investment manager, BA in Political Science University of Wisconsin and MALD from the Fletcher School at Tufts University
Nicholas Huber	32	Male	Investment manager, BSc in Finance Miami University Farmer School of Business
Oliver Hughes	51	Male	Banker, BA Russian and French University of Sussex, MA International Politics Leeds University, MSc Information Management and Technology City University
Marilou Pavlou	40	Female	Lawyer, MA Modern History, Law at BPP Law School
Mary Trimithiotou	43	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms

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

By Order of the Board

Constantinos Economides
Chairman of the Board
Limassol

3 March 2022

Consolidated Statement of Financial Position

In millions of RR	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	5	316,476	136,351
Mandatory cash balances with the CBRF		8,589	5,379
Due from other banks	6	542	1,887
Investments in securities	7	215,311	238,454
Repurchase receivables	7	5,826	29
Loans and advances to customers	8	606,308	376,521
Financial derivatives	36	5,963	5,035
Guarantee deposits with payment systems	9	15,171	15,475
Brokerage receivables	10	49,138	24,064
Current income tax assets	27	3,524	3,133
Deferred income tax assets	27	-	947
Tangible fixed assets and right-of-use assets	11	13,964	10,481
Intangible assets	11	15,069	7,082
Other financial assets	12	52,969	31,070
Other non-financial assets	12	8,895	3,386
TOTAL ASSETS		**1,317,745**	**859,294**
LIABILITIES			
Due to banks	13	11,313	4,819
Customer accounts	14	945,723	626,837
Debt securities in issue	15	21,680	23,910
Other borrowed funds	16	3,806	-
Financial derivatives	36	90	109
Brokerage payables	10	9,634	9,206
Current income tax liabilities	27	125	-
Deferred income tax liabilities	27	1,860	333
Subordinated debt	17	59,657	20,755
Insurance provisions	18	10,365	6,067
Other financial liabilities	19	69,302	34,337
Other non-financial liabilities	19	8,099	5,905
TOTAL LIABILITIES		**1,141,654**	**732,278**
EQUITY			
Share capital	20	230	230
Share premium	20	26,998	26,998
Treasury shares	20	(2,567)	(3,238)
Share-based payment reserve	39	4,745	1,548
Retained earnings		159,491	99,540
Revaluation reserve for investments in debt securities		(13,131)	1,849
Equity attributable to shareholders of the Company		175,766	126,927
Non-controlling interest		325	89
TOTAL EQUITY		**176,091**	**127,016**
TOTAL LIABILITIES AND EQUITY		**1,317,745**	**859,294**

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

Constantinos Economides
Director

Mary Trimithiotou
Director

The notes № 1-43 are an integral part of these Consolidated Financial Statements.

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

In millions of RR	Note	2020	2019
Interest income calculated using the effective interest rate method	21	163,620	128,084
Other similar income	21	192	83
Interest expense calculated using the effective interest rate method	21	(28,430)	(21,581)
Other similar expense	21	(80)	(139)
Expenses on deposit insurance programme	21	(2,744)	(1,745)
Net margin	**21**	**132,558**	**104,702**
Credit loss allowance for loans and advances to customers and credit related commitments	8	(21,673)	(38,972)
Credit loss allowance for debt securities at FVOCI	8	(10)	(369)
Total credit loss allowance for debt financial instruments		**(21,683)**	**(39,341)**
Net margin after credit loss allowance		**110,875**	**65,361**
Fee and commission income	22	86,069	47,609
Fee and commission expense	22	(38,779)	(22,215)
Customer acquisition expense	23	(43,442)	(22,588)
Net (losses)/gains from derivatives revaluation		(100)	4,163
Net losses from foreign exchange translation		(866)	(6,850)
Net (losses)/gains from operations with foreign currencies		(730)	1,595
Net gains from disposals of investments in securities		1,016	7,210
Net gains from financial assets at FVTPL	7,37	7,523	603
Insurance premiums earned	24	23,063	18,567
Insurance claims incurred	24	(4,964)	(3,814)
Administrative and other operating expenses	25	(59,449)	(35,005)
Net (losses)/gains from repurchase of subordinated debt		(101)	168
Other operating income	26	923	1,445
Profit before tax		**81,038**	**56,249**
Income tax expense	27	(17,670)	(12,036)
Profit for the year		**63,368**	**44,213**
Other comprehensive loss			
Items that may be reclassified to profit or loss			
Debt securities at FVOCI and Repurchase receivables:			
- Net (losses)/gains arising during the year, net of tax		(14,367)	3,621
- Net gains reclassified to profit or loss upon disposal, net of tax		(613)	(5,768)
Other comprehensive loss for the year, net of tax		**(14,980)**	**(2,147)**
Total comprehensive income for the year		**48,388**	**42,066**
Profit/(loss) is attributable to:			
- Shareholders of the Company		63,471	44,209
- Non-controlling interest		(103)	4
Total comprehensive income/(loss) is attributable to:			
- Shareholders of the Company		48,491	42,062
- Non-controlling interest		(103)	4
Earnings per share for profit attributable to the Shareholders of the Company, basic (expressed in RR per share)	**20**	**321.80**	**225.60**
Earnings per share for profit attributable to the Shareholders of the Company, diluted (expressed in RR per share)	**20**	**314.88**	**223.73**

Consolidated Statement of Changes in Equity

		Attributable to shareholders of the Company								
In millions of RR	Note	Share capital	Share premium	Share-based payment reserve	Revaluation reserve for investments in debt securities	Treasury shares	Retained earnings	Total	Non-control-ling interest	Total equity
Balance at 31 December 2018		**230**	**26,998**	**1,039**	**3,996**	**(3,164)**	**66,880**	**95,979**	**103**	**96,082**
Profit for the year		-	-	-	-	-	44,209	44,209	4	44,213
Other comprehensive income:										
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	(2,147)	-	-	(2,147)	-	(2,147)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(2,147)**	**-**	**44,209**	**42,062**	**4**	**42,066**
GDRs buy-back	20	-	-	-	-	(661)	-	(661)	-	(661)
Share-based payment reserve	39	-	-	509	-	587	(4)	1,092	-	1,092
Dividends declared	28	-	-	-	-	-	(11,545)	(11,545)	(18)	(11,563)
Balance at 31 December 2020		**230**	**26,998**	**1,548**	**1,849**	**(3,238)**	**99,540**	**126,927**	**89**	**127,016**
Profit/(loss) for the year		-	-	-	-	-	63,471	63,471	(103)	63,368
Other comprehensive loss:										
Investments in debt securities at FVOCI and Repurchase receivables		-	-	-	(14,980)	-	-	(14,980)	-	(14,980)
Total comprehensive (loss)/income for the year		**-**	**-**	**-**	**(14,980)**	**-**	**63,471**	**48,491**	**(103)**	**48,388**
GDRs buy-back	20	-	-	-	-	(1,877)	12	(1,865)	-	(1,865)
Share-based payment reserve	39	-	-	3,197	-	2,548	20	5,765	-	5,765
Dividends declared	28	-	-	-	-	-	(3,552)	(3,552)	(7)	(3,559)
Changes from business combinations and assets acquisitions		-	-	-	-	-	-	-	346	346
Balance at 31 December 2020		**230**	**26,998**	**4,745**	**(13,131)**	**(2,567)**	**159,491**	**175,766**	**325**	**176,091**

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Consolidated Statement of Cash Flows

In millions of RR	Note	2021	2020
Cash flows from/(used in) operating activities			
Interest income received calculated using the effective interest rate method		162,165	129,555
Other similar income received		128	11
Interest expense paid calculated using the effective interest rate method		(28,315)	(22,280)
Recoveries from written-off loans	8	4,510	4,063
Expenses on deposits insurance paid		(2,369)	(1,792)
Fees and commissions received		86,069	47,613
Fees and commissions paid		(43,554)	(22,236)
Customer acquisition expense paid		(44,213)	(21,116)
Gains from operations with foreign currencies received		426	831
Losses from operations with derivatives paid		(981)	(934)
Insurance premiums received		25,379	18,193
Insurance claims paid		(4,090)	(3,629)
Recoveries from the purchased loans received	8	3,991	1,750
Other operating income received		1,093	1,053
Administrative and other operating expenses paid		(47,462)	(30,456)
Income tax paid		(11,705)	(12,930)
Cash flows from operating activities before changes in operating assets and liabilities		**101,072**	**87,696**
Changes in operating assets and liabilities			
Net increase in CBRF mandatory reserves		(3,210)	(1,931)
Net decrease in due from banks		1,345	197
Net increase in loans and advances to customers		(255,612)	(81,724)
Net increase in brokerage receivables		(25,074)	(21,265)
Net decrease/(increase) in debt securities measured at FVTPL		1,541	(3,788)
Net increase in guarantee deposits with payment systems		(728)	(4,325)
Net increase in other financial assets		(18,916)	(9,708)
Net increase in other non-financial assets		(436)	(1,038)
Net increase in due to banks		6,528	4,777
Net increase in customer accounts		320,992	201,922
Net increase in brokerage payables		428	7,999
Net increase in other financial liabilities		30,851	16,512
Net decrease in non-financial liabilities		(354)	(39)
Net cash from operating activities		**158,427**	**195,285**
Cash flows (used in)/from investing activities			
Acquisition of tangible fixed assets		(5,272)	(2,076)
Acquisition of intangible assets		(6,884)	(3,642)
Acquisition of investments in securities, repurchase receivables and other investments		(33,727)	(375,444)
Proceeds from sale and redemption of investments in securities		34,507	282,288
Net cash used in investing activities		**(11,376)**	**(98,874)**
Cash flows from/(used in) financing activities			
Proceeds from subordinated debt	17,29	45,362	710
Proceeds from securitisation	16	5,623	-
Repayment of subordinated debt	17,29	(7,745)	(1,937)
Dividends paid	28	(3,628)	(11,853)
Repayment of debt securities in issue	15,29	(2,247)	(2,894)
GDR's buy-back	20	(1,877)	(661)
Repayment of securitisation		(1,823)	-
Repayment of principal of lease liabilities	11	(820)	(758)
Proceeds from debt securities in issue	15,29	-	331
Other financing activities cash flows		-	(461)
Net cash from/(used in) financing activities		**32,845**	**(17,062)**
Effect of exchange rate changes on cash and cash equivalents		229	1,438
Net increase in cash and cash equivalents		**180,125**	**80,787**
Cash and cash equivalents at the beginning of the year	**5**	**136,351**	**55,564**
Cash and cash equivalents at the end of the year	**5**	**316,476**	**136,351**

The notes № 1-43 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1 Introduction

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") for the year ended 31 December 2021 for TCS Group Holding PLC (the "Company") and its subsidiaries (together referred to as the "Group"), and in accordance with the requirements of the Cyprus Companies Law, Cap.113.

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

The Board of Directors of the Company at the date of authorisation of these consolidated financial statements consists of: Constantinos Economides, Margarita Hadjitofi, Martin Cocker, Mary Trimithiotou, Maria Gordon, Marilou Pavlou, Nicholas Huber, Nitin Saigal, Oliver Hughes and Pavel Fedorov.

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

At 31 December 2021 the share capital of the Company is comprised of ordinary shares (2020: class A shares and class B shares). Each ordinary share has a nominal value of USD 0.04 per share and carries one vote. As at 31 December 2021 the number of issued ordinary shares is 199,305,492 (2020: the number of issued class A shares is 129,391,449 and class B shares is 69,914,043). Refer to Note 20 for further information on the share capital. On 25 October 2013 the Group completed an initial public offering of its class A ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Group completed a secondary public offering (SPO) of its class A shares in the form of GDRs. On 28 October 2019 the Group's GDRs started trading also on the Moscow Exchange.

As at 31 December 2021 and 2020 the entities and the individuals holding Company's shares were:

	31 December 2021		31 December 2020		
	Class of shares	**Percentage on total issued shares**	**Class of shares**	**Percentage on total issued shares**	**Country of Incorporation**
Guaranty Nominees Limited (JPMorgan Chase Bank NA)	Ordinary	64.92%	Class A	64.92%	United Kingdom
Virtue Trustees (Switzerland) AG as Trustee of the New Rigi Trust	Ordinary	35.08%	-	-	Switzerland
Ioanna Georgiou	Ordinary	0.00%	Class A	0.00%	Cyprus
Panagiota Charalambous	Ordinary	0.00%	Class A	0.00%	Cyprus
Maria Vyra	Ordinary	0.00%	Class A	0.00%	Cyprus
Chloi Panagiotou	Ordinary	0.00%	Class A	0.00%	Cyprus
Leonora Chagianni	Ordinary	0.00%	Class A	0.00%	Cyprus
Antonis Strati	Ordinary	0.00%	Class A	0.00%	Cyprus
Virtue Trustees (Switzerland) AG as Trustee of the Bernina Trust	-	-	Class B	18.47%	Switzerland
Virtue Trustees (Switzerland) AG as Trustee of the Rigi Trust	-	-	Class B	16.61%	Switzerland
Total		**100.00%**		**100.00%**	

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

Notes to the Consolidated Financial Statements (Continued)

1 Introduction (Continued)

In the beginning of 2021 the Group underwent a major restructuring of its shareholder structure. While as of 31 December 2020 the ultimate controlling party of the Company was Mr. Oleg Tinkov, who then controlled approximately 84.38% of the aggregated voting rights attached to the class A and B shares, on 7 January 2021 all issued 69,914,043 class B shares (35.08% of the total number of issued shares) held by The Rigi Trust and The Bernina Trust were converted to class A shares, and on the same date 100% of issued shares were reclassified and redesignated as ordinary shares. Following the conversion, each share carries a single vote, and the total number of votes capable of being exercised is equal to the total number of issued shares (currently 199,305,492 shares following the class B share conversion). The number of GDRs in issue was not affected by the conversion. Then the shares held by the two trusts were transferred to The New Rigi Trust. After the conversion the Trust's voting rights dropped to 35.08%.

As at 31 December 2021 in accordance with IFRS 10 definition of control the Group has no ultimate controlling party.

As at 31 December 2021 and 2020 the six individuals listed in the table above each held one share. The individuals hold them as nominees of Mr. Oleg Tinkov.

The material subsidiaries and associates of the Group are set out below. Except where stated the Group owns 100% of shares and has 100% of voting rights of each of these subsidiaries as at 31 December 2021 and 2020.

		Percentage of ownership		
Name	**Nature of business**	**31 December 2021**	**31 December 2020**	**Country of registration**
JSC "Tinkoff Bank" (the "Bank")	Banking operations	100.00%	100.00%	Russia
JSC "Tinkoff Insurance" (the "Insurance company")	Insurance operations	100.00%	100.00%	Russia
LLC TCS	Services	100.00%	100.00%	Russia
LLC Microfinance company "T-Finance"	Micro-finance services	100.00%	100.00%	Russia
LLC "Phoenix"	Collection services	100.00%	100.00%	Russia
LLC "Tinkoff Software DC" (Russia)	Software development service	100.00%	100.00%	Russia
LLC "Tinkoff Software DC" (Belarus)	Software development service	100.00%	-	Belarus
LLC "Tinkoff Mobile"	Telecommunication	100.00%	100.00%	Russia
ANO "Tinkoff Education"	Education services	100.00%	100.00%	Russia
LLC "Tinkoff Capital"	Asset management company	100.00%	100.00%	Russia
LLC "Tinkoff Invest Lab"	Investment services	100.00%	100.00%	Russia
LLC "CloudPayments"	Online payment services	95.00%	95.00%	Russia
LLC "Beskontakt"	Fintech	85.40%	-	Russia
Aximetria GmbH	Cryptocurrency services	83.20%	-	Switzerland
LLC "Dzhast Luk"	Online payment services	51.00%	-	Russia
Vivid Money Holdco Limited	Group of fintech start-ups	9.47%	16.32%	Ireland
TCS Finance D.A.C.	Financing	-	-	Ireland
Mortgage agent TB-1	Financing	-	-	Russia

In the fourth quarter 2021 the Group acquired a 51.0% stake in LLC "Dzhast Luk" and a 83.2% stake in Aximetria GmbH for a total amount of RR 0.8 billion. "Dzhast Luk" LLC is a company that operates Jump.Finance, a fintech service that automates payments to individuals and self-employed persons. Aximetria GmbH is a Swiss financial services company providing cryptocurrency services.

Notes to the Consolidated Financial Statements

In April 2021 the Group acquired a 77.4% shareholding in LLC "Beskontakt". In July 2021 the Group exercised a call option agreement with the founders and remaining stakeholders of LLC "Beskontakt" and acquired an additional 8%. As a result, the Group's shareholding increased to 85.4%. LLC "Beskontakt" is a fintech company developing the "Koshelek" app, which is a digital wallet and a mobile app aggregating bank and loyalty cards. The acquired entity will assist the expansion of the Group's customer base through the marketing and cross-selling of its products to the app's users. Refer to Note 41 for the details of this acquisition.

In August 2020 the Group acquired a 22.15% shareholding in Incantus Holding Limited, which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform Vivid Money. On 31 May 2021 Incantus was restructured into a new holding, Vivid Money Holdco Limited. As a result of series of new shares issuances related to fresh equity funding, the Company's share in Vivid Money Holdco Limited has diluted to 9.47% as at 31 December 2021 (2020: 16.32%).

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

Mortgage agent TB-1 is a special purpose entity which issued bonds secured by a portfolio of home equity loans (Note 16). The Group neither owns shares nor has voting rights in this company. However, this entity was consolidated as it was specifically set up for the purposes of the Group, and the Group has exposure to significant risks and rewards through the retention of a junior tranche in the transaction.

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

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

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

Registered address and place of business. The Company's registered address is 25 Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, Cyprus, and place of business is Office 403, Lophitis Business Centre I, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus. The Bank's and the Insurance Company's registered address is 2-nd Khutorskaya Street, 38A, building 26, 127287, Moscow, Russian Federation.

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

2 Operating Environment of the Group

Russian Federation. The Group operates mainly within the Russian Federation. As a result of the pandemic, 2020 has been a ground shaking year across the globe in many industries, but in the Russian credit market the COVID-19 dislocations proved less impactful than during the previous crises of 2008-09 or 2013-2014, in part helped by government support and more disciplined lending practices of the biggest banks. In 2020 the CBR relaxed risk weights for the first time in many years. This coupled with restructuring programs launched by many banks helped the credit card market to still grow by 1.6% in 2020.

In 2021 the recovery in Russian economic activity is becoming more sustainable. However, the sharp decline in economic activity caused by the coronavirus pandemic was accompanied by a rupture of production and supply chains, the formation of a deep imbalance in supply and demand, and a softening of financial conditions as part of anti-crisis government programs. This resulted in worldwide general rise of inflation. By mid-2021, there was a trend towards accelerating consumer inflation. As a result, in October 2021 the CBR decided to raise the key rate by 75 basis points to 7.50% per annum. The growth of the key rate and raising yields of the Russian Federal bonds market led to substantial decline in bond prices denominated in RR.

The CBR also continues to tighten regulatory requirements, in particular, establishing macroprudential limits (quantitative restrictions on the

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Notes to the Consolidated Financial Statements (Continued)

2 Operating Environment of the Group (Continued)

issuance of unsecured loans) on consumer loans for banks and microfinance organizations is being considered.

Some of numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, were subsequently relaxed, however, as of 31 December 2021, the global infection levels remain high, vaccination rate is low, and there is a risk that the Russian authorities may impose additional restrictions in 2022, including in response to new variants of the virus.

According to IFRS 9 "Financial Instruments", the Group uses forecast information in the expected credit loss models, including forecasts of macroeconomic indicators. For the purpose of calculating credit loss allowances as at 31 December 2021, the Group took into account expectations regarding the following macro-factors and allocated higher weight to the pessimistic macroeconomic scenario:

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

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

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

More detailed information about the changes and their impact on the results of the Group's operations for the year ended 31 December 2021 is disclosed in Note 3.

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

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

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

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement and involves methodology, models and data inputs. The following components of ECL calculation have a major impact on credit loss allowance: probability of default ("PD") (impacted by definition of default, SICR, forward-looking scenarios and theirs weights) and loss given default ("LGD"). Refer to Note 30 for explanation of terms. The Group makes estimates and judgments, which are constantly analysed based on statistical data, actual and forecast information, as well as management experience, including expectations regarding future events that are considered reasonable in the current circumstances. Refer to Note 30 for further information on ECL measurement.

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

- the macroeconomic model has become more conservative, based on different scenarios: base, optimistic and pessimistic, and higher weight is assigned to the pessimistic scenario (refer to Note 30 for details on distribution of scenarios and sensitivity analysis);
- for loans in default the Group has applied increased coefficients of LGD;
- the Group has estimated the volume of loans to individuals which were restructured despite no evidence of any SICR, as of the reporting date and applied higher PDs to such loans for the purposes of estimation of expected credit losses.

The impact of the changed macroeconomic conditions assessed using the approaches described above was approximately RR 3.5 billion of additional credit loss allowance as at 31 December 2021 (2020: RR 5.6 billion).

In 2021, the Group implemented a new behavioural model for calculating probabilities of default for retail annuity loans (cash loans, secured loans, POS loans and car loans). The management of the Group believes that the new model results in a more refined assessment of expected credit losses. The impact of this change was accounted for as a change in accounting estimate and was recognized by including in profit or loss RR 78 million of additional credit loss allowance charge. Refer to Note 8 to see impact on each class of loans separately.

An increase or decrease in PDs by 0.5% compared to PDs used in the ECL estimates calculated at 31 December 2021 would result in an increase or decrease in credit loss allowances of RR 2.3 billion (2020: by 2% RR 5.2 billion).

An increase or decrease in LGDs by 1% compared to LGDs used in the ECL estimates calculated at 31 December 2021 would result in an increase or decrease in credit loss allowances of RR 0.8 billion (2020: by 2% RR 1.5 billion).

Credit exposure on revolving credit facilities. For credit card loans, the Group's exposure to credit losses extends beyond the maximum contractual period of the facility. For such facilities the Group measures ECLs over the period that the Group is exposed to credit risk and ECLs are not mitigated by credit risk management actions. Application of this approach requires judgement: determining a period for measuring ECLs — the Group considers historical information and experience about: (a) the length of time for related defaults to occur on similar financial instruments following a SICR and (b) the credit risk management actions that the Group expects to take once the credit risk has increased (e.g. the reduction or removal of undrawn limits). For details of the period over which the Group is exposed to credit risk on revolving facilities and which is used as an approximation of lifetime period for ECL calculation for stage 2 and stage 3 loans and advances to customers, refer to Note 30.

Perpetual subordinated debts. A perpetual subordinated bond issue in June 2017 was initially recognised in the amount of USD 295.8 million (RR 16.9 billion). A perpetual subordinated loan participation notes issue in September 2021 was initially recognised in the amount of USD 600 million (RR 43.5 billion). Both issues represented by the funds received from investors less issuance costs. Subsequent measurement of these instruments is consistent with the accounting policy for debt securities in issue. Interest expense on these instruments is calculated using the effective interest rate method and recognised in profit or loss for the year.

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

If the Group had recognized these instruments as equity, then interest expense would only have been recognized when it was paid and treated as a distribution from equity rather than an expense in profit or loss.

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

The investments in these instruments are classified as debt investment securities measured at FVTPL since the analysis of the contractual cash flow characteristics resulted in acquired perpetual bonds not passing SPPI test. If the Group had recognized this instrument as equity instrument, then it could have been measured at FVTPL or FVOCI as the Group does not hold it for trading purposes. 3 Critical Accounting Estimates and

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Notes to the Consolidated Financial Statements (Continued)

3 Critical Accounting Estimates and Judgements in Applying Accounting Policies (Continued)

Interest income recognition. The effective interest method incorporates significant assumptions around expected loan lives as well as judgements of type of fees and costs that are included in interest income. Refer to Note 41.

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

The portion of the fee attributable to the insurance component (i.e. the amount paid to the Insurance Company to cover the insured risk) is recognised within Insurance premiums earned line (refer to Note 24). The remaining portion of the fee approximates a fee that the Bank would have earned on market terms for selling third party insurance products and it is recognised as a fee for selling credit protection within Fee and commission income line (refer to Note 22). The timing of recognition of the two income streams does not materially vary as the insurance coverage is sold on a monthly basis.

Financial assets sales and securitisations. Group's securitisation activities involve home equity loans and are predominantly transacted using SPEs. In a typical securitisation, the SPE purchases assets financed by proceeds received from the SPE's issuance of debt certificates and other notes of indebtedness. These assets and liabilities are recorded on the balance sheet of the SPE and consolidated on the Group's consolidated statement of financial position, unless the accounting requirements for sale were met. At 31 December 2021 the Group has not made a securitisation transaction that resulted in derecognition of transferred assets. The Group assessed that its secured loan portfolio meets the criteria for held to collect business model and determined that the past securitisation transactions have not resulted in derecognition of the assets and therefore are not inconsistent with the held to collect business model.

The Group may have intention to sell home equity loans under securitisation, in this case the derecognition requirements should be applied. Thederecognition test is performed in 2 steps:

1) Pass-through arrangement. All the following conditions have to be met to conclude that pass-through arrangements meet the criteria:

- An entity has no obligation to pay amounts to the eventual recipients, unless it collects equivalent amounts from the original asset. Short-term advances by the entity to the eventual recipients with the right of full recovery of the amount lent plus accrued interest from the amounts eventually payable to the eventual recipients at market rates do not violate this condition.
- An entity is prohibited by the transfer contract's terms from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.
- An entity has an obligation to remit any cash flows that it collects on behalf of the eventual recipients without material delay (up to 3 months).

2) Risk-reward assessment. If a transfer meets the pass-through requirements the transferor still needs to assess whether it has transferred sufficient risks and rewards associated with the asset to achieve derecognition. If, as the result of assessment, majority of risks and associated rewards are deemed to be transferred, the asset is derecognized. Otherwise the sale is accounted for as a finance deal.

Investments in securities. As a result of attaining systemically important status, management made a decision to create a portfolio of investments into debt securities managed under a "hold to collect" business model. These securities will be accounted for amortised cost, as opposed to fair value, will be held until full maturity and will not be susceptible to market price fluctuations. Initially this portfolio will be created from the Bank's existing portfolio of high-grade bonds, consisting of Russian government bonds. In 2021, the Group has already managed designated bonds under the "hold to collect" model with no disposal made for these securities. The purpose of this decision is to create a source of low-risk, long term interest income while minimizing pressure on the Bank's regulatory capital and capital adequacy position, as well as decreasing overall market risks of the Group.

The described change in accounting treatment of the securities managed under hold to collect model will be effective starting from 1 January 2022.

Tax legislation. Russian and Cypriot tax, currency and customs legislation are subject to varying interpretations. Refer to Note 32.

4 Segment Analysis

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

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

Since the business of the Group is expanding certain operating segments became significant enough to be considered as separate reportable segments. This triggered changes in the number and composition of segments to be presented. The Group is organised on the basis of 8 main business segments:

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

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

InsurTech – representing insurance services provided to individuals, such as personal accident insurance, personal property insurance, travel insurance and vehicle insurance (Note 24).

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

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

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

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

Other investments represent investments in associated companies and equity instruments. The CODM made a decision to allocate such investments into a separate business segment. Disclosures for comparative periods were amended accordingly.

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

Factors that management used to identify the reportable segments

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

Measurement of operating segment profit or loss, assets and liabilities

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

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Notes to the Consolidated Financial Statements (Continued)

4 Segment Analysis (Continued)

Information about reportable segment assets and liabilities, profit or loss

Segment reporting of the Group's assets and liabilities as at 31 December 2021 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME services	MVNO services	Other investments	Eliminations	Total
Reportable segment assets	692,859	273,392	21,581	229,653	22,161	72,760	1,207	9,607	(5,475)	1,317,745
Reportable segment liabilities	279,376	592,195	11,457	120,404	1,645	140,287	1,765	-	(5,475)	1,141,654

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

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME services	MVNO services	Other investments	Eliminations	Total
Reportable segment assets	456,195	245,923	12,437	73,773	15,563	55,517	755	2,050	(2,919)	859,294
Reportable segment liabilities	203,723	345,585	6,901	83,428	649	91,412	3,499	-	(2,919)	732,278

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

Segment reporting of the Group's capital expenditures for the year ended 31 December 2021 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME services	MVNO services	Total
Intangible assets	3,263	5,364	1,116	440	97	988	434	11,702
Tangible fixed assets and right-of-use assets	4,166	1,342	323	116	195	272	54	6,468
Total capital expenditure	**7,429**	**6,706**	**1,439**	**556**	**292**	**1,260**	**488**	**18,170**

Segment reporting of the Group's capital expenditures for the year ended 31 December 2020 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME services	MVNO services	Total
Intangible assets	897	1,098	550	251	32	559	282	3,669
Tangible fixed assets and right-of-use assets	1,640	384	120	38	84	109	29	2,404
Total capital expenditure	**2,537**	**1,482**	**670**	**289**	**116**	**668**	**311**	**6,073**

Segment reporting of the Group's income and expenses for the year ended 31 December 2021 is set out below:

In millions of RR	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME Services	MVNO services	Other investments	Eliminations	Total
External revenues										
- Fee and commission income on cards' and current accounts' services	3,011	19,463	-	506	-	13,858	166	-	-	37,004
- Fee for selling credit protection	5,639	-	-	-	-	-	-	-	-	5,639
- Acquiring commission	-	103	-	-	24,996	-	-	-	-	25,099
- MVNO and investments services	-	-	-	11,369	-	-	2,898	-	-	14,267
- Other fees receivable	594	3,294	-	-	146	26	-	-	-	4,060
Timing of fee and commission income recognition:										
- At point in time	6,838	20,109	-	11,146	25,142	9,470	1,012	-	-	73,717
- Over time	2,406	2,751	-	729	-	4,414	2,052	-	-	12,352
Total fee and commission income	9,244	22,860	-	11,875	25,142	13,884	3,064	-	-	86,069
Insurance premiums earned	-	-	23,063	-	-	-	-	-	-	23,063
Other operating income	557	11	327	-	28	-	-	-	-	923
Total external revenues	**148,924**	**33,705**	**23,901**	**20,027**	**25,170**	**19,040**	**3,077**	**23**	**-**	**273,867**
Revenues from other segments										
Interest income	-	4,746	134	-	-	2,214	-	-	(7,094)	-
Fee and commission income										
- Acquiring commission	-	-	-	-	324	-	-	-	(324)	-
- Other fees receivable	6	397	-	-	-	-	601	-	(1,004)	-
Insurance premiums earned	-	-	209	-	-	-	-	-	(209)	-
Other operating income	450	-	-	-	-	-	-	-	(450)	-
Total revenues from other segments	**456**	**5,143**	**343**	**-**	**324**	**2,214**	**601**	**-**	**(9,081)**	**-**
TOTAL REVENUES	**149,380**	**38,848**	**24,244**	**20,027**	**25,494**	**21,254**	**3,678**	**23**	**(9,081)**	**273,867**
Interest expense	(18,863)	(17,566)	-	(265)	-	(1,644)	(10)	-	7,094	(31,254)
Credit loss allowance charge	(21,588)	(46)	(14)	-	-	(35)	-	-	-	(21,683)
Fee and commission expense	(3,108)	(14,018)	(160)	(2,700)	(15,957)	(1,214)	(1,961)	-	339	(38,779)
Insurance claims incurred	-	-	(5,008)	-	-	-	-	-	44	(4,964)
Administrative and other operating expenses	(25,326)	(12,621)	(4,619)	(4,967)	(3,500)	(6,940)	(1,433)	(158)	115	(59,449)
Other (losses)/ gains	(1,476)	519	1	3	-	252	-	7,443	-	6,742
Segment result before acquisition expenses	**79,019**	**(4,884)**	**14,444**	**12,098**	**6,037**	**11,673**	**274**	**7,308**	**(1,489)**	**124,480**
Customer acquisition expense	(19,112)	(10,165)	(1,989)	(7,924)	(609)	(3,701)	(1,431)	-	1,489	(43,442)
SEGMENT RESULT	**59,907**	**(15,049)**	**12,455**	**4,174**	**5,428**	**7,972**	**(1,157)**	**7,308**	**-**	**81,038**

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Notes to the Consolidated Financial Statements (Continued)

4 Segment Analysis (Continued)

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

	Consumer Finance	Retail Debit Cards	Insur-Tech	Invest-Tech	Acquiring and Payments	SME Services	MVNO services	Other investments	Eliminations	Total
External revenues										
Interest income	113,486	9,092	409	2,804	-	2,358	10	8	-	128,167
Fee and commission income										
- Fee and commission income on cards' and current accounts' services	2,715	11,981	-	261	-	9,147	15	-	-	24,119
- Fee for selling credit protection	4,657	-	-	-	-	-	-	-	-	4,657
- Acquiring commission	-	-	-	-	11,049	-	-	-	-	11,049
- MVNO and investments services	-	-	-	4,998	-	-	1,815	-	-	6,813
- Other fees receivable	548	346	-	-	77	-	-	-	-	971
Timing of fee and commission income recognition:										
- At point in time	5,906	10,396	-	4,927	11,126	5,346	511	-	-	38,212
- Over time	2,205	1,740	-	332	-	3,801	1,319	-	-	9,397
Total fee and commission income	7,920	12,327	-	5,259	11,126	9,147	1,830	-	-	47,609
Insurance premiums earned	-	-	18,567	-	-	-	-	-	-	18,567
Other operating income	1,169	-	250	-	26	-	-	-	-	1,445
Total external revenues	**122,575**	**21,419**	**19,226**	**8,063**	**11,152**	**11,505**	**1,840**	**8**	**-**	**195,788**
Revenues from other segments										
Interest income	-	2,737	56	-	-	1,244	-	-	(4,037)	-
Fee and commission income										
- Acquiring commission	-	-	-	-	85	-	-	-	(85)	-
- Other fees receivable	2	251	-	-	-	-	379	-	(632)	-
Insurance premiums earned	-	-	72	-	-	-	-	-	(72)	-
Other operating income	371	-	-	-	-	-	-	-	(371)	-
Total revenues from other segments	**373**	**2,988**	**128**	**-**	**85**	**1,244**	**379**	**-**	**(5,197)**	**-**
TOTAL REVENUES	**122,948**	**24,407**	**19,354**	**8,063**	**11,237**	**12,749**	**2,219**	**8**	**(5,197)**	**195,788**
Interest expense	(16,965)	(9,322)	-	-	-	(1,215)	-	-	4,037	(23,465)
Credit loss allowance charge	(38,243)	(372)	-	-	-	(726)	-	-	-	(39,341)
Fee and commission expense	(2,505)	(9,266)	(88)	(1,491)	(6,976)	(803)	(1,214)	-	128	(22,215)
Insurance claims incurred	-	-	(3,842)	-	-	-	-	-	28	(3,814)
Administrative and other operating expenses	(16,518)	(5,698)	(3,759)	(2,027)	(1,656)	(4,322)	(961)	(170)	106	(35,005)
Other (losses)/ gains	(1,120)	5,935	219	-	-	1,345	-	510	-	6,889
Segment result before acquisition expenses	**47,597**	**5,684**	**11,884**	**4,545**	**2,605**	**7,028**	**44**	**348**	**(898)**	**78,837**
Customer acquisition expense	(12,466)	(4,042)	(1,143)	(3,111)	(311)	(1,385)	(1,028)	-	898	(22,588)

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

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

5 Cash and Cash Equivalents

In millions of RR	31 December 2020	31 December 2019
Cash on hand	36,955	21,069
Cash balances with the CBRF (other than mandatory reserve deposits)	51,008	38,646
Placements with other banks with original maturities of less than three months:		
- AA- to AA+ rated	19,602	6,404
- A- to A+ rated	696	1,328
- BBB- to BBB+ rated	13,223	1,276
- BB- to BB+ rated	45	646
- B- to B+ rated	142	499
- Unrated	601	-
Non-bank credit organizations:		
- BBB- to BBB+ rated	185,370	53,764
- BB- to BB+ rated	7,640	11,265
- B- to B+ rated	775	190
- Unrated	419	1,264
Total Cash and Cash Equivalents	**316,476**	**136,351**

Cash on hand includes cash balances in ATMs and cash balances in transit. Placements with other banks and organizations with original maturities of less than three months include placements under reverse sale and repurchase agreements in the amount of RR 152,331 million as at 31 December 2021 (2020: RR 33,210 million). The Group has a right to sell or repledge securities received under reverse sale and repurchase agreements.

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021:

In millions of RR	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent (AA- to AA+, A- to A+)	51,008	20,298	71,306
Good (BBB- to BBB+, BB+)	-	198,638	198,638
Monitor (BB, B- to B+, unrated)	-	9,577	9,577
Total cash and cash equivalents, excluding cash on hand	**51,008**	**228,513**	**279,521**

Notes to the Consolidated Financial Statements (Continued)

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

In millions of RR	Cash balances with the CBRF	Placements with other banks and non-bank credit organizations	Total
Excellent (AA- to AA+, A- to A+)	38,646	7,732	46,378
Good (BBB- to BBB+, BB+)	-	55,686	55,686
Monitor (BB, B- to B+, unrated)	-	13,218	13,218
Total cash and cash equivalents, excluding cash on hand	**38,646**	**76,636**	**115,282**

The carrying amount of cash and cash equivalents at 31 December 2021 and 2020 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 30 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for cash and cash equivalents. Except for reverse sale and repurchase agreements, amounts of cash and cash equivalents are not collateralised. As at 31 December 2021 the fair value of collateral under reverse sale and repurchase agreements was RR 154,255 million (2020: RR 34,527 million). There is no material impact of collateral on credit loss allowance for cash and cash equivalents.

Refer to Note 37 for the disclosure of the fair value of cash and cash equivalents. ECL measurement approach, interest rate, maturity and geographical risk concentration analysis of cash and cash equivalents are disclosed in Note 30.

6 Due from Other Banks

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

In millions of RR	31 December 2020	31 December 2019
Placements with other banks with original maturities of more than three months		
Good		
BB+ to BB- rated	500	1,406
BBB+ to BBB- rated	42	-
Monitor		
B+ to B- rated	-	481
Total due from other banks	**542**	**1,887**

The carrying amount of due from other banks at 31 December 2021 and 2020 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 30 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement due from other banks balances are included in Stage 1.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for due from other banks. Refer to Note 30 for the ECL measurement approach. Refer to Note 37 for the disclosure of the fair value of due from other banks. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 30.

7 Investments in Securities and Repurchase Receivables

In millions of RR	31 December 2021	31 December 2020
Securities measured at fair value through other comprehensive income	207,175	234,189
Securities measured at fair value through profit or loss	8,136	4,265
Total investments in securities	**215,311**	**238,454**
Repurchase receivables	5,826	29
Total investments in securities and repurchase receivables	**221,137**	**238,483**

Repurchase receivables represent securities sold under sale and repurchase agreements which the counterparty has the right, by contract or custom, to sell or repledge. As at 31 December 2021 the sale and repurchase agreements are short-term and mature in January 2022.

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

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

In millions of RR	31 December 2021	31 December 2020
Investments in securities		
Russian government bonds	120,155	123,916
Corporate bonds	76,285	96,200
Municipal bonds	8,367	9,474
Foreign government bonds	2,368	4,599
Repurchase receivables		
Russian government bonds	5,752	-
Corporate bonds	74	29
Total investments in securities and repurchase receivables measured at FVOCI	**213,001**	**234,218**
Including credit loss allowance	724	714

The table below contains an analysis of the credit risk exposure of investments in securities and repurchase receivables measured at FVOCI at 31 December 2021, for which an ECL allowance is recognised, based on credit risk grades:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds			
- Excellent	140,678	-	140,678
Total AC gross carrying amount	140,678	-	140,678
Credit loss allowance	(291)	-	(291)
Fair value adjustment from AC to FV	(14,480)	-	(14,480)
Carrying value	**125,907**	**-**	**125,907**
Corporate bonds			
- Monitor	9,414	465	9,879
- Sub-standard	11	-	11

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Notes to the Consolidated Financial Statements (Continued)

7 Investments in Securities and Repurchase Receivables (Continued)

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Total AC gross carrying amount	77,807	465	78,272
Credit loss allowance	(333)	(15)	(348)
Fair value adjustment from AC to FV	(1,580)	15	(1,565)
Carrying value	**75,894**	**465**	**76,359**
Municipal bonds			
- Good	7,304	-	7,304
- Monitor	1,443	-	1,443
Total AC gross carrying amount	8,747	-	8,747
Credit loss allowance	(46)	-	(46)
Fair value adjustment from AC to FV	(334)	-	(334)
Carrying value	**8,367**	**-**	**8,367**
Foreign government bonds			
- Good	652	-	652
- Monitor	1,419	-	1,419
- Sub-standard	337	-	337
Total AC gross carrying amount	2,408	-	2,408
Credit loss allowance	(39)	-	(39)
Fair value adjustment from AC to FV	(1)	-	(1)
Carrying value	**2,368**	**-**	**2,368**

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

The table below contains an analysis of the credit risk exposure of investments in securities and repurchase receivables measured at FVOCI at 31 December 2021, for which an ECL allowance is recognised, based on credit risk grades:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds			
- Excellent	125,422	-	125,422
Total AC gross carrying amount	125,422	-	125,422
Credit loss allowance	(255)	-	(255)
Fair value adjustment from AC to FV	(1,251)	-	(1,251)
Carrying value	**123,916**	**-**	**123,916**

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

There are no stage 3 investments in securities during the year and as at 31 December 2021 and 2020.

Refer to Note 30 for the description of credit risk grading system used by the Group and the approach to ECL measurement, including the definition of default and SICR as applicable to investments in securities and repurchase receivables at FVOCI. The investments at FVOCI are not collateralised. Refer to Note 37 for the disclosure of the fair value.

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

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Notes to the Consolidated Financial Statements (Continued)

7 Investments in Securities and Repurchase Receivables (Continued)

The following table explains the changes in the credit loss allowance (including those pledged under repurchase agreements) and gross carrying amount for debt securities at FVOCI for the year ended 31 December 2021:

	Credit loss allowance			Gross carrying amount		
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds						
At 31 December 2020	**255**	**-**	**255**	**125,422**	**-**	**125,422**
Movements with impact on credit loss allowance						
New originated or purchased	30	-	30	17,992	-	17,992
Foreign exchange gains	-	-	-	(124)	-	(124)
Disposal during the year	(3)	-	(3)	(2,001)	-	(2,001)
Interest income accrued	13	-	13	7,334	-	7,334
Interest received	(14)	-	(14)	(7,945)	-	(7,945)
Other movements	10	-	10	-	-	-
Total movements with impact on credit loss allowance charge	**36**	**-**	**36**	**15,256**	**-**	**15,256**
At 31 December 2021	**291**	**-**	**291**	**140,678**	**-**	**140,678**
Corporate bonds						
At 31 December 2020	**334**	**14**	**348**	**92,939**	**620**	**93,559**
Movements with impact on credit loss allowance						
New originated or purchased	100	-	100	14,216	-	14,216
Foreign exchange gains	-	-	-	(92)	-	(92)
Redemption during the year	(12)	(3)	(15)	(5,119)	(150)	(5,269)
Disposal during the year	(88)	-	(88)	(23,650)	-	(23,650)
Interest income accrued	15	1	16	4,665	40	4,705
Interest received	(17)	(1)	(18)	(5,152)	(45)	(5,197)
Other movements	1	4	5	-	-	-
Total movements with impact on credit loss allowance charge	**(1)**	**1**	**-**	**(15,132)**	**(155)**	**(15,287)**
At 31 December 2021	**333**	**15**	**348**	**77,807**	**465**	**78,272**

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

	Credit loss allowance			Gross carrying amount		
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Municipal bonds						
At 31 December 2020	**45**	**-**	**45**	**9,273**	**-**	**9,273**
Movements with impact on credit loss allowance						
New originated or purchased	1	-	1	137	-	137
Redemption during the year	(3)	-	(3)	(552)	-	(552)
Disposal during the year	3	-	3	(68)	-	(68)
Interest income accrued	2	-	2	590	-	590
Interest received	(2)	-	(2)	(633)	-	(633)
Other movements	-	-	-	-	-	-
Total movements with impact on credit loss allowance charge	**1**	**-**	**1**	**(526)**	**-**	**(526)**
At 31 December 2021	**46**	**-**	**46**	**8,747**	**-**	**8,747**
Foreign government bonds						
At 31 December 2020	**66**	**-**	**66**	**4,521**	**-**	**4,521**
Movements with impact on credit loss allowance						
New originated or purchased	22	-	22	1,309	-	1,309
Foreign exchange gains	1	-	1	44	-	44
Redemption during the year	(7)	-	(7)	(926)	-	(926)
Disposal during the year	(39)	-	(39)	(2,472)	-	(2,472)
Interest income accrued	1	-	1	95	-	95
Interest received	(2)	-	(2)	(163)	-	(163)
Other movements	(3)	-	(3)	-	-	-
Total movements with impact on credit loss allowance charge	**(27)**	**-**	**(27)**	**(2,113)**	**-**	**(2,113)**
At 31 December 2021	**39**	**-**	**39**	**2,408**	**-**	**2,408**

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Notes to the Consolidated Financial Statements (Continued)

7 Investments in Securities and Repurchase Receivables (Continued)

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

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

	Credit loss allowance			Gross carrying amount		
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Total
Russian government bonds						
At 31 December 2019	**99**	**-**	**99**	**54,471**	**-**	**54,471**
Movements with impact on credit loss allowance						
New originated or purchased	522	-	522	289,955	-	289,955
Foreign exchange gains	1	-	1	767	-	767
Redemption during the year	(160)	-	(160)	(89,000)	-	(89,000)
Disposal during the year	(233)	-	(233)	(129,350)	-	(129,350)
Interest income accrued	8	-	8	5,318	-	5,318
Interest received	(12)	-	(12)	(6,739)	-	(6,739)
Other movements	30	-	30	-	-	-
Total movements with impact on credit loss allowance charge	**156**	**-**	**156**	**70,951**	**-**	**70,951**
At 31 December 2020	**255**	**-**	**255**	**125,422**	**-**	**125,422**
Corporate bonds						
At 31 December 2019	**225**	**-**	**225**	**69,645**	**-**	**69,645**
Movements with impact on credit loss allowance						
New originated or purchased	198	-	198	70,438	-	70,438
Transfers: - to lifetime (from Stage 1 to Stage 2)	(3)	3	-	(620)	620	-
Foreign exchange gains	15	-	15	5,061	-	5,061
Redemption during the year	(13)	-	(13)	(4,171)	-	(4,171)
Disposal during the year	(117)	-	(117)	(46,924)	-	(46,924)
Interest income accrued	14	-	14	4,587	45	4,632
Interest received	(16)	(1)	(17)	(5,077)	(45)	(5,122)
Other movements	31	12	43	-	-	-
Total movements with impact on credit loss allowance charge	**109**	**14**	**123**	**23,294**	**620**	**23,914**
At 31 December 2020	**334**	**14**	**348**	**92,939**	**620**	**93,559**

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

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

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Notes to the Consolidated Financial Statements (Continued)

7 Investments in Securities and Repurchase Receivables (Continued)

2) Securities measured at fair value through profit or loss

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

In millions of RR	31 December 2021	31 December 2020
Investments in securities		
Perpetual corporate bonds	2,316	4,265
Corporate shares	5,820	-
Total investments in securities and repurchase receivables measured at FVTPL	**8,136**	**4,265**

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

In millions of RR	2021	2020
Carrying amount at 1 January	4,265	413
Purchases	562	4,125
Disposal	(1,729)	(440)
Interest income accrued	169	75
Interest received	(128)	(25)
Foreign exchange (loss)/ gain	(153)	8
Revaluation through PL	5,150	109
Carrying amount at 31 December	**8,136**	**4,265**

Investments in securities measured at FVTPL are carried at fair value, which also reflects any credit risk related write-downs and best represents Group's maximum exposure to credit risk. The securities measured at FVTPL are not collateralized. Interest rate, maturity and geographical risk concentration analysis of investment in securities are disclosed in Note 30.

8 Loans and Advances to Customers

In millions of RR	31 December 2021	31 December 2020
Gross carrying amount of loans and advances to customers at AC	680,152	445,529
Less credit loss allowance	(77,815)	(70,900)
Total carrying amount of loans and advances to customers at AC	**602,337**	**374,629**
Loans and advances to customers at FVTPL	3,971	1,892
Total loans and advances to customers	**606,308**	**376,521**

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement and that was issued to related party (refer to Note 39).

Gross carrying amount and credit loss allowance amount for loans and advances to customers at AC by classes at 31 December 2021 and 2020 are disclosed in the table below:

	31 December 2021			31 December 2020		
In millions of RR	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Credit card loans	333,894	(52,987)	280,907	267,586	(54,242)	213,344
Cash loans	126,295	(14,121)	112,174	68,131	(11,055)	57,076
Secured loans	72,043	(1,986)	70,057	40,232	(1,099)	39,133
Car loans	77,882	(5,342)	72,540	33,991	(2,144)	31,847
POS loans	60,348	(2,605)	57,743	32,690	(1,611)	31,079
Loans to IE and SME	9,690	(774)	8,916	2,899	(749)	2,150
Total loans and advances to customers at AC	**680,152**	**(77,815)**	**602,337**	**445,529**	**(70,900)**	**374,629**

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

Cash loans represent a product for the borrowers who have a positive credit history and who do not have overdue loans in other banks. Cash

loans are loans provided to customers via the Bank's debit cards. These loans are available for withdrawal without commission.

Secured loans represent loans secured with a real estate (home equity loans) or a car. As at 31 December 2021 home equity loans under securitisation amounted to RR 4,446 million (2020: RR nil). Refer to Note 16 for details of the securitisation of home equity loans.

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

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

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

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

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

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

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

	Credit loss allowance				Gross carrying amount				
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans									
At 31 December 2020	**16,441**	**7,560**	**30,241**	**54,242**	**210,074**	**11,758**	**45,573**	**181**	**267,586**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	5,889	-	-	5,889	82,751	-	-	229	82,980
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(2,412)	6,542	-	4,130	(11,692)	11,692	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(4,278)	(6,649)	24,875	13,948	(22,163)	(9,220)	31,383	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	426	(1,210)	(21)	(805)	1,813	(1,787)	(26)	-	-
Total movements with impact on credit loss allowance charge for the year	**(1,413)**	**2**	**19,147**	**17,736**	**60,039**	**228**	**25,044**	**218**	**85,529**
Movements without impact on credit loss allowance charge for the year:									
Unwinding of discount (for Stage 3)	-	-	4,920	4,920	-	-	4,920	-	4,920
Write-offs	-	-	(18,856)	(18,856)	-	-	(18,856)	-	(18,856)
Sales	-	-	(2,329)	(2,329)	-	-	(2,559)	-	(2,559)
Modification of original cash flows without derecognition	-	-	(2,726)	(2,726)	-	-	(2,726)	-	(2,726)

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

Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
Credit card loans									
At 31 December 2020	**16,441**	**7,560**	**30,241**	**54,242**	**210,074**	**11,758**	**45,573**	**181**	**267,586**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	4,998	-	-	4,998	100,712	-	-	464	101,176
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(1,018)	4,039	-	3,021	(7,276)	7,276	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1,562)	(1,577)	5,673	2,534	(4,319)	(1,950)	6,269	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	63	(285)	(4)	(226)	940	(936)	(4)	-	-
Changes to ECL measurement model assumptions and estimates	(338)	180	-	(158)	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(1,688)	(1,408)	(800)	(3,896)	(36,703)	(2,765)	(309)	28	(39,749)
Total movements with impact on credit loss allowance charge for the year	**455**	**949**	**4,869**	**6,273**	**53,354**	**1,625**	**5,956**	**492**	**61,427**
Movements without impact on credit loss allowance charge for the year:									
Unwinding of discount (for Stage 3)	-	-	628	628	-	-	628	-	628
Write-offs	-	-	(3,149)	(3,149)	-	-	(3,149)	-	(3,149)
Sales	-	-	(604)	(604)	-	-	(660)	-	(660)
Modification of original cash flows without derecognition	-	-	(82)	(82)	-	-	(82)	-	(82)
At 31 December 2021	**4,575**	**2,990**	**6,556**	**14,121**	**109,540**	**6,392**	**9,441**	**922**	**126,295**

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

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

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

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Secured Loans								
At 31 December 2020	**256**	**482**	**361**	**1,099**	**35,243**	**4,115**	**874**	**40,232**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	416	-	-	416	46,878	-	-	46,878
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(90)	1,220	-	1,130	(4,569)	4,569	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(45)	(217)	549	287	(677)	(597)	1,274	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	14	(91)	(1)	(78)	1,300	(1,298)	(2)	-
Changes to ECL measurement model assumptions and estimates	(98)	130	9	41	-	-	-	-
Movements other than transfers and new originated or purchased loans	85	(736)	(90)	(741)	(12,697)	(1,882)	(320)	(14,899)
Total movements with impact on credit loss allowance charge for the year	**282**	**306**	**467**	**1,055**	**30,235**	**792**	**952**	**31,979**
Movements with impact on credit loss allowance charge for the year:								
Unwinding of discount (for Stage 3)	-	-	105	105	-	-	105	105
Write-offs	-	-	(206)	(206)	-	-	(206)	(206)
Modification of original cash flows	-	-	(67)	(67)	-	-	(67)	(67)
At 31 December 2021	**538**	**788**	**660**	**1,986**	**65,478**	**4,907**	**1,658**	**72,043**

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Secured Loans								
At 31 December 2019	**150**	**264**	**82**	**496**	**27,366**	**2,037**	**198**	**29,601**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	141	-	-	141	21,517	-	-	21,517
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(40)	954	-	914	(4,120)	4,120	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(15)	(135)	371	221	(524)	(355)	879	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	3	(41)	(3)	(41)	516	(509)	(7)	-
Changes to ECL measurement model assumptions and estimates	67	3	9	79	-	-	-	-
Movements other than transfers and new originated or purchased loans	(50)	(563)	(21)	(634)	(9,512)	(1,178)	(119)	(10,809)
Total movements with impact on credit loss allowance charge for the year	**106**	**218**	**356**	**680**	**7,877**	**2,078**	**753**	**10,708**
Movements with impact on credit loss allowance charge for the year:								
Unwinding of discount (for Stage 3)	-	-	46	46	-	-	46	46
Write-offs	-	-	(16)	(16)	-	-	(16)	(16)
Modification of original cash flows	-	-	(107)	(107)	-	-	(107)	(107)
At 31 December 2020	**256**	**482**	**361**	**1,099**	**35,243**	**4,115**	**874**	**40,232**

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount				
	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Purchased/ originated credit impaired	Total
POS loans									
At 31 December 2020	**527**	**227**	**857**	**1,611**	**30,278**	**1,080**	**1,045**	**287**	**32,690**
Movements with impact on credit loss allowance charge for the year:									
New originated or purchased	945	-	-	945	56,356	-	-	113	56,469
Transfers:									
- to lifetime (from Stage 1 to Stage 2)	(137)	922	-	785	(2,888)	2,888	-	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(174)	(195)	1,175	806	(1,022)	(314)	1,336	-	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	4	(20)	-	(16)	194	(194)	-	-	-
Changes to ECL measurement model assumptions and estimates	92	42	-	134	-	-	-	-	-
Movements other than transfers and new originated or purchased loans	(406)	(439)	(149)	(994)	(26,388)	(1,569)	(116)	(11)	(28,084)
Total movements with impact on credit loss allowance charge for the year	**324**	**310**	**1,026**	**1,660**	**26,252**	**811**	**1,220**	**102**	**28,385**
Movements without impact on credit loss allowance charge for the year									
Unwinding of discount (for Stage 3)	-	-	81	81	-	-	81	-	81
Write-offs	-	-	(522)	(522)	-	-	(522)	-	(522)
Sales	-	-	(216)	(216)	-	-	(277)	-	(277)
Modification of original cash flows without derecognition	-	-	(9)	(9)	-	-	(9)	-	(9)
At 31 December 2021	**851**	**537**	**1,217**	**2,605**	**56,530**	**1,891**	**1,538**	**389**	**60,348**

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

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

	Credit loss allowance				Gross carrying amount			
In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit impaired)	Total
Car Loans								
At 31 December 2020	**664**	**558**	**922**	**2,144**	**30,716**	**2,012**	**1,263**	**33,991**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	1,812	-	-	1,812	59,391	-	-	59,391
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(385)	1,796	-	1,411	(3,703)	3,703	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(382)	(375)	1,806	1,049	(1,740)	(578)	2,318	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	19	(103)	(3)	(87)	622	(617)	(5)	-
Changes to ECL measurement model assumptions and estimates	(75)	136	-	61	-	-	-	-
Movements other than transfers and new originated or purchased loans	59	(479)	(187)	(607)	(14,112)	(751)	(196)	(15,059)
Total movements with impact on credit loss allowance charge for the year	**1,048**	**975**	**1,616**	**3,639**	**40,458**	**1,757**	**2,117**	**44,332**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	105	105	-	-	105	105
Write-offs	-	-	(354)	(354)	-	-	(354)	(354)
Sales	-	-	(1)	(1)	-	-	(1)	(1)
Modification of original cash flows without derecognition	-	-	(265)	(265)	-	-	(265)	(265)
At 31 December 2021	**1,712**	**1,533**	**2,097**	**5,342**	**71,174**	**3,769**	**2,939**	**77,882**

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

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Loans to IE and SME								
At 31 December 2020	**335**	**291**	**123**	**749**	**2,440**	**323**	**136**	**2,899**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	158	-	-	158	4,863	-	-	4,863
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(47)	318	-	271	(765)	765	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(28)	(13)	211	170	(215)	(16)	231	-
- recovered (from Stage 3 to Stage 2 and from Stage 2 to Stage 1)	-	-	-	-	2	(2)	-	-
Movements other than transfers and new originated or purchased loans	(157)	(421)	(7)	(585)	2,484	(558)	(9)	1,917
Total movements with impact on credit loss allowance charge for the year	**(74)**	**(116)**	**204**	**14**	**6,369**	**189**	**222**	**6,780**
Movements without impact on credit loss allowance charge for the year								
Unwinding of discount (for Stage 3)	-	-	36	36	-	-	36	36
Write-offs	-	-	(25)	(25)	-	-	(25)	(25)
At 31 December 2021	**261**	**175**	**338**	**774**	**8,809**	**512**	**369**	**9,690**

In millions of RR	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Loans to IE and SME								
At 31 December 2019	**57**	**10**	**46**	**113**	**940**	**21**	**52**	**1,013**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	28	-	-	28	676	-	-	676
Transfers:								
- to lifetime (from Stage 1 to Stage 2)	(143)	314	-	171	(375)	375	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(16)	(13)	77	48	(69)	(17)	86	-
Changes to ECL measurement model assumptions and estimates	10	-	3	13	-	-	-	-
Movements other than transfers and new originated or purchased loans	(157)	(421)	(7)	(585)	2,484	(558)	(9)	1,917
Total movements with impact on credit loss allowance charge for the year	**278**	**281**	**80**	**639**	**1,500**	**302**	**87**	**1,889**
Movements without impact on credit loss allowance charge for the year:								
Unwinding of discount (for Stage 3)	-	-	11	11	-	-	11	11
Write-offs	-	-	(14)	(14)	-	-	(14)	(14)
At 31 December 2020	**335**	**291**	**123**	**749**	**2,440**	**323**	**136**	**2,899**

In 2021 the Group implemented a new behavioural model for calculating probabilities of default for retail annuity loans (cash loans, secured loans, POS loans and car loans). Refer to Note 3 for details.

In 2020 the Group implemented following changes to ECL measurement model assumptions:

- Additional credit loss allowance charge due to the impact of the changed macroeconomic conditions.
- For the purposes of LGD estimation the Group has refined the approach to calculation of the rate used for discounting expected cash flows from defaulted loans. The refined approach is that the Group uses more disaggregated and specific discount rates for each credit product in the overall loan portfolio of the Group rather than one generic rate, which makes the estimate more precise.
- Having accumulated additional information the Group has refined its behavioural PD model used for PD estimation for credit card loans. Also the Group has refined PD models for secured loans and car loans using the most recent statistical data.
- The Group has refined its approach to calculation of the impact of modification of original cash flows without derecognition on stage 3

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

The credit loss allowance charge during the year ended 31 December 2021 presented in the tables above differs from the amount presented in the consolidated statement of profit or loss and other comprehensive income for the year due to RR 4,510 million (2020: RR 4,063 million) recovery of amounts previously written-off as uncollectible, due to RR 3,991 million (2020: RR 1,750 million) recovery from the purchased loans in excess of their gross carrying amount, and due to RR 203 million recovery of ECL for credit related commitments (2020: RR 1,295 million charge of ECL for credit related commitments, including RR 638 million of charge due to changes to ECL measurement model assumptions and estimates).

The amount of the recovery received from written-off loans and purchased loans during the year was credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income.

The contractual amount outstanding of loans and advances to customers which were written off during the reporting period ended 31 December 2021 and are still subject to enforcement activity is equal to RR 16,519 million (2020: RR 13,966 million).

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

During the year ended 31 December 2021 the Group sold credit-impaired loans to third parties (external debt collection agencies) by the means of transferring all subsequest risks and rewards without recource to the buyer, which resulted into derecognition of gross amount of RR 3,497 million (2020: RR 2,798 million) and credit loss allowance of RR 3,150 million (2020: RR 2,581 million). The difference between the carrying amount of these loans and the consideration received was recognised as losses in the amount of RR 80 million within credit loss allowance for loans and advances to customers and credit related commitments for the year ended 31 December 2021 (2020: losses in the amount of RR 186 million).

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

In millions of RR	31 December 2021	31 December 2020
Total guarantee deposits with payment systems		
Up to 20 RR thousand	1,407,747	1,046,228
20-40 RR thousand	723,075	538,746
40-60 RR thousand	631,398	497,940
60-80 RR thousand	612,737	495,431
80-100 RR thousand	596,141	479,786
100-120 RR thousand	442,534	331,606
120-140 RR thousand	480,082	378,547
140-200 RR thousand	1,089,388	870,503
More than 200 RR thousand	337,574	225,417
Total number of cards (in units)	**6,320,676**	**4,864,204**

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

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

Loans and advances to customers at 31 December 2021 are disclosed as follows:

.

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Purchased/ originated credit impaired	Total
Credit card loans					
- Excellent	131,944	-	-	-	131,944
- Good	121,697	1,570	-	-	123,267
- Monitor	16,472	3,810	-	-	20,282
- Sub-standard	-	6,606	8,847	-	15,453
- NPL	-	-	42,549	399	42,948
Gross carrying amount	**270,113**	**11,986**	**51,396**	**399**	**333,894**
Credit loss allowance	(15,028)	(7,562)	(30,397)	-	(52,987)
Carrying amount	**255,085**	**4,424**	**20,999**	**399**	**280,907**
Cash loans					
- Excellent	74,885	-	-	-	74,885
- Good	34,094	3,512	-	-	37,606
- Monitor	561	1,134	-	-	1,695
- Sub-standard	-	1,746	1,167	-	2,913
- NPL	-	-	8,274	922	9,196
Gross carrying amount	**109,540**	**6,392**	**9,441**	**922**	**126,295**
Credit loss allowance	(4,575)	(2,990)	(6,556)	-	(14,121)
Carrying amount	**104,965**	**3,402**	**2,885**	**922**	**112,174**
Secured Loans					
- Excellent	53,540	-	-	-	53,540
- Good	11,355	3,685	-	-	15,040
- Monitor	583	668	-	-	1,251
- Sub-standard	-	554	-	-	554
- NPL	-	-	1,658	-	1,658
Gross carrying amount	**65,478**	**4,907**	**1,658**	**-**	**72,043**
Credit loss allowance	(538)	(788)	(660)	-	(1,986)
Carrying amount	**64,940**	**4,119**	**998**	**-**	**70,057**

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Purchased/ originated credit impaired	Total
POS loans					
- Excellent	44,024	-	-	-	44,024
- Good	12,223	1,105	-	-	13,328
- Monitor	283	310	-	-	593
- Sub-standard	-	476	28	-	504
- NPL	-	-	1,510	389	1,899
Gross carrying amount	**56,530**	**1,891**	**1,538**	**389**	**60,348**
Credit loss allowance	(851)	(537)	(1,217)	-	(2,605)
Carrying amount	**55,679**	**1,354**	**321**	**389**	**57,743**
Car loans					
- Excellent	53,275	-	-	-	53,275
- Good	17,290	2,115	-	-	19,405
- Monitor	609	703	-	-	1,312
- Sub-standard	-	951	-	-	951
- NPL	-	-	2,939	-	2,939
Gross carrying amount	**71,174**	**3,769**	**2,939**	**-**	**77,882**
Credit loss allowance	(1,712)	(1,533)	(2,097)	-	(5,342)
Carrying amount	**69,462**	**2,236**	**842**	**-**	**72,540**
Loans to IE and SME					
- Excellent	5,997	-	-	-	5,997
- Good	2,731	265	-	-	2,996
- Monitor	81	87	-	-	168
- Sub-standard	-	160	-	-	160
- NPL	-	-	369	-	369
Gross carrying amount	**8,809**	**512**	**369**	**-**	**9,690**
Credit loss allowance	(261)	(175)	(338)	-	(774)
Carrying amount	**8,548**	**337**	**31**	**-**	**8,916**

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

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

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Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

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

Stage 3 includes restructured loans that are less than 90 days overdue which are not considered as NPL according to the Group's credit risk grading master scale. Refer to Note 30 for the description of credit risk grading system used by the Group.

Loans in courts are included in Stage 3 and are loans to delinquent borrowers, against which the Group has filed claims to courts in order to recover outstanding balances. As at 31 December 2021 the gross carrying amount of the loans in courts was RR 39,066 million (2020: RR 31,082 million).

Description of collateral held for loans to individuals carried at amortised cost is as follows at 31 December 2021:

In millions of RR	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	61,428	-	61,428
- cars	9,344	54,523	63,867
Total collateralised gross carrying amount (rep-resenting exposure to credit risk for each class of loans at AC)	**70,772**	**54,523**	**125,295**

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

In millions of RR	Secured loans	Car loans	Total
Loans collateralised by:			
- residential real estate	37,896	-	37,896
- cars	2,101	26,515	28,616
Total collateralised gross carrying amount (rep-resenting exposure to credit risk for each class of loans at AC)	**39,997**	**26,515**	**66,512**

In the disclosure above the difference between collateralised gross carrying amounts and total gross carrying amount of the respective loans represents unsecured disclosures of RR 24,630 million (2020: RR 7,711 million). Unsecured loans arise as the result of the fact that the borrowers have two months to register their cars as collateral for car loans as well as the application of a conservative discount in determin-ing the carrying value of collateral for secured and car loans applied.

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

The effect of collateral on credit impaired assets at 31 December 2021 is as follows.

	Over-collateralised assets		Under-collateralised assets	
In millions of RR	Gross carrying amount of the assets	Value of collateral	Gross carrying amount of the assets	Value of collateral
Credit impaired assets:				
Secured loans	1,625	4,381	33	11
Car loans	843	1,355	2,096	929

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

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

Notes to the Consolidated Financial Statements (Continued)

8 Loans and Advances to Customers (Continued)

The values of collateral considered in this disclosure are after a valuation haircut of 15% (2020: 15%) for residential real estate and 20% (2020: 20%) for cars applied to consider liquidity and quality of the pledged assets.

All contractual modifications of loans with the lifetime ECL that did not lead to derecognition did not have gains less losses on modification recognised in profit or loss for the year ended 31 December 2021 (2020: same).

Refer to Note 37 for the disclosure of the fair value of loans and advances to customers. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 30. Information on related party balances is disclosed in Note 39.

9 Guarantee Deposits with Payment Systems

As at 31 December 2021 and 2020 guarantee deposits were placed in favour of MasterCard with Barclays Bank Plc London (A rated), in favour of Visa with United Overseas Bank Ltd Singapore (AA- rated), and in favour of Russia payment card Mir with Russian National payment card system (NSPK).

As at 31 December 2021 the carrying value of guarantee deposits with payment systems was RR 15,171 million (2020: RR 15,475 million).

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

In millions of RR	31 December 2021	31 December 2020
- Excellent	13,772	14,803
- Good	1,399	672
Total guarantee deposits with payment systems	**15,171**	**15,475**

The carrying amount of guarantee deposits with payment systems at 31 December 2021 and 2020 also represents the Group's maximum exposure to credit risk on these assets. Refer to Note 30 for the description of credit risk grading system used by the Group. For the purpose of ECL measurement guarantee deposits with payment systems balances are included in Stage 1. Guarantee deposits with payment systems are unsecured financial assets.

The ECL for these balances represents an immaterial amount, therefore the Group did not create any credit loss allowance for guarantee deposits with payment systems. Refer to Note 30 for the ECL measurement approach. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 30.

10 Brokerage Receivables and Brokerage Payables

In millions of RR	31 December 2021	31 December 2020
Amounts receivable from brokers and clearing organizations	49,138	24,064
Total brokerage receivables	**49,138**	**24,064**
Amounts payable to brokers and clearing organizations	9,634	9,206
Total brokerage payables	**9,634**	**9,206**

Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. These balances are fully collateralized by highly liquid securities and have minimal credit risk. As at 31 December 2021 the fair value of collateral of brokerage receivables was RR 46,721 million (2020: RR 24,113 million). For the purpose of ECL measurement brokerage receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance for brokerage receivables.

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

As at 31 December 2021 the fair value of collateral of brokerage payables was RR 11,123 million (2020: RR 9,696 million).

ECL measurement approach, interest rate, maturity and geographical risk concentration analysis are disclosed in Note 30. Refer to Note 33 for the disclosure of the offsetting assets and liabilities. Refer to Note 37 for the disclosure of the fair value of brokerage receivables and brokerage payables.

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

	Tangible fixed assets						Intangible assets		
In millions of RR	Land	Building	Equipment	Leasehold improvements	Vehicles	Total tangible fixed assets	Capitalised	Acquired	Total intangible assets
Cost									
31 December 2019	**396**	**4,219**	**6,070**	**1,620**	**88**	**12,393**	**1,944**	**7,173**	**9,117**
Additions	-	-	2,168	2	-	2,170	1,854	1,815	3,669
Disposals	-	-	(164)	(231)	-	(395)	-	(73)	(73)
31 December 2020	**396**	**4,219**	**8,074**	**1,391**	**88**	**14,168**	**3,798**	**8,915**	**12,713**
Additions	-	-	5,783	187	1	5,971	4,311	7,391	11,702
Disposals	-	-	(38)	(399)	(28)	(465)	-	(116)	(116)
31 December 2021	**396**	**4,219**	**13,819**	**1,179**	**61**	**19,674**	**8,109**	**16,190**	**24,299**
Depreciation and amortisation									
31 December 2019	**-**	**(133)**	**(2,594)**	**(673)**	**(41)**	**(3,441)**	**(496)**	**(3,186)**	**(3,682)**
Charge for the year (Note 25)	-	(43)	(1,421)	(149)	(4)	(1,617)	(704)	(1,257)	(1,961)
Disposals	-	-	103	128	-	231	-	12	12
31 December 2020	**-**	**(176)**	**(3,912)**	**(694)**	**(45)**	**(4,827)**	**(1,200)**	**(4,431)**	**(5,631)**
Charge for the year (Note 25)	-	(42)	(2,083)	(47)	(8)	(2,180)	(1,699)	(1,902)	(3,601)
Disposals	-	-	23	218	28	269	-	2	2
31 December 2021	**-**	**(218)**	**(5,972)**	**(523)**	**(25)**	**(6,738)**	**(2,899)**	**(6,331)**	**(9,230)**
Net book value									
31 December 2020	**396**	**4,043**	**4,162**	**697**	**43**	**9,341**	**2,598**	**4,484**	**7,082**
31 December 2021	**396**	**4,001**	**7,847**	**656**	**36**	**12,936**	**5,210**	**9,859**	**15,069**

Intangible assets additions in the amount of RR 4,311 million related to capitalised the software developments by Tinkoff Software DC during the year ended 31 December 2021 (2020: RR 1,854 million).

Other intangible assets acquired during the year ended 31 December 2021 and 2020 mainly represent accounting software, retail banking software, insurance software, licenses and development of software.

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

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Notes to the Consolidated Financial Statements (Continued)

11 Tangible Fixed Assets, Intangible Assets and Right-of-use Assets (Continued)

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

In millions of RR	Office premises
Carrying amount at 31 December 2019	**1,608**
Additions	234
Depreciation charge (Note 25)	(702)
Carrying amount at 31 December 2020	**1,140**
Additions	497
Depreciation charge (Note 25)	(609)
Carrying amount at 31 December 2021	**1,028**

Expenses relating to leases of low-value assets and short-term leases in the amount of RR 1,126 million are included in administrative and other operating expenses (2020: RR 548 million). Refer to Note 25. Total cash outflow for long-term rental contract leases during the year ended 31 December 2021 was RR 820 million (2020: RR 758 million).

12 Other Financial and Non-financial Assets

In millions of RR	31 December 2021	31 December 2020
Other Financial Assets		
Settlement of operations with plastic cards	42,995	23,882
Insurance's financial assets	965	542
Other	9,009	6,646
Total Other Financial Assets	**52,969**	**31,070**
Other Non-Financial Assets		
Prepaid expenses	5,996	1,478
Insurance's non-financial assets	817	509
Other	2,082	1,399
Total Other Non-Financial Assets	**8,895**	**3,386**

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

At 31 December 2021, included in other financial assets are receivables and investments in associates (2020: same).

As at 31 December 2021 and 2020 prepaid expenses consist of prepayments for marketing, IT support, security and ATM-service.

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

In millions of RR	31 December 2021	31 December 2020
- Excellent	29,850	19,683
- Good	23,119	11,387
Total other financial assets	**52,969**	**31,070**

Refer to Note 30 for the description of the Group's credit risk grading system.

For the purpose of ECL measurement settlement of operations with plastic cards balances and other receivables are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Group did not recognise any credit loss allowance. Refer to Note 30 for the ECL measurement approach. Refer to Note 37 for the disclosure of the fair value of other financial assets. The maturity and geographical risk concentration analysis of amounts of other financial assets is disclosed in Note 30.

13 Due to Banks

In millions of RR	31 December 2021	31 December 2020
Correspondent accounts and overnight placements of other banks	5,829	4,795
Sale and repurchase agreements with other banks	5,484	24
Total due to banks	**11,313**	**4,819**

At 31 December 2021, included in the amounts due to other banks are collateral for swap contracts of RR 5,829 million (2020: RR 4,789 million) and liabilities of RR 5,484 million (2020: RR 24 million) arising from sale and repurchase agreements with debt securities at FVOCI (Note 7).

Refer to Note 37 for the disclosure of the fair value of amounts due to banks. Interest rate, maturity and geographical risk concentration analysis of due to banks is disclosed in Note 30. Refer to Note 33 and 34 for information on the amounts included in due to banks received under sale and repurchase agreements and fair value of securities pledged.

14 Customer Accounts

In millions of RR	31 December 2021	31 December 2020
Individuals	2021	31 December 2020
- Current/demand accounts	544,561	323,145
- Brokerage accounts	110,277	73,970
- Term deposits	146,548	135,995
IE and SME		
- Current/demand accounts	140,287	89,199
- Term deposits	3,403	2,213
Other legal entities		
- Current/demand accounts	647	2,267
- Term deposits	-	48
Total customer accounts	**945,723**	**626,837**

Refer to Note 37 for the disclosure of the fair value of customer accounts. Interest rate, maturity and geographical risk concentration analysis of customer accounts amounts is disclosed in Note 30. Information on related party balances is disclosed in Note 39.

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Notes to the Consolidated Financial Statements (Continued)

15 Debt Securities in Issue

In millions of RR	Date of maturity	31 December 2021	31 December 2020
RR denominated bonds issued in September 2019	12 September 2029	10,176	10,166
RR denominated bonds issued in April 2019	21 March 2029	10,105	10,134
RR denominated bonds issued in April 2017	22 April 2022	1,113	2,492
Structured debt notes issued in December 2020	5 December 2023	122	119
Structured debt notes issued in October 2020	5 October 2023	91	89
Structured debt notes issued in December 2020	1 December 2023	73	74
RR denominated bonds issued in June 2016	24 June 2021	-	836
Total debt securities in issue		**21,680**	**23,910**

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

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

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

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

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

All RR denominated bonds and structured debt notes issued by the Bank are traded on the Moscow Exchange. Refer to Note 37 for the disclosure of the fair value of debt securities in issue. Interest rate, maturity and geographical risk concentration analysis of debt securities in issue are disclosed in Note 30.

16 Other Borrowed Funds

On 5-6 July 2021 the Group completed the securitisation of home equity loans placed by mortgage agent TB- 1. The placement included Class A and B bonds secured by a portfolio of home equity loans. Class A bonds are represented by senior tranche totaling RR 5,623 million and were placed with private and institutional investors with a coupon of 7.9%. Class B bonds are represented by subordinated junior tranche totaling RR 878 million that was retained by the Bank. This junior tranche absorbs substantially all amount of credit risks related to the portfolio. As a result, the securitised home equity loans amounted to RR 5,638 million failed to meet derecognition criteria set out by IFRS 9 and hence continue to be recognised in the Group's consolidated financial statement.

As at 31 December 2021 the carrying value of borrowings through securitisation transaction amounted to RR 3,806 million that are represented by Class A bonds. The carrying value of the securitised home equity loans amounted to RR 4,446 million (Note 8). The fair value of the securitised home equity loans does not differ materially from the carrying value as at 31 December 2021. Refer to Note 33 for the resulting net position.

17 Subordinated Debt

In millions of RR	31 December 2021	31 December 2020
Perpetual subordinated loan notes issued in September 2021	41,504	-
Perpetual subordinated loan notes issued in June 2017	18,153	20,755
Total subordinated debt	**59,657**	**20,755**

On 20 September 2021 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 600 million (RR 43,536 million) with zero premium. The Group has a right to repay the notes at its discretion starting from 20 December 2026 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 6.00% p.a. payable quarterly starting from 20 December 2021.

On 15 June 2017 the Group issued perpetual subordinated loan participation notes with a nominal value of USD 300 million (RR 17,109 million) with zero premium. The Group has a right to repay the notes at its discretion starting from 15 September 2022 and they are repayable in case of certain events other than liquidation. The notes bear a fixed interest rate of 9.25% p.a. payable quarterly starting from 15 September 2017.

All perpetual subordinated loan participation notes have no stated maturity, and interest payments may be cancelled by the Group at any time.

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

The perpetual subordinated loan participation notes are traded on the Global Exchange Market. Interest rate, maturity and geographical risk concentration analysis of subordinated debt is disclosed in Note 30. Refer to Note 37 for the disclosure of the fair value of financial instruments.

18 Insurance Provisions

In millions of RR	31 December 2021	31 December 2020
Insurance Provisions		
Provision for unearned premiums	7,281	3,907
Loss provisions	3,084	2,160
Total Insurance Provisions	**10,365**	**6,067**

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Notes to the Consolidated Financial Statements (Continued)

18 Insurance Provisions (Continued)

Movements in provision for unearned premiums for the year ended 31 December 2021 and 2020 are as follows:

	2021			2020		
In millions of RR	Gross provision	Reinsurer's share of provision	Provision net of reinsurance	Gross provision	Reinsurer's share of provision	Provision net of reinsurance
Provision for unearned premiums as at 1 January	**3,907**	**(11)**	**3,896**	**3,938**	**(11)**	**3,927**
Change in provision, gross	3,374	-	3,374	(31)	-	(31)
Provision for unearned premiums as at 31 December	**7,281**	**(11)**	**7,270**	**3,907**	**(11)**	**3,896**

Movements in loss provisions for the year ended 31 December 2021 and 31 December 2020 are as follows:

In millions of RR	Note	OCP and IBNR	URP	Provision for claims handling expenses	Total loss provisions
Loss provisions as at 31 December 2019		**1,930**	**197**	**215**	**2,342**
Losses incurred in the current reporting period		3,456	-	-	3,456
Changes in OCP, IBNR and claims handling provisions related to prior periods		(119)	-	147	28
Insurance claims paid	24	(3,500)	-	-	(3,500)
Claims handling expenses accrued		-	-	528	528
Claims handling expenses paid	24	-	-	(497)	(497)
Unexpired risk provision reversal		-	(197)	-	(197)
Loss provisions as at 31 December 2020		**1,767**	**-**	**393**	**2,160**
Losses incurred in the current reporting period		4,475	-	-	4,475
Changes in OCP, IBNR and claims handling provisions related to prior periods		(190)	-	(47)	(237)
Insurance claims paid	24	(3,594)	-	-	(3,594)
Claims handling expenses accrued		-	-	728	728
Claims handling expenses paid	24	-	-	(448)	(448)
Loss provisions as at 31 December 2021		**2,458**	**-**	**626**	**3,084**

19 Other Financial and Non-financial Liabilities

In millions of RR	31 December 2021	31 December 2020
Other financial liabilities		
Settlement of operations with plastic cards	48,879	23,079
Trade payables	11,866	4,671
Credit related commitments (Note 32)	3,334	3,537
Loyalty programs	2,802	1,479
Other	2,421	1,571
Total other financial liabilities	**69,302**	**34,337**
Other non-financial liabilities		
Accrued administrative expenses	3,573	2,171
Taxes payable other than income tax	3,167	1,731
Lease liabilities	1,052	1,340
Other	307	663
Total other non-financial liabilities	**8,099**	**5,905**

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

Movements in the credit loss allowance for credit related commitments were as follows for the year ended 31 December 2021:

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Gross committed amount
At 31 December 2020	3,513	24	3,537
Movements with impact on provision for credit related commitments charge for the year:			
New originated or purchased	1,331	-	1,331
Transfers:			
- to lifetime (from Stage 1 to Stage 2)	(96)	(5)	(101)
- to 12-months ECL (from Stage 2 to Stage 1)	12	(28)	(16)
Movements other than transfers and new originated or purchased loans	(1,442)	25	(1,417)
Total recovery to profit or loss for the year	**(195)**	**(8)**	**(203)**
At 31 December 2021	**3,318**	**16**	**3,334**

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Notes to the Consolidated Financial Statements (Continued)

19 Other Financial and Non-financial Liabilities (Continued)

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

In millions of RR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Gross committed amount
At 31 December 2019	**2,228**	**14**	**2,242**
Movements with impact on provision for credit related commitments charge for the year:			
New originated or purchased	920	-	920
Transfers:			
- to lifetime (from Stage 1 to Stage 2)	(95)	9	(86)
- to 12-months ECL (from Stage 2 to Stage 1)	7	(15)	(8)
Changes to ECL measurement model assumptions and estimates	(637)	(1)	(638)
Movements other than transfers and new originated or purchased loans	1,090	17	1,107
Total charge to profit or loss for the year	**1,285**	**10**	**1,295**
At 31 December 2020	**3,513**	**24**	**3,537**

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

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

There are no movements in Stage 3, as in case of becoming credit-impaired, undrawn limits will be blocked.

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities is disclosed in Note 30. Refer to Note 37 for disclosure of fair value of other financial liabilities. Refer to Note 32 for analysis of loan commitments by credit risk grades.

20 Share Capital, Share Premium and Treasury Shares

In millions of RR except for the number of shares	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 1 January 2020	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,164)**	**24,064**
GDRs buy-back	-	-	-	-	(661)	(661)
GDRs and shares transferred under MLTIP	-	-	-	-	587	587
At 31 December 2020	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,238)**	**23,990**
Increase of number of authorised shares	14,184,030					
GDRs buy-back	-	-	-	-	(1,877)	(1,877)
GDRs and shares transferred under MLTIP	-	-	-	-	2,548	2,548
At 31 December 2021	**224,218,678**	**199,305,492**	**230**	**26,998**	**(2,567)**	**24,661**

In November 2021 the Company's shareholders approved a resolution to increase authorised share capital to USD 8,968,747.12 by the creation of 14,184,030 new shares of nominal value USD 0.04 each. As at 31 December 2021 the total number of authorised shares is 224,218,678 shares (31 December 2020: 210,034,648 shares) with a par value of USD 0.04 per share.

At 31 December 2021 the total number of outstanding shares is 199,305,492 shares (2020: 199,305,492 shares) with a par value of USD 0.04 per share (2020: USD 0.04 per share).

At 31 December 2021 and 31 December 2020 treasury shares represent GDRs of the Group repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 39.

At 31 December 2021 the total number of treasury shares is 1,237,583 (2020: 3,013,379).

During the year ended 31 December 2021 the Group repurchased 425,017 GDRs at market price for RR 1,877 million (2020: 650,000 GDRs at market price for RR 661 million).

During the year ended 31 December 2021 the Group transferred 2,200,813 GDRs (2020: 1,809,681 GDRs), representing 1.10% (2020: 0.91%) of the issued shares, upon vesting under the MLTIP. This resulted in a transfer of RR 2,548 million (2020: RR 587 million) out of treasury shares to retained earnings.

Basic earnings per share are calculated by dividing the profit or loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year, excluding treasury shares. For the purpose of calculating diluted earnings per share the Group considered the dilutive effect of share options granted under MLTIP.

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Notes to the Consolidated Financial Statements (Continued)

20 Share Capital, Share Premium and Treasury Shares (Continued)

Earnings per share are calculated as follows:

In millions of RR except for the number of shares	2021	2020
Profit for the year attributable to ordinary shareholders of the Company	63,471	44,209
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation (thousands)	197,239	195,962
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation (thousands)	201,569	197,604
Basic earnings per ordinary share (expressed in RR per share)	**321.80**	**225.60**
Diluted earnings per ordinary share (expressed in RR per share)	**314.88**	**223.73**

Information on dividends is disclosed in Note 28.

Reconciliation of the number of shares used for basic and diluted EPS:

In thousands	Note	2021	2020
Weighted average number of ordinary shares in issue used for basic earnings per ordinary share calculation		**197,239**	**195,962**
Number of shares attributable for MLTIP	39	7,019	7,276
Number of shares that would have been issued at fair value		(2,689)	(5,634)
Weighted average number of ordinary shares in issue used for diluted earnings per ordinary share calculation		**201,569**	**197,604**

21 Net Margin

In millions of RR	2021	2020
Interest income calculated using the effective interest rate method		
Loans and advances to customers, including:		
Credit card loans	98,585	89,253
Cash loans	17,550	11,439
Car loans	7,987	3,342
Secured loans	7,737	4,950
POS loans	7,666	4,806
Loans to IE and SME	2,631	529
Debt securities and repurchase receivables at FVOCI	12,710	10,510
Brokerage operations	8,059	2,629
Placements with other banks and non-bank credit organizations with original maturities of less than three months	695	626
Total interest income calculated using the effective interest rate method	**163,620**	**128,084**
Other similar income		
Financial assets at FVTPL	192	83
Total interest income	**163,812**	**128,167**
Interest expense calculated using the effective interest rate method		
Customer accounts, including:		
Individuals		
- Current/demand accounts	16,392	9,590
- Term deposits	5,217	6,499
IE and SME	1,317	1,022
Other legal entities	51	24
Subordinated debt	2,692	1,948
RR denominated bonds	1,879	2,027
Due to banks	671	439
Other borrowed funds	211	-
Euro-Commercial Paper	-	32
Total interest expense calculated using the effective interest rate method	**28,430**	**21,581**
Other similar expense		
Lease liabilities	80	139
Total interest expense	**28,510**	**21,720**
Expenses on deposit insurance programme	2,744	1,745
Net margin	**132,558**	**104,702**

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Notes to the Consolidated Financial Statements (Continued)

22 Fee and Commission Income and Expense

In millions of RR	2021	2020
Fee and commission income		
Acquiring commission	25,099	11,049
Brokerage fee	11,369	4,998
SME services commission	10,546	7,437
Fee for money transfers	7,123	3,944
Foreign currency exchange transactions fee	6,717	3,943
Interchange fee	6,052	3,963
Fee for selling credit protection	5,639	4,657
SMS fee	5,157	3,945
Income from MVNO services	2,898	1,815
Subscription fee	1,982	-
Cash withdrawal fee	1,155	746
Marketing services fee	604	394
Replenishment fee	254	141
Other fees receivable	1,474	577
Total fee and commission income	**86,069**	**47,609**

Acquiring commission represents commission for processing card payments from online and offline points of sale. Brokerage fee includes trading fee and brokerage account service fee. SME services commission represents commission for services to individual entrepreneurs and small to medium businesses. Fee for selling credit protection represents fee which the Bank receives for selling voluntary credit insurance to borrowers of the Group. Income from MVNO services represents income from providing mobile services such as full coverage across Russia and international roaming, offering a number of value-added options such as virtual numbers, music and video streaming services, etc. Subscription fee is a payment from a client who has subscribed to receive a discount on card service, more cashback, more income from savings and account balance, special loyalty programs from partners.

The Group has refined the presentation of the Group's revenue structure by reclassifying the sum of provider's fee from other fees receivable to fee for money transfers. The comparative information was amended accordingly:

In millions of RR	As originally presented	Reclassification	As reclassified
Fee for money transfers	3,117	827	3,944
Other fees receivable	1,404	(827)	577

In millions of RR	2021	2020
Fee and commission expense		
Payment systems	28,028	14,684
Banking and other fees	3,863	2,361
Service fees	3,437	2,654
Costs of MVNO services	1,922	1,225
Payment channels	1,529	1,291
Total fee and commission expense	**38,779**	**22,215**

Payment systems fees represent fees for MasterCard, Visa and other payment systems' services. Service fees represent fees for statement printing, mailing service, SMS services and others. Payment channels represent fees paid to third parties through whom borrowers make loan repayments. Costs of MVNO services represent expenses for the traffic, telecommunications service and roaming.

Refer to Note 41 that describes the types of revenues recognized on a point in time basis and on the over time basis.

23 Customer Acquisition Expense

In millions of RR	2021	2020
Marketing and advertising	26,286	12,091
Staff costs	10,695	6,689
Cards issuing expenses	2,140	1,064
Partnership expenses	1,818	1,145
Credit bureaux	1,641	1,038
Telecommunication expenses	478	284
Other acquisition	384	277
Total customer acquisition expenses	**43,442**	**22,588**

Customer acquisition expenses represent expenses paid by the Group on services related to origination of customers which are not directly attributable to the recognised assets and are not incremental. The Group uses a variety of different channels for the acquisition of new customers.

Staff costs represent salary expenses and related costs of employees directly involved in customer acquisition. Included in staff costs are statutory social contributions to the state non-budgetary funds in the amount of RR 2,124 million for the year ended 31 December 2021 (2020: RR 1,265 million).

24 Insurance Premiums Earned and Claims Incurred

In millions of RR	2021	2020
Insurance premiums earned		
Insurance premiums on insurance, co-insurance and reinsurance operations	26,437	18,536
Change in provision for unearned premiums	(3,374)	31
Total Insurance premiums earned	**23,063**	**18,567**
Insurance claims incurred		
Insurance claims on insurance, co-insurance and reinsurance operations	(3,594)	(3,500)
Changes in loss provisions	(924)	182
Claims handling expenses	(448)	(497)
Reinsurers' share	2	1
Total Insurance claims incurred	**(4,964)**	**(3,814)**

The Insurance company provides the following types of insurance:

Personal accident insurance and collective insurance against accidents, illnesses or loss of work provides compensation and financial protection in the event of injuries, disability, death or loss of loss of work of the borrower. It is different from life insurance and medical and health insurance. In accordance with the terms of individual insurance contracts, the policyholder and beneficiary is an individual who has entered into an insurance contract. In accordance with the terms of the collective insurance contract, the insurer is the Bank that has concluded the collective insurance contract with the Insurance Company, the beneficiary is the insured individual.

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Notes to the Consolidated Financial Statements (Continued)

24 Insurance Premiums Earned and Claims Incurred (Continued)

Motor vehicle insurance and property insurance provides compensation for damage to a client's vehicle or other property.

Compulsory third party liability insurance (CTP) contracts provide the insured with financial protection from the risk of civil liability of vehicle owners, which may occur as a result of harm to life, health or property of others when using vehicles.

Voluntary third party (VTP) risk insurance contracts provide the insured with financial protection in case of insufficiency of insurance payment for compulsory third party liability insurance of motor vehicle owners (CTP) to compensate for harm caused to life, health and / or property.

Travel insurance provides compensation in case of medical or other unforeseen expenses of the client while being away from their place of permanent residence.

Staff and administrative expenses for insurance operations are included in Note 25.

25 Administrative and Other Operating Expenses

In millions of RR	Note	2021	2020
Staff costs		45,304	24,365
Amortization of intangible assets	11	3,601	1,961
IT and software support		2,319	1,449
Depreciation of fixed assets	11	2,180	1,617
Professional services		1,524	643
Short-term and low-value lease		1,126	788
Office maintenance and office supplies		610	454
Depreciation of right-of-use assets	11	609	702
Communication services		471	505
Collection expenses		454	303
Security expenses		224	198
Other administrative expenses		1,038	814
Other provisions (recovery)/ charge and impairment (reversal)/ loss		(11)	1,206
Total administrative and other operating expenses		**59,449**	**35,005**

The total fees charged by the Company's statutory auditor for the statutory audit of the annual consolidated and separate financial statements of the Company for the year ended 31 December 2021 amounted to RR 7.5 million (2020: RR 6.9 mln). The total fees charged by the Company's statutory auditor for the year ended 31 December 2020 for other assurance services amounted to RR 3.4 million (2020: RR 0.8 million), for tax advisory services amounted to RR 1.5 million (2020: RR 3.4 million) and for other non-assurance services amounted to RR 0.1 million (2020: RR 0.1 million).

Included in staff costs are statutory social contributions to the non-budget funds and share-based remuneration:

In millions of RR	2021	2020
Statutory social contribution to the non-budget funds	7,505	4,223
Total	**7,505**	**4,223**
Share-based remuneration		
- Management long-term incentive program	5,740	1,092
- Key employees retention plan	248	372
- Warrant compensation	25	-
Total	**6,013**	**1,464**

The average number of employees employed by the Group during the reporting year, including those who are working under civil contracts, was 43,787 (2020: 25,970).

26 Other Operating Income

In millions of RR	2021	2020
Subrogation fee	318	250
Reimbursement fee	49	190
Other	556	1,005
Total other operating income	**923**	**1,445**

27 Income Taxes

Income tax expense comprises the following:

In millions of RR	2021	2020
Current tax	11,437	10,612
Deferred tax	6,233	1,424
Total income tax expense	**17,670**	**12,036**

The income tax rate applicable to the majority of the Group's income is 20% (2020: 20%). The operations of the Group are subject to multiple tax jurisdictions. The income tax rate applicable to the Russian subsidiaries of the Company is 20%. The income tax rate applicable to the Company registered in Cyprus is 12.5% (2020: 12.5%).

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Notes to the Consolidated Financial Statements (Continued)

27 Income Taxes (Continued)

A reconciliation between the expected and the actual taxation charge is provided below.

In millions of RR	2021	2020
Profit before tax	**81,038**	**56,249**
Theoretical tax expense at statutory rate of 20% (2020: 20%)	16,208	11,250
Tax effect of items, which are not deductible or assessable for taxation purposes:		
- Non-deductible expenses	2,481	418
- Other expenses including dividend tax	(11)	709
- Unrecognised tax losses	62	109
- Non-taxable income	(461)	-
Effects of different tax rates:		
- Income on government and corporate securities taxed at different rates	(606)	(448)
- Results of companies of the Group taxed at different statutory rates	(3)	(2)
Income tax expenses for the year	**17,670**	**12,036**

Differences between IFRS and taxation regulations in Russia and other countries give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. As all of the Group's temporary differences arise in Russia, the tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2020: 20%).

In the context of the Group's current structure and Russian tax legislation, tax losses and current tax assets of different group companies may not be offset against current tax liabilities and taxable profits of other group companies and, accordingly, taxes may accrue even where there is a consolidated tax loss.

Therefore, deferred tax assets and liabilities are offset only when they relate to the same taxable entity and the same taxation authority.

The deferred tax assets effect of the movements in temporary differences for the year ended 31 December 2021 is detailed below:

In millions of RR	31 December 2020	(Charged)/credited to profit or loss	31 December 2021
Tax effect of deductible and taxable temporary differenc-es			
Loans and advances to customers	3,673	(3,673)	-
Tangible fixed assets	(506)	506	-
Right-of-use assets	(186)	186	-
Intangible assets	(200)	200	-
Revaluation of debt investments at FVOCI	(1,450)	1,450	-
Revaluation of debt investments at FVTPL	(34)	34	-
Accrued expenses and other temporary differences	521	(521)	-
Lease liabilities	231	(231)	-
Customer accounts	(53)	53	-
Debt securities in issue	(58)	58	-
Financial derivatives	(991)	991	-
Deferred tax assets	**947**	**(947)**	**-**

The deferred tax liabilities effect of the movements in temporary differences for the year ended 31 December 2021 is detailed below:

In millions of RR	31 December 2020	(Charged)/ credited to profit or loss	Credited to OCI	31 December 2021
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	(123)	(62)	-	(185)
Tangible fixed assets	-	(764)	-	(764)
Right-of-use assets	-	(153)	-	(153)
Intangible assets	(45)	(344)	-	(389)
Revaluation of debt investments at FVOCI	(23)	(1,878)	3,759	1,858
Revaluation of debt investments at FVTPL	-	(1,093)	-	(1,093)
Accrued expenses and other temporary differences	(144)	106	-	(38)
Lease liabilities	-	206	-	206
Customer accounts	-	(73)	-	(73)
Debt securities in issue	-	3	-	3
Financial derivatives	-	(1,183)	-	(1,183)
Insurance provisions	2	(51)	-	(49)
Deferred tax liabilities	**(333)**	**(5,286)**	**3,759**	**(1,860)**

The deferred tax assets effect of the movements in temporary differences for the year ended 31 December 2020 is detailed below:

In millions of RR	31 December 2019	(Charged)/ credited to profit or loss	Credited to OCI	31 December 2020
Tax effect of deductible and taxable temporary differences				
Loans and advances to customers	3,576	97	-	3,673
Tangible fixed assets	(588)	82	-	(506)
Right-of-use assets	(322)	136	-	(186)
Intangible assets	(195)	(5)	-	(200)
Revaluation of debt investments at FVOCI	(1,019)	(1,094)	663	(1,450)
Revaluation of debt investments at FVTPL	-	(34)	-	(34)
Accrued expenses and other temporary differences	(208)	729	-	521
Lease liabilities	339	(108)	-	231
Customer accounts	(44)	(9)	-	(53)
Debt securities in issue	(62)	4	-	(58)
Financial derivatives	40	(1,031)	-	(991)
Deferred tax assets	**1,517**	**(1,233)**	**663**	**947**

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Notes to the Consolidated Financial Statements (Continued)

27 Income Taxes (Continued)

The deferred tax liabilities effect of the movements in temporary differences for the year ended 31 December 2020 is detailed below:

In millions of RR	31 December 2019	(Charged)/credited to profit or loss	31 December 2020
Tax effect of deductible and taxable temporary differences			
Loans and advances to customers	(61)	(62)	(123)
Tangible fixed assets	(16)	16	-
Intangible assets	(76)	31	(45)
Revaluation of debt investments at FVOCI	-	(23)	(23)
Accrued expenses and other temporary differences	21	(165)	(144)
Insurance provisions	(10)	12	2
Deferred tax liabilities	**(142)**	**(191)**	**(333)**

28 Dividends

The movements in dividends during the year ended 31 December 2021 and 2020 are as follows:

In millions of RR	2021	2020
Dividends payable at 1 January	**656**	**582**
Dividends declared	3,559	11,563
Dividends paid	(3,628)	(11,853)
Foreign exchange differences and other movements	(283)	364
Dividends payable at 31 December	**304**	**656**
Dividends per share declared (in USD)	**0.24**	**0.80**

On 11 March 2021 the Group announced suspension of dividend payments for the remainder of 2021 to keep the funds inside the Group to provide for organic and/or inorganic growth opportunities.

Dividends declared in the tables above represent dividends declared by the Board of directors are reduced by RR 74 million for the year ended 31 December 2020 due to dividends on GDRs acquired by the Company from the market not for the immediate purposes of the existing MLTIP.

On 10 March 2021 the Board of directors declared an interim dividend of USD 0.24 (RR 17.82) per share/per GDR with a total amount allocated for dividend payment of around USD 47.8 million (RR 3,552 million).

On 11 November 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.25 (RR 19.10) per share/per GDR with a total amount allocated for dividend payment of around USD 49.8 million (RR 3,807 million). Declared dividends were paid in USD on 30 November 2020.

On 5 August 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.20 (RR 14.68) per share/per GDR with a total amount allocated for dividend payment of around USD 39.9 million (RR 2,925 million). Declared dividends were paid in USD on 24 August 2020.

On 11 May 2020 the Board of directors declared an interim dividend in line with the current dividend policy of USD 0.14 (RR 10.34) per share/per GDR with a total amount allocated for dividend payment of around USD 28 million (RR 2,061 million). Declared dividends were paid in USD on 1 and 2 June 2020.

On 10 March 2020 the Board of directors declared an interim dividend of USD 0.21 (RR 14.18) per share/per GDR with a total amount allocated for dividend payment of around USD 41.9 million (RR 2,826 million). Declared dividends were paid in USD on 30 March and 1 April 2020.

Dividends were declared and paid in USD throughout the years ended 31 December 2021 and 2020. Dividends payable at 31 December 2021 related to treasury shares acquired under MLTIP amounting to RR 304 million are included in other non-financial liabilities (2020: RR 656 million).

29 Reconciliation of Liabilities Arising from Financing Activities

The table below sets out an analysis of the Group's debt and the movements in the Group's debt for each of the periods presented. The debt items are those that are reported as financing in the consolidated statement of cash flows.

In millions of RR	Debt securities in issue	Perpetual subordinated debts	Lease liabilities	Total
At 31 December 2019	**26,078**	**18,487**	**1,694**	**46,259**
Cash flows from repayments	(2,894)	(1,937)	(758)	(5,589)
Cash flows from proceeds	331	710	-	1,041
Foreign exchange adjustments	459	3,609	-	4,068
Other non-cash movements	(64)	(114)	404	226
At 31 December 2020	**23,910**	**20,755**	**1,340**	**46,005**
Cash flows from repayments	(2,247)	(7,745)	(820)	(10,812)
Cash flows from proceeds	-	45,362	-	45,362
Foreign exchange adjustments	-	999	-	999
Other non-cash movements	17	286	532	835
At 31 December 2021	**21,680**	**59,657**	**1,052**	**82,389**

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management

The risk management function within the Group is carried out with respect to financial risks, operational risks and legal risks by the management of the Bank and Insurance Company. Financial risk comprises market risk (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The primary function of financial risk management is to establish risk limits and to ensure that any exposure to risk stays within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures in order to minimize operational and legal risks.

Credit risk. The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation. Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties giving rise to financial assets. The Group grants retail loans and SME loans to customers across all regions of Russia, therefore its credit risk is broadly diversified.

The management of the Group takes special measures to mitigate growing credit risk such as decreasing of credit limits for unreliable clients, diversifying of modes of work with overdue borrowers, toughening of scoring for the new borrowers etc., giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines, the maximum exposure to credit risk is the amount of the commitment (Note 32).

- Citizenship of the Russian Federation;
- Age from 18 to 70 y.o., but not older than 70 y.o. at the time of loan repayment;
- Availability of a cell-phone;
- Permanent employment;
- Permanent income.

Credit cards are issued with a limit of up to RR 700 thousand, with monthly debt repayment.
For cash loans, minimum requirements are listed below:

- The requested loan term is from 3 to 36 months;
- Cash loan volumes range between RR 50 thousand and RR 2,000 thousand.

For POS loans minimum requirements are listed below:

- The requested loan amount should exceed RR 3 thousand;
- The requested loan term is from 3 to 36 months;
- The amount of one POS loan does not exceed RR 500 thousand.

For secured loans minimum requirements are listed below:

- The requested loan secured with a car amount should be between RR 100 thousand and RR 3,000 thousand, loan term is from 3 months to 5 years. The requirement for the car is in good condition of driving with an age not more than 15 years, availability of a vehicle registration certificate and vehicle passport;
- The requested loan secured with a real estate amount should be between RR 200 thousand and RR 15,000 thousand, loan term is from 3 months to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances.

For car loans minimum requirements are listed below:

- The requested loan term is from 1 to 5 years;
- Car loan volumes up to RR 3,000 thousand;
- The requirement for the car is with an age not more than 18 years and availability of vehicle passport.

For loans to SME minimum requirements are listed below:

- Working capital loan: loan volumes up to RR 10,000 thousand and loan term to 6 months;
- Credit for individual entrepreneurs for any purpose: loan volumes up to RR 2,000 thousand and loan term to 36 months;
- Credit for individual entrepreneurs secured by real estate: loan volumes up to RR 15 million and loan term to 15 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- Investment credit line secured by real estate: loan volumes up to RR 15 million and loan term to 5 years. The requirement for the real estate is an apartment in the apartment building within the Russian Federation, which is free from any encumbrances;
- For SME with a turnover from RR 120 million per year: loan volumes up to RR 60 million and loan term to 5 years.

A credit decision process includes:

- Validation of the application data. The system checks the validity of the data provided (addresses, telephone numbers, age, if the applicant already uses any other products of the Bank);
- Phone verification of the application information about the potential customer, his/her employment, social and property status, etc. This step may be omitted for POS loans;
- Requesting of the previous credit history of the applicant from the three largest credit bureaus in Russia – Equifax, UCB (United Credit Bureau) and NBCH (National Bureau of Credit Histories);
- Based on all available information, the credit score of the applicant is calculated and a final decision is made about the approval of the credit product;
- The approved loan amount, loan term and tariff plan are calculated depending on the score and declared income.

Management of the Group manages the credit risk on unused limits on credit cards in the following way:

a) if the credit card loan is overdue for more than 7 days, its account will be blocked till repayment;

b) if the borrower had lost his/her source of income, then borrower account might be blocked till verification of his/her new employment;

c) if borrower's loan debt burden in other banks is substantially bigger than at the time of loan origination or the credit quality of the borrower decreases significantly then the borrower's limit for credit might be reduced accordingly.

When a customer experiences serious difficulties with his/her current debt servicing, he/she may be offered loan restructuring. In this case the Bank stops accrual of interest, commissions and fines and the debt amount is restructured according to a fixed instalment payment plan with not more than 36 equal monthly payments. Another way of working with overdue loans is initiation of the state court process. This collection option statistically gives greater recovery than the sale of credit-impaired loans. Defaulted clients that could be subject to the court process are chosen by the Bank's Collection Department considering the following criteria:

a) the client's account balance was fixed, accrual of interest stopped;

b) information about the client is considered to be up to date;

c) the client denied restructuring program;

d) term of limitation of court actions has not expired;

e) court process is economically justified.

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

When loans become unrecoverable or not economically viable to pursue further collection efforts, the Collection Department may decide to sell these loans to a debt collection agency. The Collection Department considers the following criteria for credit-impaired loans qualifying for sale to external debt collection agencies:

a) loans remain unpaid after all collection procedures were performed (no payment during last 4-6 months);

b) the debtor cannot be either reached or found for the previous 4 months;

c) the debtor has no assets and there is no expectation he/she will have any in the future;

d) the debtor has died and there is no known estate or guarantor;

e) it is determined that it is not cost effective to continue collection efforts.

Credit risk grading system. For measuring credit risk and grading financial instruments except for loans and advances to customers by the level of credit risk, the Group applies risk grades estimated by external international rating agencies in case these financial instruments have risk grades estimated by external international rating agencies (using Fitch ratings and in case of their absence - Moody's or Standard & Poor's ratings adjusting them to Fitch's categories using a reconciliation table):

Master scale credit risk grade	Corresponding ratings of external international rating agency (Fitch)
Excellent	AAA, AA+ to AA-, A+ to A-
Good	BBB+ to BBB-, BB+
Monitor	BB to B+
Sub-standard	B, B-
Doubtful	CCC+ to CC-
Default	C, D

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – high credit quality with lowest or very low expected credit risk;
- *Good* – good credit quality with currently low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – moderate credit quality with a satisfactory credit risk;
- *Doubtful* – facilities that require closer monitoring and remedial management; and
- *Default* – facilities in which a default has occurred.

For measuring credit risk and grading loans and advances to customers, credit related commitments and those financial instruments which do not have risk grades estimated by external international rating agencies, the Group applies risk grades and the corresponding range of probabilities of default (PD):

Master scale credit risk grade	Corresponding interval
Excellent	For credit cards: non-overdue with PD < 5%; for other types of loans: non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue for all types of loans or without first due date for credit card loans
Sub-standard	31-90 days overdue or restructured loans 0-90 days overdue
NPL	90+ days overdue

The condition of early repayments is satisfied, as described in the table above, if cumulative amount of early repayments exceed 5% of the gross carrying amount at the date of recognition of the loan

Each master scale credit risk grade is assigned a specific degree of creditworthiness:

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk and credit cards loans before the first due date;
- *Sub-standard* – low credit quality with a substantial credit risk, includes restructured loans that are less than 90 days overdue;
- *NPL* – non-performing loans, credit-impaired loans more than 90 days overdue.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary. Despite the method used, the Group regularly validates the accuracy of ratings estimates and appraises the predictive power of the models.

Expected credit loss (ECL) measurement – definitions and description of estimation techniques. *ECL* is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). ECL measurement is based on the following components used by the Group:

Default occurs when a financial asset is 90 days past due or less than 90 days overdue but with the final statement issued, i.e. the limit is closed, the balance is fixed, interest and commissions are no longer accrued.

Probability of Default (PD) – an estimate of the likelihood of default to occur over a given time period.

Exposure at Default (EAD) – an estimate of exposure at a future default date, taking into account expected changes in exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities.

Loss Given Default (LGD) – an estimate of the loss arising on default as a percentage of the EAD. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive.

Discount Rate – a rate to discount an expected loss to its present value at the reporting date. The discount rate represents the effective interest rate (EIR) for the financial instrument or an approximation thereof.

Lifetime period – the maximum period over which ECL should be measured. For POS loans lifetime period is equal to 24 months, cash loans to 36 months, secured loans to 72 months, car loans to 48 months. For revolving facilities, it is based on statistics of the average period between the moment of the loan falling into the Stage 2 until the write-off or attrition. Currently the Group estimates that this period equals to 4 years, though it is subject to periodical reassessment.

Lifetime ECL – losses that result from all possible default events over the remaining lifetime period of the financial instrument.

12-month ECL – the portion of lifetime ECLs that represent the ECLs resulting from default events on a financial instrument that are possible within 12 months after the reporting date that are limited by the remaining contractual life of the financial instrument.

Forward looking information – the information that includes the key macroeconomic variables impacting credit risk and expected credit losses for each portfolio segment. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

Credit Conversion Factor (CCF) – a coefficient that shows that the probability of conversion of an off-balance sheet amount to exposure on the consolidated statement of financial position within a defined period. It can be calculated for a 12-month or lifetime period. Based on the analysis performed, the Group considers that 12-month and lifetime CCFs are the same.

Purchased or originated credit-impaired (POCI) financial assets - financial assets that are credit-impaired upon initial recognition.

Default and credit-impaired assets – assets for which a default event has occurred.

The default definition stated above should be applied to all types of financial assets of the Group.

An instrument is considered to no longer be in default (i.e. to have "cured") when it no longer meets any of the default criteria.

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

Significant increase in credit risk (SICR) - the SICR assessment is performed on an individual basis for all financial assets by monitoring the triggers stated below. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Group's Risk Management Department.

The Group considers a financial instrument to have experienced a SICR when one or more of the following quantitative, qualitative or backstop criteria have been met.

For interbank operations, bonds issued by banks and bonds issued by corporates and sovereigns:

- 30 days past due;
- award of risk grade "Doubtful";
- decrease of assigned external rating by 2 notches, which corresponds to an approximate increase of PD by 2.5 times.

For credit card loans:

- 30 days past due; or
- threshold defined on an individual basis using existing scoring models: increase of the 12-month PD compared to 12-month PD estimated 18 months ago or as of the date of initial recognition (if it occurred less than 18 months ago) by 3 times and PD reaching 50% and above. 18-month period was determined as the weighted average period of the most recent date where the credit limit was revised by at least 25%, which is considered to be a substantial revision.

For all other loans:

- 30 days past due; or
- if number of overdue payments for the last 6 due dates exceeds 2, or if PD exceeds 50%.

If the SICR criteria are no longer met, the instrument will be transferred back to Stage 1.

General principle of techniques applied

For non-POCI financial assets, ECLs are generally measured based on the risk of default over one of two different time periods, depending on whether or not the credit risk of the borrower has increased significantly since initial recognition.

This approach can be summarized in a three-stage model for ECL measurement:

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, the loss allowance is based on 12-month ECLs;
- Stage 2 – if since the date, which was assumed to be the date of initial recognition is identified a SICR, the financial instrument is moved to Stage 2 but is not yet deemed to be credit-impaired, the loss allowance is based on lifetime ECLs;
- Stage 3 – if the financial instrument is credit-impaired or restructured, the financial instrument is then moved to Stage 3 and the loss allowance is based on lifetime ECLs.

ECL for POCI financial assets is always measured on a lifetime basis (Stage 3), so at the reporting date, the Group only recognises the cumulative changes in lifetime expected credit losses.

The Group carries out two separate approaches for ECL measurement:

- for loans and advances to customers: assessment on a portfolio basis: internal ratings are estimated on an individual basis but the same credit risk parameters (e.g. PD, LGD) are applied during the process of ECL calculations for the same credit risk ratings and homogeneous segments of the loan portfolio;
- for all other financial assets except FVTPL: assessment based on external ratings.

The Group performs an assessment on a portfolio basis for the retail loans. This approach incorporates aggregating the portfolio into homogeneous segments based on borrower-specific information, such as delinquency, the historical data on losses and other.

Principles of assessment on portfolio basis – to assess the staging of exposure and to measure a loss allowance on a collective basis, the Group combines its exposures into segments on the basis of shared credit risk characteristics, such as that exposures to risk within a group are homogeneous.

Examples of shared characteristics include type of customer, product type, credit risk rating, date of initial recognition, overdue level and repayment statistics.

The different segments reflect differences in PD. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Risk Management Department.

In general, ECL is the multiplication of the following credit risk parameters: EAD, PD and LGD (definitions of the parameters are provided above). The general approach used for ECL calculation is stated below.

$$ECL = PD_{t_i} \cdot EAD_{t_i} \sum_{i=0}^{N-1} \frac{LGD_{t_i}}{(1+EIR)^{t_i}})$$

where:

PD_{t_i} – probability of default in moment t_i (can't be higher than 100%);

EAD_{t_i} – exposure at default in moment t_i;

LGD_{t_i} – loss given default in moment t_i;

t_i – number of months in the loan's lifetime;

EIR – effective interest rate;

N – remaining amount of payments.

The ECL is determined by predicting credit risk parameters (EAD, PD and LGD) for each future month during the lifetime period for each exposure or segment. These three components are multiplied together. This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed up. The discount rate used in the ECL calculation is the effective interest rate or an approximation thereof.

The EADs are determined based on the expected payment profile, on an individual basis. For revolving products, the EAD is predicted by taking the current withdrawn balance and adding a "credit conversion factor" that accounts for the expected drawdown of the remaining limit of utilised loans by the time of default. These assumptions vary by product type, current limit utilisation and other borrower-specific behavioural characteristics. For other products EAD is equal to current exposure as there is no credit limit to utilize.

Two types of PDs are used for calculating ECLs: 12-month and lifetime PD:

- 12-month PDs – the estimated probability of a default occurring within the next 12 months. This parameter is used to calculate 12-month ECLs. An assessment of a 12-month PD is based on the latest available historic default data using borrower-specific behavioural characteristics and adjusted for forward-looking information when appropriate. Based on borrower-specific PDs the exposures

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

- are allocated to segments to which average PD for the segment is applied.

- Lifetime PDs – the estimated probability of a default occurring over the remaining life of the financial instrument. This parameter is used to calculate lifetime ECLs for Stage 2 and Stage 3 exposures. An assessment of a lifetime PD is based on the latest available historic default data using product specific lifetime periods defined above. To calculate Lifetime PD, the Group developed lifetime PD curves based on the 12-month PD data.

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. For credit card loans, cash loans and POS loans LGDs are calculated on portfolio basis based on recovery statistics of defaulted loans over the period of 24 or 36 months. For secured loans, car loans and loans to SME LGDs are calculated using current market data in relation to the expected recoveries.

ECL measurement for loan commitments. The ECL measurement for these instruments includes the same steps as described above for on-balance sheet exposures and differs with respect to EAD calculation. The EAD is a product of credit conversion factor ("CCF") and amount of the commitment. CCF for undrawn credit limits of credit cards and overdrafts is defined based on statistical analysis of exposures at default.

Principles of assessment based on external ratings – the principles of ECL calculations based on external ratings are the same as for their assessment on a portfolio basis. Credit risk parameters (PD and LGD) are taken from the default and recovery statistics published by international rating agencies (Fitch and in case of their absence - Moody's or Standard & Poor's).

Forward-looking information incorporated in the ECL models. The calculation of ECLs incorporates forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECLs for each portfolio. The list of variables:

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

The impact of these economic variables on the ECL has been determined by performing statistical regression analysis in order to understand the way how changes in these variables historically impacted default rates. Three different scenarios are used: base, optimistic and pessimistic. The scenarios are weighted accordingly with base scenario having the 92.7% (2020: 71.1%) weight, optimistic scenario having the 0.1% (2020: 0.1%) weight and pessimistic scenario having the 7.2% (2020: 28.8%) weight. Scenarios are reviewed monthly.

An increase in pessimistic scenario by 10% to the detriment of the base one would result in increase in credit loss allowances of RR 338 million. An increase in optimistic scenario by 10% to the detriment of the base one would result in decrease in credit loss allowances of RR 57 million.

Backtesting – the Group regularly reviews its methodology and assumptions to reduce any difference between the estimates and the actual loss of credit. Such backtesting is performed on a quarterly basis.

The results of backtesting the ECL measurement methodology are communicated to Group Management and further steps for refining models and assumptions are defined after discussions between authorised persons.

Market risk. The Group takes on exposure to market risks. Market risks of the Group arise from open positions in (a) currency and (b) interest rate, both of which are exposed to general and specific market movements. The priority goal of market risk management is to maintain the risks assumed by the Group at a level determined by the Group in accordance with its own strategic objectives. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

Currency risk. In respect of currency risk, the management sets limits on the level of exposure by currency and in total for both overnight and intra-day positions, which are monitored daily.

The table below summarizes the Group's exposure to foreign currency exchange rate risk at the end of the year:

	At 31 December 2021				At 31 December 2020			
In millions of RR	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position	Non-derivative monetary financial assets	Non-derivative monetary financial liabilities	Derivatives	Net position
RR	1,002,784	(835,131)	(23,351)	144,302	674,171	(545,395)	(24,276)	104,500
USD	206,008	(228,623)	29,227	6,612	116,693	(140,851)	29,207	5,049
Euro	55,093	(53,866)	(3)	1,224	35,019	(31,909)	(5)	3,105
GBP	2,368	(2,360)	-	8	1,405	(1,414)	-	(9)
Others	4,077	(4,219)	-	(142)	1,942	(2,455)	-	(513)
Total	**1,270,330**	**(1,124,199)**	**5,873**	**152,004**	**829,230**	**(722,024)**	**4,926**	**112,132**

Derivatives presented above are monetary financial assets or monetary financial liabilities but are presented separately in order to show the Group's gross exposure. Amounts disclosed in respect of derivatives represent the fair value, at the end of the reporting period, of the respective currency that the Group agreed to buy (positive amount) or sell (negative amount) before netting of positions and payments with the counterparty. The amounts by currency are presented gross as stated in Note 36.

The net total represents the fair value of the currency derivatives. The above analysis includes only monetary assets and liabilities.

The following table presents sensitivities of profit or loss and equity to reasonably possible changes in exchange rates applied at the end of the reporting period, with all other variables held constant:

	At 31 December 2021		At 31 December 2020	
In millions of RR	Impact on profit for the year	Impact on total equity	Impact on profit for the year	Impact on total equity
USD strengthening by 20% (2020: by 20%)	1,322	1,322	794	794
USD weakening by 20% (2020: by 20%)	(1,322)	(1,322)	(794)	(794)
Euro strengthening by 20% (2020: by 20%)	245	245	488	488
Euro weakening by 20% (2020: by 20%)	(245)	(245)	(488)	(488)
GBP strengthening by 20% (2020: by 20%)	2	2	1	1
GBP weakening by 20% (2020: by 20%)	(2)	(2)	(1)	(1)

The exposure was calculated only for monetary balances denominated in currencies other than the functional currency of the respective entity of the Group.

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

Interest rate risk. The Group takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken.

The Group is exposed to prepayment risk through providing fixed rate loans, which give the borrower the right to repay the loans early. The Group's current year profit and equity at the end of the current reporting period would not have been significantly impacted by changes in prepayment rates because such loans are carried at amortised cost and the prepayment right is at or close to the amortised cost of the loans and advances to customers (2020: no material impact).

The table below summarizes the Group's exposure to interest rate risks. The table presents the aggregated amounts of the Group's financial assets and liabilities at carrying amounts, categorized by the earlier of contractual interest repricing or maturity dates:

In millions of RR	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 3 years	More than 3 years	Total
31 December 2021						
Total financial assets	504,182	215,387	128,403	245,696	182,625	1,276,293
Total financial liabilities	(610,067)	(238,762)	(119,402)	(102,641)	(53,417)	(1,124,289)
Net interest sensitivity gap at 31 December 2021	**(105,885)**	**(23,375)**	**9,001**	**143,055**	**129,208**	**152,004**
31 December 2020						
Total financial assets	249,316	149,031	77,988	138,248	219,682	834,265
Total financial liabilities	(379,481)	(165,961)	(75,564)	(90,975)	(10,152)	(722,133)
Net interest sensitivity gap at 31 December 2020	**(130,165)**	**(16,930)**	**2,424**	**47,273**	**209,530**	**112,132**

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

The aim of interest rate risk management is to maintain the risks assumed by the Group within the limits determined by the Group in accordance with its own strategic objectives. The interest rate risk is managed by setting caps and floors in relation to interest rates on financial assets and liabilities depending on their types and maturities and balancing the assets and liabilities which are sensitive to changes in interest rates.

The assessment of the magnitude of interest rate risk is carried out by performing a sensitivity analysis which imply assessment of impact on net interest income of a shift in interest rates by 200 basis points. At 31 December 2021, if interest rates at that date had been 200 basis points lower/higher (2020: 200 basis points), with all other variables held constant, profit for the year would have been RR 3,040 million (2020: RR 2,243 million) lower/higher, equity would have been RR 3,040 million (2020: RR 2,243 million) lower/higher.

The Group monitors interest rates for its financial instruments. The table below summarizes interest rates for the years 2021 and 2020 based on reports reviewed by key management personnel.For securities, the interest rates represent yields to maturity based on market quotations at the reporting date:

	At 31 December 2021					At 31 December 2020				
In % p.a.	RR	USD	EURO	GPB	Other	RR	USD	EURO	GPB	Other
Assets										
Cash and cash equivalents	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Loans and advances to customers	28.9	-	1.7	-	-	33.5	-	1.7	-	-
Due from banks	0.0	-	-	-	-	3.2	-	-	-	-
Investments in securities	6.9	2.3	1.3	-	-	6.9	2.6	1.3	-	-
Repurchase receivables	5.9	0.0	0.0	0.0	-	6.9	3.3	-	-	-
Brokerage receivables	15.2	15.0	15.2	-	-	15.5	15.4	13.5	-	-
Liabilities										
Due to banks	4.8	0.0	-	-	-	4.4	0.0	-	-	-
Customer accounts	2.7	0.3	0.1	0.0	0.0	3.3	0.5	0.1	0.1	0.0
Other borrowed funds	8.6	-	-	-	-	-	-	-	-	-
Debt securities in issue	4.9	-	-	-	-	8.6	-	-	-	-
Brokerage payables	15.2	15.4	-	-	-	15.6	15.6	-	-	-
Subordinated debt	-	8.2	-	-	-	-	10.0	-	-	-

The sign "-" in the table above means that the Group does not have the respective assets or liabilities in the corresponding currency

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

Geographical risk concentrations. The geographical concentration of the Group's financial assets and liabilities at 31 December 2021 is set out below:

In millions of RR	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	295,864	20,612	-	-	316,476
Mandatory cash balances with the CBRF	8,589	-	-	-	8,589
Due from other banks	542	-	-	-	542
Loans and advances to customers	602,337	-	3,971	-	606,308
Financial derivatives	5,963	-	-	-	5,963
Investments in securities	209,477	-	5,834	-	215,311
Repurchase receivables	5,826	-	-	-	5,826
Brokerage receivables	49,138	-	-	-	49,138
Guarantee deposits with payment systems	1,399	13,772	-	-	15,171
Other financial assets	52,944	-	25	-	52,969
Total financial assets	**1,232,079**	**34,384**	**9,830**	**-**	**1,276,293**
Financial liabilities					
Due to banks	11,313	-	-	-	11,313
Customer accounts	945,723	-	-	-	945,723
Debt securities in issue	-	-	-	21,680	21,680
Other borrowed funds	3,806	-	-	-	3,806
Financial derivatives	90	-	-	-	90
Brokerage payables	9,634	-	-	-	9,634
Subordinated debt	-	-	-	59,657	59,657
Insurance provisions	3,084	-	-	-	3,084
Other financial liabilities	69,170	67	65	-	69,302
Total financial liabilities	**1,042,820**	**67**	**65**	**81,337**	**1,124,289**
Credit related commitments (Note 32)	**307,806**	**-**	**-**		**307,806**

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

In millions of RR	Russia	OECD	Other Non-OECD	Listed	Total
Financial assets					
Cash and cash equivalents	128,536	7,815	-	-	136,351
Mandatory cash balances with the CBRF	5,379	-	-	-	5,379
Due from other banks	1,887	-	-	-	1,887
Loans and advances to customers	374,629	-	1,892	-	376,521
Financial derivatives	5,035	-	-	-	5,035
Investments in securities	231,872	-	6,582	-	238,454
Repurchase receivables	29	-	-	-	29
Brokerage receivables	24,064	-	-	-	24,064
Guarantee deposits with payment systems	672	14,803	-	-	15,475
Other financial assets	30,912	-	158	-	31,070
Total financial assets	**803,015**	**22,618**	**8,632**	**-**	**834,265**
Financial liabilities					
Due to banks	4,819				4,819
Customer accounts	626,837	-	-	-	626,837
Debt securities in issue	-	-	-	23,910	23,910
Financial derivatives	109	-	-	-	109
Brokerage payables	9,206	-	-	-	9,206
Subordinated debt	-	-	-	20,755	20,755
Insurance provisions	2,160	-	-	-	2,160
Other financial liabilities	34,291	-	46	-	34,337
Total financial liabilities	**677,422**	**-**	**46**	**44,665**	**722,133**
Credit related commitments (Note)	**204,868**	**-**	**-**		**204,868**

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

Other risk concentrations. Management monitors and discloses concentrations of credit risk by obtaining reports listing exposures to borrowers with aggregated loan balances in excess of 10% of net assets. The Group did not have any such significant risk concentrations at 31 December 2021 and 2020.

Liquidity risk. Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group is exposed to daily calls on its available cash resources from unused limits on issued credit cards, retail deposits from customers, current accounts and due to banks. The Group does not maintain cash resources to meet all of these needs as experience shows that only a certain level of calls will take place and it can be predicted with a high level of certainty. Liquidity risk is managed by the Financial Committee of the Bank. The Group seeks to maintain a stable funding base primarily consisting of amounts due to institutional investors, corporate and retail customer deposits and debt securities. The Group keeps all available cash in diversified portfolios of liquid instruments such as a correspondent account with CBRF and overnight placements in high-rated commercial banks, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements. The available cash at all times exceeds all accrued financing costs falling due within half a year plus two months of regular operating costs.

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

The liquidity management of the Group requires consideration of the level of liquid assets necessary to settle obligations as they fall due; maintaining access to a range of funding sources; maintaining funding contingency plans; and monitoring balance sheet liquidity ratios against regulatory requirements.

The liquidity analysis takes into account the covenant requirements and ability of the Group to waive any potential breaches within the grace period. The Bank calculates liquidity ratios on a daily basis in accordance with the requirements of the CBRF. The Bank has complied with these ratios throughout 2021 and 2020. The CFO receives information about the liquidity profile of the financial assets and liabilities. This includes daily, weekly, monthly and quarterly updates on the level of credit card transactions and repayments, statistics on credit card issuance and credit card limit utilisation, inflow and outflow of retail deposits, changes in the investment securities portfolio, level of expected outflows such as operating costs and financing activities. The CFO then ensures the availability of an adequate portfolio of short-term liquid assets, made up of an amount on the correspondent account with the CBRF and overnight deposits with banks, to ensure that sufficient liquidity is maintained within the Group as a whole. Regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions and credit card portfolio behaviour is reviewed by the CFO.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts of liabilities disclosed in the maturity table are the contractual undiscounted cash flows and gross loan commitments. Such undiscounted cash flows differ from the amount included in the consolidated statement of financial position because the consolidated statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities at 31 December 2021 is as follows:

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities						
Due to banks	5,600	-	-	3,993	1,720	11,313
Customer accounts	545,363	117,367	100,511	114,368	73,213	950,822
Debt securities in issue	153	292	1,495	940	31,608	34,488
Other borrowed funds	-	-	-	-	3,806	3,806
Financial derivatives	51	198	249	334	6,602	7,434
Brokerage payables	9,634	-	-	-	-	9,634
Subordinated debt	365	698	1,075	18,908	39,707	60,753
Insurance provisions	350	724	724	587	699	3,084
Other financial liabilities	66,683	-	-	-	-	66,683
Lease liabilities	64	92	146	275	109	686
Credit related commitments (Note 32)	307,806	-	-	-	-	307,806
Total potential future payments for financial obligations	**936,069**	**119,371**	**104,200**	**139,405**	**157,464**	**1,456,509**

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

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	More than 1 year	Total
Liabilities						
Due to banks	-	-	-	-	4,819	4,819
Customer accounts	335,710	84,412	80,149	80,306	49,184	629,761
Debt securities in issue	173	316	515	1,930	23,245	26,179
Financial derivatives	51	198	251	501	25,842	26,843
Brokerage payables	9,206	-	-	-	-	9,206
Subordinated debt	168	322	496	998	22,126	24,110
Insurance provisions	345	207	953	358	297	2,160
Other financial liabilities	34,337	-	-	-	-	34,337
Lease liabilities	64	102	166	330	686	1,348
Credit related commitments (Note 32)	204,868	-	-	-	-	204,868
Total potential future payments for financial obligations	**584,922**	**85,557**	**82,530**	**84,423**	**126,199**	**963,631**

Financial derivatives receivable and payable are disclosed in the Note 36. The tables above present only the gross payables.

Insurance provisions are disclosed in the table above based on their expected maturities.

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

The Group takes on exposure to liquidity risk, which is the risk of cash surplus in case of assets-liabilities cash-flow profile mismatch. Exposure to liquidity risk arises as a result of the Group's borrowing and operational activities that assume cash payment obligations. The Group uses daily, short-term and long-term reporting, stress-testing and forecasting practices to monitor and prevent potential liquidity problems. The Group is actively increasing the number of counterparties for interbank lending, looks for new wholesale markets, improves and creates additional debit and credit products to have more instruments over cash-flow management. The recent economic situation has resulted in increased liquidity risk.

In response the management of the Group preserves cash safety cushions for possible cash outflows and has planned Group's liquidity position for the next year to ensure it can cover all upcoming payment obligations.

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2021 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	309,364	7,112	-	-	-	-	316,476
Mandatory cash balances with the CBRF	4,794	901	673	780	1,441	-	8,589
Due from other banks	-	-	-	-	542	-	542
Loans and advances to customers	79,485	95,910	100,446	109,658	190,672	30,137	606,308
Financial derivatives	111	-	-	4,052	1,800	-	5,963
Investments in securities	209,491	-	-	-	-	5,820	215,311
Repurchase receivables	5,826	-	-	-	-	-	5,826
Brokerage receivables	49,138						49,138
Guarantee deposits with payment systems	1,989	2,400	2,513	2,744	4,771	754	15,171
Other financial assets	51,883	53	31	37	965	-	52,969
Total financial assets	**712,081**	**106,376**	**103,663**	**117,271**	**200,191**	**36,711**	**1,276,293**
Liabilities							
Due to banks	5,600	-	-	3,993	1,720	-	11,313
Customer accounts	527,741	99,159	74,102	85,933	158,788	-	945,723
Debt securities in issue	-	872	1,113	873	7,263	11,559	21,680
Other borrowed funds	-	-	-	-	-	3,806	3,806
Financial derivatives	59	-	-	-	31	-	90
Brokerage payables	9,634	-	-	-	-	-	9,634
Subordinated debt	-	1,046	1,046	19,798	37,767	-	59,657
Insurance provisions	350	724	724	587	699	-	3,084
Other financial liabilities	66,683	825	787	698	309	-	69,302
Total financial liabilities	**610,067**	**102,626**	**77,772**	**111,882**	**206,577**	**15,365**	**1,124,289**
Net liquidity gap at 31 December 2021	**102,014**	**3,750**	**25,891**	**5,389**	**(6,386)**	**21,346**	**152,004**
Cumulative liquidity gap at 31 December 2021	**102,014**	**105,764**	**131,655**	**137,044**	**130,658**	**152,004**	**-**

Provision for unearned premiums in the amount of RR 7,281 million is not included in the insurance provisions stated above. Refer to Note 18.

The expected maturity analysis of financial instruments at carrying amounts as monitored by management at 31 December 2020 is presented in the table below.

In millions of RR	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
Assets							
Cash and cash equivalents	136,351	-	-	-	-	-	136,351
Mandatory cash balances with the CBRF	2,756	546	454	531	1,092	-	5,379
Due from other banks	-	-	-	-	1,887	-	1,887
Loans and advances to customers	52,623	67,843	69,011	72,407	98,002	16,635	376,521
Financial derivatives	82	-	-	-	4,953	-	5,035
Investments in securities	238,454	-	-	-	-	-	238,454
Repurchase receivables	29	-	-	-	-	-	29
Brokerage receivables	24,064	-	-	-	-	-	24,064
Guarantee deposits with payment systems	2,163	2,788	2,836	2,976	4,028	684	15,475
Other financial assets	30,820	44	21	12	173	-	31,070
Total financial assets	**487,342**	**71,221**	**72,322**	**75,926**	**110,135**	**17,319**	**834,265**
Liabilities							
Due to banks	-	-	-	-	4,819	-	4,819
Customer accounts	321,104	63,601	52,958	61,899	127,275	-	626,837
Debt securities in issue	-	870	944	981	11,281	9,834	23,910
Financial derivatives	76	-	-	-	33	-	109
Brokerage payables	9,206	-	-	-	-	-	9,206
Subordinated debt	-	481	481	961	18,832	-	20,755
Insurance provisions	345	207	953	358	297	-	2,160
Other financial liabilities	34,337	-	-	-	-	-	34,337
Total financial liabilities	**365,068**	**65,159**	**55,336**	**64,199**	**162,537**	**9,834**	**722,133**
Net liquidity gap at 31 December 2020	**122,274**	**6,062**	**16,986**	**11,727**	**(52,402)**	**7,485**	**112,132**
Cumulative liquidity gap at 31 December 2020	**122,274**	**128,336**	**145,322**	**157,049**	**104,647**	**112,132**	**-**

Provision for unearned premiums in the amount of RR 3,907 million is not included in the insurance provisions stated above. Refer to Note 18.

As at the 31 December 2021 all the investment in debt securities are classified within demand and less than one month as they are easy repoable in CBR or on the open market securities and can provide immediate liquidity to the Group. All current accounts of individuals are classified using outflow curve (2020: the same).

The allocation of deposits of individuals considers the statistics of autoprolongations and top-ups of longer deposits with the funds from shorter deposits after their expiration in case when the customers have more than one active deposit. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of the Group. It is unusual for banks ever to be completely matched since business transacted is often of an uncertain term and of different types.

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Notes to the Consolidated Financial Statements (Continued)

30 Financial and Insurance Risk Management (Continued)

An unmatched position potentially enhances profitability but can also increase the risk of losses. The maturities of assets and liabilities and the ability to replace, at an acceptable cost, interest-bearing liabilities as they mature, are important factors in assessing the liquidity of the Group and its exposure to changes in interest and exchange rates.

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

Insurance risk. Insurance risk is the risk associated with insurance contracts, consisting in the possibility of the occurrence of an insurance event and the uncertainty of the amount and time of occurrence of the loss associated with it.

The insurance risk management process covers all stages, from the stage of development of insurance rates to the settlement of losses.

The main steps in the insurance risk management process include:

- Underwriting and regulation of tariff policy;
- Efficiency of the loss settlement process;
- Diversification of the insurance portfolio.

Tariff policy. The process of underwriting and regulation of the tariff policy includes the formation of tariffs for certain areas of activity based on the analysis of results for previous periods, existing market conditions and the Insurance Company's strategy.

The insurance tariff is set on the basis of the analysis of the expected loss ratio based on Group's insurance portfolio and similar products on the market, the commission ratio based on the analysis of product profitability and commission rates for similar products on the market, and the analysis of the average market rate. When developing tariffs, factors such as expected inflation and changes in the legislation of the Russian Federation are also taken into account.

The Insurance Company monitors the correctness of the calculation of the insurance premium under the insurance contract by analysing, on a regular basis, the deviations of the actual received premiums from the estimated premiums.

Loss settlement process. In accordance with the insurance contract, the policyholder is obliged to notify the insurance company of a loss within a certain period of time. Losses are settled by specialized units, other than selling business units. The insurance claims will be paid only after receiving all the necessary documents confirming the fact of the insured event. Also, if necessary, economic security department and legal department are involved in checking documents for settlement of losses. If at the time of payment of the insurance claims the policyholder had outstanding debt of the insurance premium, the unpaid part is deducted from the amount of compensation.

If there is a third party that caused an insurance loss to the insured client, the Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group.

Diversification of the insurance portfolio. To reduce insurance risk, the Group also uses the diversification of its insurance portfolio - it insures a large number of small risks, which, in particular, is achieved through the remote provision of insurance services almost throughout the Russian Federation. The company does not operate outside the Russian Federation and is exposed to risks associated with the geographical features of the regions of the Russian Federation.

Sensitivity analysis. . The following analyses the possible changes in the key assumptions used in the calculation of insurance liabilities under contracts other than life insurance, provided that the other assumptions are constant. This analysis reflects the impact on gross and net liabilities, profit before tax and equity of the Group.

Effect of changes in the key assumptions as at 31 December 2021:

In millions of RR except for the number of claims	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10%	(256)	1	255	204
	+ 10%	256	(1)	(255)	(204)
The average number of claims	– 10%	(256)	1	255	204
	+ 10%	256	(1)	(255)	(204)

Effect of changes in the key assumptions as at 31 December 2020:

In millions of RR except for the number of claims	Change in assumptions	Effect on insurance obligations other than life insurance	Effect on the reinsurers' share in insurance obligations other than life insurance	Effect on profit before tax	Effect on equity
The average cost of insurance claims	– 10%	(180)	1	179	143
	+ 10%	180	(1)	(179)	(143)
The average number of claims	– 10%	(180)	1	179	143
	+ 10%	180	(1)	(179)	(143)

Notes to the Consolidated Financial Statements (Continued)

31 Management of Capital

The Group's objectives when managing capital are (i) for the Bank to comply with the capital requirements set by the Central Bank of Russian Federation (CBRF), (ii) for the Insurance Company to comply with the capital requirements set by the legislation of the Russian Federation, (iii) for the Group to comply with the financial covenants set by the terms of securities issued; (iv) to safeguard the Group's ability to continue as a going concern.

The Group considers total capital under management to be equity attributable to shareholders of the Company as shown in the consolidated statement of financial position. The amount of capital that the Group managed as of 31 December 2021 was RR 176,091 million (2020: RR 127,016 million).

Compliance with capital adequacy ratios set by the CBRF is monitored daily and submitted to the CBRF monthly with reports outlining their calculation reviewed and signed by the Bank's Chief Executive Officer and Chief Accountant. Other objectives of capital management are evaluated annually. In accordance with information provided internally to key management personnel, the amount of regulatory capital of the Bank calculated in accordance with the methodology set by CBRF as at 31 December 2021 was RR 206,955 million, and the equity capital adequacy ratio (N1.0) was 15.27% (2020: RR 121,350 million and 13.07%). Minimum required statutory equity capital adequacy ratio (N1.0) was 8% as at 31 December 2021 (2020: 8%).

In October 2021 the Bank has been added to the Bank of Russia's list of 13 systemically important banking institutions due to a recognition of the Bank's growing presence in the financial market and expanding customer base of its ecosystem. As a result, from 1 January 2022 the Bank will be obliged to comply with the additional capital adequacy buffers +1% to the minimum required statutory equity capital adequacy ratio (N1.0).

The Group also monitors capital requirements including capital adequacy ratio under the Basel III methodology of the Basel Committee on Banking Supervision: global regulatory framework for more resilient banks and banking systems (hereinafter "Basel III"). The composition of the Group's capital calculated in accordance with the methodology set by Basel Committee with capital adjustments as set out in Basel III is as follows:

In millions of RR	31 December 2021	31 December 2020
Share capital	230	230
Share premium	26,998	26,998
Treasury shares	(2,567)	(3,238)
Share-based payment reserve	4,745	1,548
Retained earnings	159,491	99,540
Revaluation reserve for investments in debt securities	(13,131)	1,849
Less intangible assets	(15,069)	(7,082)
Non-controlling interest	325	89
Common Equity Tier 1 (CET1)	**161,022**	**119,934**
Additional Tier 1	59,657	20,755
Tier 1 capital	**220,679**	**140,689**
Total capital	**220,679**	**140,689**
Risk weighted assets (RWA)		
Credit risk	794,241	562,918
Operational risk	261,813	199,184
Market risk	32,484	24,707
Total risk weighted assets (RWA)	**1,088,538**	**786,809**
Common equity Tier 1 capital adequacy ratio (CET1 /Total RWA), %	**14.79%**	**15.24%**
Tier 1 capital adequacy ratio (Tier 1 capital /Total RWA), %	**20.27%**	**17.88%**
Total capital adequacy ratio (Total capital /Total RWA), %	**20.27%**	**17.88%**

The Group and the Bank have complied with all externally imposed capital requirements throughout the years ended 31 December 2021 and 2020.

The Insurance Company has complied with all capital requirements set by the legislation of the Russian Federation throughout the years ended 31 December 2021 and 2020.

32 Contingencies and Commitments

Legal proceedings. From time to time and in the normal course of business, claims against the Group may be received. On the basis of its own estimates and internal professional advice, management is of the opinion that no material unprovided losses will be incurred in respect of claims.

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Group. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be challenged tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax incompliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods. The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organization for Economic Cooperation and Development (OECD), although it has specific features. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties), if such transactions are not on an arm's length.

Tax liabilities arising from controlled transactions are determined based on their actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

The Group includes companies incorporated outside of Russia. The tax liabilities of the Group are determined on the assumption that these companies are not subject to Russian profits tax, because they do not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Group.

The Controlled Foreign Company (CFC) legislation introduced Russian taxation of profits of foreign companies and non-corporate structures (including trusts) controlled by Russian tax residents (controlling parties). The CFC income is subject to a 20% tax rate if the CFC is controlled by a legal entity and a rate of 13% if it is controlled by an individual. As a result, management reassessed the Group's tax positions and recognised current tax expense as well as deferred taxes that arose from the expected taxable manner of recovery of the relevant Group's operations to which the CFC legislation applies to and to the extent that the Group (rather than its owners) is obliged to settle such taxes.

As Russian tax legislation does not provide definitive guidance in certain areas, the Group adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Group. While management currently estimates that the tax positions and interpretations that it has taken can probably be sustained, there is a possible risk that outflow of resources will be required should such tax positions and interpretations be challenged by the tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group. As at 31 December 2021 and 2020 no material tax risks were identified.

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Notes to the Consolidated Financial Statements (Continued)

32 Contingencies and Commitments (Continued)

Future lease payments related to leases where leased asset is of low value. The future cash outflows to which the Group is exposed and which are not reflected in the lease liabilities amounted to RR 298 million at 31 December 2021 and relate primarily to leases of assets which are of low value (2020: RR 233 million).

Compliance with covenants. The Group is subject to certain covenants related primarily to its subordinated perpetual debt. Non-compliance with such covenants may result in negative consequences for the Group. Management believes that the Group was in compliance with all such covenants as at 31 December 2021 and 2020.

Credit related commitments and performance guarantees issued. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Commitments to extend credit represent unused portions of authorisations to extend credit in the form of credit card loans, guarantees. With respect to credit risk on commitments to extend credit, the Group is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. Most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Group monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts do not transfer credit risk. The risk under performance guarantee contracts is the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Group faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Group uses a scoring model to predict levels of such payments. Claims must be made before the contract matures and most claims are settled within short term. This allows the Group to achieve a high degree of certainty about the estimated payments and therefore future cash flows.

Outstanding credit related commitments and performance guarantees are as follows:

In millions of RR	**31 December 2021**	**31 December 2020**
Unused limits on credit card loans	295,233	208,405
Unused limits on SME loans	15,907	7,291
Credit loss allowance	(3,334)	(3,537)
Total credit related commitments, net of credit loss allowance	**307,806**	**212,159**
Performance guarantees issued	137	498
Provisions	(1)	(4)
Total performance guarantees issued, net of provisions	**136**	**494**

The total outstanding contractual amount of unused limits on contingencies and commitments liability does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded. In accordance with credit card service conditions the Group has a right to refuse the issuance, activation, reissuing or unblocking of a credit card, and is providing a credit card limit at its own discretion and without explaining its reasons.

The following table contains an analysis of credit related commitments by credit quality at 31 December 2021 based on credit risk grades.

In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Credit related commitments				
- Excellent	270,344	-	-	270,344
- Good	13,179	91	-	13,270
- Monitor	27,242	284	-	27,526
Unrecognised gross amount	**310,765**	**375**	**-**	**311,140**
Credit loss allowance	(3,318)	(16)	-	(3,334)
Unrecognised net amount	**307,447**	**359**	**-**	**307,806**

The following table contains an analysis of credit related commitments by credit quality at 31 December 2020 based on credit risk grades.

In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Credit related commitments				
- Excellent	180,619	-	-	180,619
- Good	14,905	84	-	14,989
- Monitor	12,546	251	-	12,797
Unrecognised gross amount	**208,070**	**335**	**-**	**208,405**
Credit loss allowance	(3,513)	(24)	-	(3,537)
Unrecognised net amount	**204,557**	**311**	**-**	**204,868**

Also, the Group may decide to increase or decrease a credit card limit using a scoring model, which is based on the client's behaviour model. Therefore, the fair value of the contractual amount of revocable unused limits on contingencies and commitments is close to zero. Credit related commitments are denominated in RR.

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Notes to the Consolidated Financial Statements (Continued)

32 Contingencies and Commitments (Continued)

The following table contains an analysis of performance guarantees issued by credit quality based on credit risk grades.

In millions of RR	31 December 2021 Stage 1 (12-months ECL)	31 December 2020 Stage 1 (12-months ECL)
Performance guarantees issued		
- Excellent	80	310
- Good	57	188
Unrecognised gross amount	**137**	**498**
Provisions	(1)	(4)
Unrecognised net amount	**136**	**494**

Mandatory cash balances with the CBRF of RR 8,589 million as at 31 December 2021 (2020: RR 5,379 million) represent mandatory reserve deposits which are not available to finance the Bank's day to day operations.

33 Offsetting Financial Assets and Financial Liabilities

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2021:

In millions of RR	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments	Cash collateral	Net amount of exposure
ASSETS						
Reverse repurchase agreements	152,331	-	152,331	154,255	-	-
Brokerage receivables	49,138	-	49,138	46,721	-	2,417
-	5,820	-	5,820	-	5,829	-
Total assets subject to offsetting, master netting and similar arrangement	**207,289**	**-**	**207,289**	**200,976**	**5,829**	**2,417**
LIABILITIES						
Correspondent accounts and overnight placements of other banks	5,829	-	5,829	5,820	-	9
Sale and repurchase agreements with other banks	5,484	-	5,484	5,826	-	-
Brokerage payables	9,634	-	9,634	11,123	-	-
Other borrowed funds	3,806	-	3,806	4,446	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**14,025**	**-**	**14,025**	**14,645**	**-**	**(620)**

Financial instruments subject to offsetting, enforceable master netting and similar arrangements are as follows at 31 December 2020:

In millions of RR	Gross amounts before offsetting	Gross amounts set off in the consolidated statement of financial position	Net amount after offsetting in the consolidated statement of financial position	Amounts subject to master netting and similar arrangements not set off in the consolidated statement of financial position: Financial instruments	Cash collateral	Net amount of exposure
ASSETS						
Reverse repurchase agreements	33,210	-	33,210	34,527	-	-
Brokerage receivables	24,064	-	24,064	24,113	-	-
Financial derivatives	4,920	-	4,920	-	4,795	125
Total assets subject to offsetting, master netting and similar arrangement	**62,194**	**-**	**62,194**	**58,640**	**4,795**	**125**
LIABILITIES						
Due to banks	4,819	-	4,819	4,949	-	-
Brokerage payables	9,206	-	9,206	9,696	-	-
Total liabilities subject to offsetting, master netting and similar arrangement	**14,025**	**-**	**14,025**	**14,645**	**-**	**-**

As at 31 December 2021 the Group has master netting arrangements with counterparty banks, which are enforceable in case of default. The Group also made margin deposits with clearing house counterparty as collateral for its outstanding derivative positions. The counterparty may set off the Group's liabilities with the margin deposit in case of default (2020: same). The disclosure does not apply to loans and advances to customers and related customer deposits.

34 Transfers of Financial Assets

The Group transferred financial assets in transactions that did not qualify for derecognition in the current periods.

The table below shows the amount of operations under sale and repurchase agreements which the Group enters into in the normal course of business:

In millions of RR	Notes	31 December 2021 Carrying amount of the assets	31 December 2021 Carrying amount of the associated liabilities	31 December 2020 Carrying amount of the assets	31 December 2020 Carrying amount of the associated liabilities
Debt securities at FVOCI pledged under repurchase agreements	13	5,826	5,484	29	24
Total		**5,826**	**5,484**	**29**	**24**

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Notes to the Consolidated Financial Statements (Continued)

34 Transfers of Financial Assets (Continued)

In the normal course of business, the Group makes borrowings on interbank market using different financial instruments as collateral to support its everyday operations in terms of liquidity.

The Group also enters into reverse sale and repurchase agreements. The summary of such operations is provided in the table below:

		31 December 2021		31 December 2020	
In millions of RR	**Notes**	**Amounts granted under repo agree-ments**	**Fair value of securities received as collateral**	**Amounts granted under repo agree-ments**	**Fair value of securities received as collateral**
Cash and cash equivalents	5	152,331	154,255	33,210	34,527
Brokerage receivables	10	49,138	46,721	24,064	24,113
Total		**201,469**	**200,976**	**57,274**	**58,640**

35 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest:

In millions of RR	**Place of business (and coun-try of incor-po-ration if different)**	**Propor-tion of non-con-trolling interest**	**Proportion of non-con-trolling inter-est's voting rights held**	**Profit or loss attribu-table to non-con-trolling interest**	**Accumu-lat-ed non-con-trolling in-terest in the subsidiary**	**Dividends paid to non-con-trolling in-terest during the year**
Year ended 31 December 2021						
LLC "Cloudpayments"	Russia	5.00%	5.00%	41	130	7
LLC "Beskontakt"	Russia	14.60%	14.60%	(144)	202	-
Year ended 31 December 2020						
LLC "Cloudpayments"	Russia	5.00%	5.00%	4	89	18

The summarised financial information of these subsidiaries was as follows:

In millions of RR	**Current assets**	**Non-cur-rent assets**	**Current liabilities**	**Non-cur-rent liabilities**	**Revenue**	**Profit**	**Total com-pre-hensive income**	**Cash flows**
Year ended 31 Decem-ber 2021								
LLC "Cloudpayments"	1,182	284	238	-	1,952	898	898	119
LLC "Beskontakt"	284	337	258	1,895	389	(734)	(734)	32
Year ended 31 Decem-ber 2020								
LLC "Cloudpayments"	389	277	105	-	1,226	606	606	(13)

36 Financial Derivatives

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under foreign exchange forwards and swap contracts entered into by the Group. The table reflects gross positions before the netting of any counterparty positions (and pay-ments) and covers the contracts with settlement dates after the end of the respective reporting period.

	31 December 2021		31 December 2020	
In millions of RR	**Contracts with positive fair value**	**Contracts with negative fair value**	**Contracts with positive fair value**	**Contracts with negative fair value**
Foreign exchange forwards and swaps: discounted notional amounts, at the end of the reporting period, of				
- USD receivable on settlement (+)	29,288	(42)	29,311	-
- USD payable on settlement (-)	12	(31)	-	(104)
- RR receivable on settlement (+)	-	-	75	-
- RR payable on settlement (-)	(23,341)	(10)	(24,351)	-
- EUR receivable on settlement (+)	-	(7)	-	-
- EUR payable on settlement (-)	4	-	-	(5)
Fair value of foreign exchange forwards and swaps	**5,963**	**(90)**	**5,035**	**(109)**

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Notes to the Consolidated Financial Statements (Continued)

37 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the consolidated statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2021				31 December 2010			
In millions of RR	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Investments in securities	211,375	3,936	-	215,311	232,198	6,256	-	238,454
Repurchase receivables	5,826	-	-	5,826	29	-	-	29
Loans and advances to customers	-	-	3,971	3,971	-	-	1,892	1,892
Financial derivatives	-	5,963	-	5,963	-	5,035	-	5,035
Total assets recurring fair value measurements	**217,201**	**9,899**	**3,971**	**231,071**	**232,227**	**11,291**	**1,892**	**245,410**
LIABILITIES AT FAIR VALUE								
Financial derivatives	-	90	-	90	-	109	-	109
Total liabilities recurring fair value measurements	**-**	**90**	**-**	**90**	**-**	**109**	**-**	**109**

Investments in securities categorised in level 2 are represented by liquid debt securities classified in “Good” credit risk grade.

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 and level 3 measurements at 31 December 2021 are as follows:

In millions of RR	**Fair value**	**Valuation technique**	**Inputs used**
Assets AT FAIR VALUE			
Investments in securities	3,936	Observable quotes for comparable securities adjusted by multiplicator depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center*
Foreign exchange swaps and forwards	5,963	Discounted cash flows adjusted for counter-party credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**9,899**		
Loans and advances to customers	3,971	Revaluation of the convertible loan based on the Vivid Money Holdco Limited share price as per the most recent sale purchase transactions with shares of Vivid Money Holdco Limited (Note 39)	Share price as per the most recent sale purchase transaction
Total recurring fair value measurements at level 3	**3,971**		
Liabilities AT FAIR VALUE			
Foreign exchange swaps and forwards	90	Discounted cash flows adjusted for counter-party credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**90**		

Notes to the Consolidated Financial Statements (Continued)

37 Fair Value of Financial Instruments (Continued)

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2020 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
Assets AT FAIR VALUE			
Investments in securities	6,256	Observable quotes for comparable securities adjusted by multiplicator depending on the degree of the market activity	Quotes from the automated fair value system for financial instruments of NSD Price Center*
Foreign exchange swaps and forwards	5,035	Discounted cash flows adjusted for counter-party credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**11,291**		
Loans and advances to customers	1,892	Revaluation of the convertible loan based on the Vivid Money Holdco Limited share price as per its most recent sale purchase transactions with shares of Vivid Money Holdco Limited (Note 38)	Share price as per the most recent sale purchase transaction
Total recurring fair value measurements at level 3	**1,892**		
Liabilities AT FAIR VALUE			
Foreign exchange swaps and forwards	109	Discounted cash flows adjusted for counter-party credit risk	Russian rouble curve. USD Dollar Swaps Curve. EUR Swaps Curve. CDS quotes assessment of counterparty credit risk or reference entities.
Total recurring fair value measurements at level 2	**109**		

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the year ended 31 December 2021 and 2020. Level 2 derivatives comprise foreign exchange forwards and swaps.

The foreign exchange forwards have been fair valued using forward exchange rates that are quoted in an active market. Foreign exchange swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for level 2 derivatives.

Changes of the fair value measurements at Level 3 for the year ended 31 December 2021 and 2020 are as follows:

In millions of RR	Loans and advances to customers
Other interest income	23
Net gains from foreign exchange translation	(317)
Net gains from revaluation of convertible loan	2,373
Fair value as at 31 December 2021 - Level 3	**3,971**

Changes of the fair value measurements at Level 3 for the year ended 31 December 2021 and 2020 are as follows (Continued):

In millions of RR	Loans and advances to customers
Other interest income	23
Net gains from foreign exchange translation	(317)
Net gains from revaluation of convertible loan	2,373
Fair value as at 31 December 2021 - Level 3	**3,971**

As at 31 December 2021, if the share price had been 10% lower/higher, fair value of loans and advances to customers carried at fair value would have been RR 293 million lower/higher (2020: 64 million).

b) Assets and liabilities not measured at fair value but for which fair value is disclosed

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

	31 December 2021				31 December 2020			
In millions of RR	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
- Cash on hand	36,955	-	-	36,955	21,069	-	-	21,069
- Cash balances with the CBRF (other than mandatory reserve deposits)	-	51,008	-	51,008	-	38,646	-	38,646
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	-	228,513	-	228,513	-	76,636	-	76,636
Mandatory cash balances with the CBRF	-	8,589	-	8,589	-	5,379	-	5,379
Due from other banks	-	542	-	542	-	1,887	-	1,887
Loans and advances to customers	-	-	602,864	602,337	-	-	374,996	374,629
Guarantee deposits with payment systems	-	-	15,171	15,171	-	-	15,475	15,475
Brokerage receivables	-	49,138	-	49,138	-	24,064	-	24,064
Other financial assets								
Settlement of operations with plastic cards receivable	-	42,995	-	42,995	-	23,882	-	23,882
Insurance's financial assets	-	965	-	965	-	542	-	542
Other receivables	-	9,009	-	9,009	-	6,646	-	6,646
Total financial assets carried at amortised cost	**36,955**	**390,759**	**618,035**	**1,045,222**	**21,069**	**177,682**	**390,471**	**588,855**

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Notes to the Consolidated Financial Statements (Continued)

37 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

In millions of RR	31 December 2021 Level 1	Level 2	Level 3	Carrying value	31 December 2020 Level 1	Level 2	Level 3	Carrying value
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Due to banks	-	11,313	-	11,313	-	4,819	-	4,819
Brokerage payables	-	9,634	-	9,634	-	9,206	-	9,206
Customer accounts								
Individuals								
-*Current/*demand accounts	-	544,561	-	544,561	-	323,145	-	323,145
- Brokerage accounts	-	110,277	-	110,277	-	73,970	-	73,970
-Term deposits	-	149,813	-	146,548	-	138,971	-	135,995
SME								
-Current/demand accounts	-	140,287	-	140,287	-	89,199	-	89,199
-Term deposits	-	3,434	-	3,403	-	1,915	-	2,213
Other legal entities								
-Current/demand accounts	-	647	-	647	-	2,267	-	2,267
-Term deposits	-	-	-	-	-	48	-	48
Debt securities in issue								
RR Bonds issued on domestic market	21,794	-	-	21,680	24,824	-	-	23,910
Other borrowed funds								
Borrowings through securitisation transaction	3,723	-	-	3,806	-	-	-	-
Subordinated debt								
Perpetual subordinated debts	59,365	-	-	59,657	22,174	-	-	20,755
Other financial liabilities								
Settlement of operations with plastic cards	-	48,879	-	48,879	-	23,079	-	23,079
Trade payables	-	11,866	-	11,866	-	4,671	-	4,671
Credit related commitments	-	-	-	3,334	-	-	-	3,537
Loyalty programs	-	2,802	-	2,802	-	1,479	-	1,479
Other financial liabilities	-	2,421	-	2,421	-	1,571	-	1,571
Total financial liabilities carried at amortised cost	**84,882**	**1,035,934**	**-**	**1,121,115**	**46,998**	**674,340**	**-**	**719,864**

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by an active quoted market price. Where quoted market prices are not available, the Group used valuation techniques. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

As at 31 December 2021 and 2020 the fair value of the debt securities in issue and subordinated debt has been calculated based on quoted prices from the Moscow Exchange MICEX-RTS, St. Petersburg Exchange and Global Exchange Market, where the Group's debt securities are listed and traded.

Weighted average discount rates used in determining fair value as of 31 December 2021 and 2020 are disclosed below:

In % p.a.	31 December 2021	31 December 2020
Assets		
Cash and cash equivalents	0.0	0.0
Due from other banks	2.4	3.2
Investments in securities	5.6	5.4
Repurchase receivables	4.3	5.1
Loans and advances to customers	28.9	33.5
Brokerage receivables	15.1	15.4
Liabilities		
Due to banks	4.8	4.4
Customer accounts	2.7	2.2
Debt securities in issue	9.1	6.1
Other borrowed funds	8.6	-
Brokerage payables	15.4	15.6
Subordinated debt	5.9	5.3

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Notes to the Consolidated Financial Statements (Continued)

38 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 "Financial Instruments" classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition.

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2021:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	36,955	-	-	36,955
- Cash balances with the CBRF (other than mandatory reserve deposits)	51,008	-	-	51,008
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	228,513	-	-	228,513
Mandatory cash balances with the CBRF	8,589	-	-	8,589
Due from other banks	542			542
Loans and advances to customers	602,337	3,971	-	606,308
Financial derivatives	-	5,963	-	5,963
Guarantee deposits with payment systems	15,171	-	-	15,171
Investments in securities	-	8,136	207,175	215,311
Repurchase receivables	-	-	5,826	5,826
Brokerage receivables	49,138	-	-	49,138
Other financial assets				
- Settlement of operations with plastic cards receivable	42,995	-	-	42,995
- Insurance's financial assets	965	-	-	965
- Other receivables	9,009	-	-	9,009
TOTAL FINANCIAL ASSETS	**1,045,222**	**18,070**	**213,001**	**1,276,293**

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2020:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents				
- Cash on hand	21,069	-	-	21,069
- Cash balances with the CBRF (other than mandatory reserve deposits)	38,646	-	-	38,646
- Placements with other banks and non-bank credit organizations with original maturities of less than three months	76,636	-	-	76,636
Mandatory cash balances with the CBRF	5,379	-	-	5,379
Due from other banks	1,887			1,887
Loans and advances to customers	374,629	1,892	-	376,521
Financial derivatives	-	5,035	-	5,035
Guarantee deposits with payment systems	15,475	-	-	15,475
Investments in securities	-	4,265	234,189	238,454
Repurchase receivables	-	-	29	29
Brokerage receivables	24,064	-	-	24,064
Other financial assets				
- Settlement of operations with plastic cards receivable	23,882	-	-	23,882
- Insurance's financial assets	542	-	-	542
- Other receivables	6,646	-	-	6,646
TOTAL FINANCIAL ASSETS	**588,855**	**11,192**	**234,218**	**834,265**

As of 31 December 2021 and 2020 all of the Group's financial liabilities except derivatives were carried at amortised cost.

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Notes to the Consolidated Financial Statements (Continued)

39 Related Party Transactions

Parties are generally considered to be related if the parties are under common control or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The outstanding balances with related parties were as follows:

	31 December 2021		31 December 2020	
In millions of RR	**Key management personnel**	**Associates, joint ventures and other related parties**	**Key management personnel**	**Associates, joint ventures and other related parties**
ASSETS				
Loans and advances to customers (average interest rate: 1.7-11.9% p.a. (31 December 2020: 1.7-13.7% p.a.)):	380	3,971	570	1,855
- Gross carrying amount	413	3,971	607	1,892
- Credit loss allowance	(33)	-	(37)	(37)
Other financial assets	-	-	-	158
TOTAL ASSETS	**380**	**3,971**	**570**	**2,013**
LIABILITIES				
Customer accounts, including brokerage accounts (average interest rate: 1.8-11% p.a. (31 December 2020: 0.8-3.7% p.a.))	7,716	166	6,246	2,086
Other non-financial liabilities	1,741	-	584	-
TOTAL LIABILITIES	**9,457**	**166**	**6,830**	**2,086**
EQUITY				
Share-based payment reserve				
- Management long-term incentive program	4,225	-	1,378	-
TOTAL EQUITY	**4,225**	**-**	**1,378**	**-**

On 31 August 2020 the Group acquired shareholding in Vivid Money Holdco Limited (Note 1), which is a group of fintech start-ups launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS). The investment in Vivid Money Holdco Limited was classified as an investment in associate and accounted for using the equity method. Also in 2020 the Group issued convertible loan to Vivid Money Holdco Limited (Note 8), which is carried at FV.

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

	2021		2020	
In millions of RR	**Key management personnel**	**Associates, joint ventures and other related parties**	**Key management personnel**	**Associates, joint ventures and other related parties**
Interest income calculated using the effective interest rate method	37	186	26	32
Other similar income	-	23	-	8
Interest expense calculated using effective interest rate method	(103)	-	(42)	(33)
Net gains/(losses) from foreign exchange translation	-	229	-	(40)
Net gains from financial assets at FVTPL	-	2,373	-	494
Administrative and other operating expenses	(7,337)	(158)	(2,895)	(248)
Other operating income	-	-	-	447

Key management compensation is presented below:

In millions of RR	**2021**	**2020**
Short-term benefits:		
- Salaries	1,356	1,086
- Short-term bonuses	1,408	921
Long-term benefits:		
- Management long-term incentive programme	4,520	862
- Key employees retention plan	28	26
- Warrant compensation	25	-
Total	**7,337**	**2,895**

Warrant compensation. In the fourth quarter of 2021 the Group issued a new instrument that represents a share-based equity-settled compensation: 5-year warrants with an aggregate value equal to 1.2% of an increase in the market capitalisation of the Company as at 1 January 2027 (calculated as the volume-weighted average GDR price over the preceding six months, which amounted to 89.2 USD at the date of the grant) over a GDR price of USD 92 (the "Warrants"). The Warrants vest on 1 January 2027 and are exercisable at any time on or after that date. The Group has a unilateral right to terminate the Warrants at a one month's notice. When the Warrants are exercised, the Group is required to deliver the Ordinary Shares (GDRs) up to the value of the Warrants determined on 1 January 2027. The weighted-average fair value of the Warrants at the grant date was RR 1.1 bln and it was measured using the Black-Scholes model based on historical market quotes of GDRs. At the date of publication of the Group's annual results, the share price of the Company was significantly below the strike price of the Warrants.

Key employees retention plan (KERP). On 14 April 2020 the Group launched a new long term incentive program for more than 250 senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. This was a performance-based cash-settled program linked to the market price of GDRs. A new grant has been provided to the current and new participants in April 2021. In 2021 number of employees joined the program increased to more than 400 participants. Later in November 2021 the program has been converted into equity-settled instrument to increase its efficiency for the Group and participants. After the conversion the program has been combined with Management long-term incentive program (MLTIP) due to application of similar approach to the grants. Participants of the program receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any.

Participants who leave the Group lose their right for the unvested parts of the grants. The program provides 3 equal annual vestings after grant date. The expenses related to those participants who are considered to be key management personnel are disclosed in the table above.

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Notes to the Consolidated Financial Statements (Continued)

39 Related Party Transactions (Continued)

Management long-term incentive program. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs attributable to the management is 17,241 thousand as at 31 December 2021 (2020: 15,290 thousand).

Participants of the program receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018, 15 January 2019, 5 June 2020, 11 December 2020, 9 February 2021 and 23 November 2021) is determined on the basis of market quotes of GDRs as at those dates. Weighted-average fair value of the awards in 2021 was USD 87 per 1 GDR (2020: USD 24.7 per 1 GDR).

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

Each grant provided in 2020 and 2021 is vested over 5 years. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025 for 2020 grant and until 2026 for 2021 grant.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

In thousands	**Number of GDRs attributable to the MLTIP**
At 31 December 2019	**3,782**
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	**7,276**
Granted	1,950
Vested	(2,201)
Forfeited	(6)
At 31 December 2021	**7,019**

40 Events after the End of the Reporting Period

On 1 January 2022 the Group reclassified RR 122,805 million of government bonds, previously accounted under "Hold to collect and sell" business model into "'Hold to collect" accounted for amortised cost, with subsequent reversal of RR 14,867 million of negative revaluation reserve recognised through other comprehensive income. The Group managed the reclassified assets under "Hold to collect" business model and made no sale of these government bonds throughout 2021.

In February 2022, the economic situation in Russia was negatively affected by the military-political conflict in the region, as well as expanded international sanctions against certain Russian companies, citizens and institutions. These factors led to a significant increase in volatility in the financial markets, frequent and significant price changes, and an increase in trading spreads.

During the period from 18 February to 3 March 2022:

- the exchange rate of the Central Bank of the Russian Federation (the CBR) fluctuated in the range from 75.57 to 103.25 rubles per USD and from 86.13 rubles to 114.55 rubles per Euro;
- RTS stock index fluctuated in the range from 616.7 to 1391.3 points;
- the international sanctions list was expanded, which meant that the access for some companies to international financial markets in order to raise funds was limited;
- the cost of a barrel of oil on international markets is in the range from $92.73 to $113 USD per 1 barrel.

Because of the increased volatility in the financial sector, the CBR introduced a number of support measures, being:

- The ability to report shares and bonds acquired before 18 February 2022 at market value as of 18 February 2022, and acquired from 18 February to 31 December 2022 - at fair value as of the acquisition date. Applicable for the purposes of regulatory reporting. Effective until 31 December 2022.
- The ability to use the values of foreign exchange rates as of 18 February 2022. Applicable for the purposes of regulatory reporting. Effective until 31 December 2022.
- Relaxation of short-term liquidity ratios for systemically important banks and brokers. Effective until 31 December 2022.
- Providing additional liquidity for up to RR 3 trillion to systemically important banks through the mechanism of REPO transactions.
- To improve the ability of banks to manage liquidity, the CBR intends to reduce to zero the additional and increased additional rates of insurance premiums for banks participating in the deposit insurance system for deposits in rubles and foreign currency attracted in the first and second quarters.
- The ability not to decrease the estimates of borrowers' financial standing and debt service quality for loan loss provisioning purposes if borrowers' financial standing deteriorated after 18 February 2022 as a result of the sanctions. Applicable for the purposes of regulatory reporting. Effective until 31 December 2022.
- The ability to use the assessments made as of 18 February 2022 for the assets recorded on banks' balance sheets for loan loss provisioning on loans where security assets are classified under quality category I and II. Applicable for the purposes of regulatory reporting. Effective until 31 December 2022.
- The implementation of the countercyclical macroprudential policy (release of the accumulated macroprudential capital buffer for unsecured consumer loans and mortgage loans in rubles and foreign currency), starting from 28 February 2022. This measure has no time limit. The value of add-ons to risk weights for new claims issued after 1 March 2022 are released or decreased.

The CBR's Board of Directors decided to increase the key rate to 20% per annum from 28 February 2022 to support financial and price stability and protect the savings of citizens from depreciation.

After the official publication of the regulation and until 30 June 2022, the restriction on the effective interest rate of consumer loans for banks will be temporarily suspended. At the same time, the current macroprudential add-on matrix for newly provided unsecured consumer loans remains unchanged (higher add-ons for high EIRs) and will encourage banks to raise interest rates on loans to individuals in a limited manner.

As at 3 March 2022 the Group complied with all the required ratios including capital adequacy and liquidity ratios.

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Notes to the Consolidated Financial Statements (Continued)

40 Events after the End of the Reporting Period (Continued)

The Group has formed in advance a liquidity reserve, including cash in rubles and foreign currency, to provide stability to the customer service and the stability of the Group. All necessary measures have been taken to ensure uninterrupted non-cash payments and meet the needs of the Group's customers, backing cash desks and ATMs with cash banknotes. Under the different stress scenarios the Group has in place different plans and options all of which are at present available to the management to meet the range of reasonable possible challenges. The plans include a wide range of measures aimed at protecting the funds, assets and interests of customers, as well as ensuring the regular operation of all functions.

The Group maintains adequate capital and liquidity and closely monitors its foreign exchange position and cash flow.

The Group has all the necessary technological capabilities for maintaining its operations without interruptions.

As of 3 March 2022, the Group is not subject to any sanctions. However, further expansion of the sanctions list, the shutdown of the SWIFT system for some Russian banks, the possible introduction of restrictions on the CBR and a number of companies, including customers and counterparties of the Group, may have a significant impact on the activities and financial position of the Group in the future, the consequences of which are difficult to predict. The future economic and regulatory environment and its impact on the Group's operations may differ from management's current expectations.

The Management of the Group is currently assessing the possible impact of the events mentioned above and taking all the necessary measures to ensure the sustainability of the Group's operations.

41 Significant Accounting Policies

Basis of preparation. These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap.113.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 42. Management prepared these consolidated financial statements on a going concern basis.

Consolidated financial statements. Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee.

In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee.

Subsidiaries are consolidated from the date on which control is transferred to the Group (acquisition date) and are deconsolidated from the date on which control ceases.

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

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

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

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

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

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Group. Non-controlling interest forms a separate component of the Group's equity. When the Group acquires a dormant company with no business operations holding an asset and this asset is the main reason of acquisition of the company such transaction is treated as an asset acquisition. No goodwill is recognized as a result of such acquisition.

Purchases and sales of non-controlling interests. The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the consolidated statement of changes in equity.

Associates. Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The carrying amount of associates includes goodwill identified on acquisition less accumulated credit losses, if any. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as share of result of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of result of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Otherwise the Group continue to recognise further losses if it has commitments to fund the associate's operations.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Otherwise the Group continue to recognise further losses if it has commitments to fund the associate's operations.

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

The Group applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Group's interest in the ordinary shares.

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of

Notes to the Consolidated Financial Statements (Continued)

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

The price within the bid-ask spread which management considers to be the most representative of fair value for quoted financial assets and liabilities is the last bid price of the business day. A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Group: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees, are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 37.

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

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

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs that are incremental and directly attributable to the acquisition or the issue of the financial asset or financial liability. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset.

The Group uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Group classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- the Group's business model for managing the related assets portfolio and
- the cash flow characteristics of the asset.
-

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is:

- solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
- to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");
- if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated.

Based on the analysis performed the Group included the following financial instruments in the business model "hold to collect contractual cash flows" since the Group manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, mandatory cash balances with the CBRF, due from other banks, loans and advances to customers, guarantee deposits with payment systems, brokerage receivables and other financial assets. The Group included debt securities at FVOCI in the business model "hold to collect contractual cash flows and sell" since the Group manages these financial instruments to collect both the contractual cash flows and the cash flows arising from the sale of assets. The Group included debt securities measured at FVTPL and financial derivatives in the business model "other".

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Notes to the Consolidated Financial Statements (Continued)

41 Significant Accounting Policies (Continued)

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. However, if the contractual terms of the asset are modified, the Group considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. See below for "Financial assets – modification".

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets – impairment – credit loss allowance for ECL. The Group assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Group measures ECL and recognises credit loss allowance at each reporting date.

The measurement of ECL reflects:

1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;

2) the time value of money; and

3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the consolidated statement of financial position net of the allowance for ECL.

For loan commitments (where those components can be separated from the loan) and financial guarantees, a separate provision for ECL is recognised as a financial liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

The Group applies a "three stage" model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL").

2) If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("lifetime ECL"). Refer to Note 30 for a description of how the Group determines when a SICR has occurred.

3) If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Refer to Note 30 for a description of how the Group defines credit-impaired assets and default.

For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured at a lifetime ECL. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

As an exception, for certain financial instruments, such as credit cards, that may include both a loan and an undrawn commitment component, the Group measures expected credit losses over the period that the Group is exposed to credit risk, that is, until the expected credit losses would be mitigated by credit risk management actions, even if that period extends beyond the maximum contractual period. This is because contractual ability to demand repayment and cancel the undrawn commitment does not limit the exposure to credit losses to such contractual notice period. Refer to Note 3 for critical judgements applied by the Group in determining the period for measuring ECL.

Financial assets – write-off. Uncollectible assets are partly written-off against the related credit loss allowance usually after one year since they become overdue. The amount of uncollectible part of loan is estimated on a loan portfolio basis taking into account defaulted loans recovery statistics. The Group writes-off financial assets that are mostly still subject to enforcement activity, however, there is no reasonable expectation of recovery. If credit-impaired loans are sold to third parties, the Group remeasures the amount of ECL prior to sale taking into consideration the expected sales proceeds so that there are no gains or losses on derecognition upon sale.

Repayments of written-off loans. Recovery of amounts previously written-off as uncollectible is credited directly to the credit loss allowance line in the consolidated statement of profit or loss and other comprehensive income. Cash flows related to repayments of written-off loans are separately presented within recoveries from written-off loan in the consolidated statement of cash flows.

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

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset, significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset, or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred.

The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition.

The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets) and recognises a modification gain or loss through a credit loss allowance. Usually modifications of stage 3 loans do not result in derecognition since they do not change the expected cash flows substantially and represent the way of collection of past due balances.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability.

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Notes to the Consolidated Financial Statements (Continued)

41 Significant Accounting Policies (Continued)

In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Cash and cash equivalents. Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents include all interbank placements and reverse sale and repurchase agreements with other banks with original maturities of less than three months. Funds restricted for a period of more than three months on origination are excluded from cash and cash equivalents. Cash and cash equivalents are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

The payments or receipts presented in the consolidated statement of cash flows represent transfers of cash and cash equivalents by the Group, including amounts charged or credited to current accounts of the Group's counterparties held with the Group, such as loan interest income or principal collected by charging the customer's current account or interest payments or disbursement of loans credited to the customer's current account, which represents cash or cash equivalent from the customer's perspective.

Brokerage receivables and brokerage payables. Brokerage receivables represent placements under reverse sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with possibility to acquire securities in case those customers have insufficient own funds to acquire those securities. Brokerage payables represent funds attracted under sale and repurchase agreements made by the Bank with central counterparty to provide customers of the Bank who have brokerage accounts with the Bank with the possibility to borrow securities and make a short sale. Brokerage receivables and payables are short-term and accounted at amortised cost.

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

Due from other banks. Amounts due from other banks are recorded when the Group advances money to counterparty banks with no intention of trading the resulting unquoted non-derivative receivable due on fixed or determinable dates. Amounts due from other banks are carried at amortised cost as: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Certain bank deposits are subject to the "bail-in" legislation that permits or requires a national resolving authority to impose losses on holders in particular circumstances. Where the bail-in clauses are included in the contractual terms of the instrument and would apply even if legislation subsequently changes, the SPPI test is not met and such instruments are mandatorily measured at FVTPL. The Group did not identify such balances due from other banks. Where such clauses in the contract merely acknowledge the existence of the legislation and do not create any additional rights or obligation for the Group, the SPPI criterion is met and the respective instruments are carried at AC.

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch.

Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for foreign exchange translation gains/(losses) and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer.

Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories:

1) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL;
2) FVTPL: loans that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

Impairment allowances of the loans measured at AC are determined based on the forward-looking ECL model. Note 30 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Group incorporates forward-looking information in the ECL models.

Credit related commitments. The Group issues commitments to provide loans. Commitments to provide loans are initially recognised at their fair value, which is normally evidenced by the amount of fees received. Such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at the amount of the loss allowance determined based on the expected credit loss model. For loan commitments (where those components can be separated from the loan), a separate provision for ECL is recognised as a liability in the consolidated statement of financial position.

Performance guarantees. Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Such contracts transfer non-financial performance risk in addition to credit risk. Performance guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the contract. At the end of each reporting period, the performance guarantee contracts are measured at the higher of (i) the unamortised balance of the amount at initial recognition and (ii) the best estimate of expenditure required to settle the contract at the end of each reporting period, discounted to present value. Where the Group has the contractual right to revert to its customer for recovering amounts paid to settle the performance guarantee contracts, such amounts will be recognised as an asset upon transfer of the loss compensation to the guarantee's beneficiary. These fees are recognised within fee and commission income in profit or loss.

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

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

Securities lent to counterparties for a fixed fee are retained in the consolidated financial statements in their original category in the consolidated statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

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Notes to the Consolidated Financial Statements (Continued)

41 Significant Accounting Policies (Continued)

Securities borrowed for a fixed fee are not recorded in the consolidated financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Group classifies repurchase receivables into one of the following measurement categories: AC, FVOCI, FVTPL.

Guarantee deposits with payment systems. Amounts of guarantee deposits with payment systems are recorded when the Group advances money to payment systems with no intention of trading the resulting unquoted non-derivative receivable. Amounts of guarantee deposits with payment systems are carried at amortised cost.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of premises and equipment items are capitalised, and the replaced part is retired.

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

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Building	99
Equipment	3 to 10
Vehicles	5 to 7
Leasehold improvements	Shorter of their useful economic life and the term of the underlying lease
Others (safes, fireproof cabinets)	20

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

Intangible assets. Intangible assets are stated at cost less accumulated amortization. The Group's intangible assets other than insurance license have definite useful life and include capitalised acquired computer software and internally developed software. Development costs that are directly associated with identifiable and unique software controlled by the Group are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. Capitalised costs include staff costs of the software development team and an appropriate portion of relevant overheads.

Computer software licenses acquired are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is amortised on a straight line basis over expected useful lives of 1 to 10 years.

At each reporting date management assesses whether there is any indication of impairment of intangible assets with an indefinite useful life. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use.

The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell. Intangible assets including goodwill with indefinite useful life are tested annually for impairment.

Accounting for leases by the Group as a lessee. Leases, where the Group is the lessee, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability,
- any lease payments made at or before the commencement date less any lease incentives received,
- any initial direct costs, and
- dismantling and restoration costs.

As an exception to the above, the Group accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense on a straight line basis. Short-term leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in tangible fixed assets, lease liabilities are included in other non-financial liabilities in the consolidated statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the consolidated statement of profit or loss and other comprehensive income. Finance cost is recognised within other similar expense line of the consolidated statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the consolidated statement of cash flows.

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

Customer accounts. Customer accounts are non-derivative liabilities to corporate entities and individuals and are carried at amortised cost.

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Notes to the Consolidated Financial Statements (Continued)

41 Significant Accounting Policies (Continued)

Debt securities in issue. . Debt securities are stated at amortised cost. If the Group purchases its own debt securities in issue, they are removed from the consolidated statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of consolidated statement of profit or loss and other comprehensive income as gains/losses from repurchase of debt securities in issue.

Subordinated debt.Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Financial derivatives. Financial derivatives represented by forwards and foreign currency swaps are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded in profit or loss within Net (losses)/gains from derivatives revaluation. The Group does not apply hedge accounting.

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

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

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

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

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

Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

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

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

Other liabilities. Other liabilities are accrued when the counterparty has performed its obligations under the contract and are carried at amortised cost.

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company or its subsidiaries purchase the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive program for management of the Group are determined based on the weighted average cost.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the consolidated financial statements are authorised for issue, are disclosed in the Note 40. The accounting reports of the Group entities are the basis for profit distribution and other appropriations. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution.

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's consolidated financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

Interest income and expense recognition. Interest income and expense calculated using effective interest method are recorded for all debt instruments, other than those at FVTPL, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees (e.g. interchange fee on credit card loans) received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability.

Commitment fees (e.g. annual fee on credit card loans) received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

i) financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC (net of the ECL provision); and

ii) financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Customer acquisition expense recognition. Customer acquisition expenses are represented by the costs incurred by the Group on services related to attraction of the client, mailing of advertising materials, processing of responses etc. Those costs, which can be directly attributed to the acquisition of a particular client, are included in the effective interest rate of the originated financial instruments; the remaining costs are expensed on the basis of the actual services provided.

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Group's progress towards complete satisfaction of that performance obligation.

* NSD Valuation Center is a fair value measurement service for bonds and other financial instruments, accredited by the CBRF.

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Notes to the Consolidated Financial Statements (Continued)

41 Significant Accounting Policies (Continued)

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Fee and commission income and expense. Fee and commission income is recognised over time as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes SMS fee, part of SME services commission, part of brokerage fee and income from MVNO services which represents fixed monthly payments.

Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes acquiring commission, part of SME services commission, brokerage fee and income from MVNO services, which represents payments for each transaction, fee for selling credit protection, interchange fee, cash withdrawal fee, foreign currency exchange transactions fee, fee for money transfers and other.

All fee and commission expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Customer loyalty program. The group operates loyalty programs where retail clients accumulate points, which entitle them to reimbursement of purchases made with credit and debit cards. A financial liability is recognised for the amount of fair value of points expected to be redeemed until they are actually redeemed or expire with the corresponding entries to interest income calculated using the effective interest rate method or commission expenses depending on whether the points were accumulated by credit card clients or debit card clients respectively.

Insurance contracts. Insurance contracts are those contracts that transfer significant insurance risk. Insurance risk exists when the Group has uncertainty in respect of at least one of the following matters at inception of the contract: occurrence of insurance event, date of occurrence of the insurance event, and the claim value in respect of the occurred insurance event. Such contracts may also transfer financial risk.

Non-life insurance (short-term insurance). The below items from the consolidated statement of financial position of the Group are accounted within Other financial assets and Other financial liabilities lines, the below items from the consolidated statement of profit or loss and other comprehensive income of these consolidated financial statements are accounted within Income from insurance operations and Insurance claims incurred lines.

- ***Premiums written.*** Premiums (hereafter – "premiums" or "insurance premiums") under insurance contracts are recorded as written upon inception of a contract and are earned on a pro-rata basis over the term of the related contract coverage. Reduction of premium written in subsequent periods (under amendments to the signed original contacts, for example) is accounted by debiting of premiums written in current period.
- ***Claims.*** Claims are charged to the consolidated statement of profit or loss and other comprehensive income as compensation is paid to policyholders (beneficiaries) or third parties.
- ***Claims handling expenses.*** Claims handling expenses are recognised in profit or loss for the period as incurred and include direct expenses related to negotiations and subsequent claims handling, as well as indirect expenses, including expenses of claims handling department and administrative expenses directly related to activities of this department.
- ***Reinsurance.*** The Group assumes and cedes reinsurance in the normal course of business. Ceded reinsurance contracts do not relieve the Group from its obligations to the policyholders under insurance contract. Amounts due from reinsurers are measured consistently with the amounts associated with the direct insurance contracts and in accordance with the terms of each reinsurance contract. Reinsurance assets arising from outward reinsurance contracts include reinsurers share in paid claims, including claims handling expenses. Liabilities under outward reinsurance operations are obligations of the Group for payment of premiums to reinsurers. Reinsurance assets include premiums ceded to the Group under inward reinsurance contracts. The Group's liabilities under inward reinsurance contracts are obligations to compensate the Group's share in paid claims, including claims handling expenses to reinsurers. The Group assesses its reinsurance assets for impairment on a regular basis. If there is objective evidence that the reinsurance asset is impaired, the Group reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the consolidated statement of profit or loss and other comprehensive income.

  The Group gathers the evidence that a reinsurance asset is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is also calculated following the same method used for the financial assets carried at amortised cost.
- ***Subrogation income.*** The Group has a right to pursue third parties responsible for loss for payment of some or all costs related to the claims settlement process of the Group (subrogation). Reimbursements are recognised as income only if the Group is confident in receipt of these amounts from these third parties. Under inward reinsurance contracts, amounts of reimbursement due to the Group as a result of settlement of reinsurer's subrogation claims are treated as the Group's income as at the date of acceptance of the invoice received from the reinsurer and including calculation of the Group's share in the subrogation claim.
- ***Deferred acquisition costs.*** Deferred acquisition costs ("DAC") are calculated (for non-life insurance contracts) separately for each insurance product. Acquisition costs include remuneration to agents for concluding agreements with corporate clients and individuals and brokerage fees for underwriting of assumed reinsurance agreements. They vary with and fully depend on the premium earned under acquired or renewed insurance policies. These acquisition costs are deferred and amortised over the period in which the related written premiums are earned. They are reviewed by line of business at the time of the policy issue and at the end of each accounting period to ensure they are recoverable based on future estimates. For the insurance contracts with duration of less than one month and with automatic prolongation condition amortisation of one-off acquisition costs occurs over the period determined based on statistical assessment of duration of the insurance contract taking into account all of the expected future prolongations.

Insurance provisions

- ***Provision for unearned premiums.*** Provision for unearned premiums ("UEPR") represents the proportion of premiums written that relate to the unexpired term of policies in force as at the reporting date, calculated on a time apportionment basis. UEPR is recognised within liabilities on a gross basis.
- ***Loss provisions.*** Loss provisions represent the accumulation of estimates for ultimate losses and include outstanding claims provision ("OCP") and provision for losses incurred but not yet reported ("IBNR"). Loss provisions are recognised within liabilities on a gross basis. Estimates of claims handling expenses are included in both OCP and IBNR. OCP is provided in respect of claims reported, but not settled as at the reporting date. The estimation is made on the basis of information received by the Group during settlement of the insured event, including information received after the reporting date. IBNR is determined by the Group by line of business using actuarial methods, and includes assumptions based on prior years' claims and claims handling experience. IBNR is calculated for each occurrence period as the difference between the projected maximum amount of future payments resulting from the events that occurred during the period and the amount of future payments resulting from the event already reported but not settled at the reporting date within the same period. The methods of determining such estimates and establishing the resulting provisions are continually reviewed and updated. Resulting adjustments are reflected in the consolidated statement of profit or loss and other comprehensive income as they arise. Loss provisions are estimated on an undiscounted basis due to relatively quick pattern of claims notification and payment.
- ***Unexpired risk provision.*** Unexpired risk provision ("URP") is recorded when unearned premiums are insufficient to meet claims and expenses, which may be incurred after the end of the financial year. To estimate the unexpired risk provision the Group uses historical experience and forward looking assumptions of ultimate loss ratios (including claims handling expenses) and the level of in-force portfolio maintenance expenses. The expected claims are calculated having regard to events that have occurred prior to the reporting date. For the purposes of final presentation of consolidated financial statements unexpired risk provision is written off against deferred acquisition costs.
- ***Liability adequacy testing.*** As at each reporting date the adequacy of the insurance reserves is tested. Testing of insurance reserves for non-life insurance is performed to ensure adequacy of contract liabilities. In performing these tests, current estimates of future contractual cash flows, claims handling and administration expenses are used. As a result of liability adequacy testing for non-life insurance, the Group sets up its URP.

Notes to the Consolidated Financial Statements (Continued)

41 Significant Accounting Policies (Continued)

Foreign currency translation and operations. The functional currency of the Company and each of the Group's consolidated entities is the Russian Rouble ("RR"), which is the currency of the primary economic environment in which each entity operates. Monetary assets and liabilities are translated into each entity's functional currency at the official exchange rate of the CBRF at the end of the respective reporting period.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year as Net (losses)/gains from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as net (losses)/gains from operations with foreign currencies (except for clients' foreign currency exchange transactions fee, which is recognised in profit or loss as fee and commission income).

Translation at year-end rates does not apply to non-monetary items that are measured at historical cost.

At 31 December 2021 the rate of exchange used for translating foreign currency balances was USD 1 = RR 74.2926 (2020: USD 1 = RR 73.8757), and the average rate of exchange was USD 1 = RR 73.6541 (2020: USD 1 = RR 72.1464).

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

Earnings per share. Earnings per share are determined by dividing the profit or loss attributable to owners of the Company by the weighted average number of participating shares outstanding during the reporting year, excluding treasury shares. For the purpose of diluted earnings per share calculation the Group considers dilutive effects of shares granted under employee share option plans.

Staff costs and related contributions. Wages, salaries, contributions to the Russian Federation state pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has no legal or constructive obligation to make pension or similar benefit payments beyond the payments to the statutory defined contribution scheme.

Segment reporting. Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, result or assets are ten percent or more of all the segments are reported separately.

Equity-settled share-based payment. The expense is recognized over the vesting period and is measured at the fair value of the award determined at the grant date, which is amortized over the service (vesting) period. The fair value of the equity award is estimated only once at the grant date and is trued up to the estimated number of instruments that are expected to vest. Dividends declared during the vesting period accrue and are paid to the employee together with the sale proceeds of the vested shares upon a liquidity event. Expected dividends (including those expected during the vesting period) are therefore included in the determination of fair value of the share-based payment.

Cash-settled share-based program. The expense is recognized gradually over the vesting period and is measured at the fair value of the liability at each end of the reporting period. The fair value of the liability reflects all vesting conditions, except for the requirement of the employee to stay in service which is reflected through the amortization schedule. The liability is measured, initially and at the end of each reporting period until settled, at fair value, taking into account the terms and conditions on which the instruments were granted and the extent to which the employees have rendered service to date.

Beskontakt acquisition. On 29 April 2021 the Group obtained control of LLC "Beskontakt" through acquisition of its 77,4% net assets (refer to Note 1). To account for this acquisition, the Group decided to apply an optional concentration test as allowed under IFRS 3 "Business combination". The concentration test has demonstrated that approximately 95% of the fair value of gross assets acquired would be concentrated in intangible asset that is represented by the "Koshelek" application and customer database. Therefore, the Group concluded that the acquired set of assets and activities is not a business. For the acquisition of an asset or a group of assets that does not constitute a business, such a transaction or event does not give rise to goodwill.

Amendments of the consolidated financial statements after issue. The Board of directors of the Company has the power to amend the consolidated financial statements after issue.

Changes in presentation. In March 2021 the Group refined its presentation of non-recoverable VAT expenses by including them into the expense items which triggered such VAT expenses. The management considers that such refined presentation results in more relevant presentation of substance of those non-recoverable VAT expenses. As a result, the comparative information was amended accordingly in the notes to the following financial statements line items: Fee and commission expense, Customer acquisition expense and Administrative and other operating expenses (refer to Notes 22, 23 and 25).

The effect of changes described above on the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 is as follows:

In millions of RR	As originally presented	Reclassification	As reclassified
Fee and commission expense	(21,599)	(616)	(22,215)
Administrative and other operating expenses	(35,621)	616	(35,005)

42 Adoption of New or Revised Standards and Interpretations

The following amended standard became effective from 1 January 2021, but did not have any material impact on the Group:

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). Under these amendments, changes to the basis for determining the contractual cash flows are reflected by adjusting the effective interest rate. No immediate gain or loss is recognised. Reform and replacement of various inter-bank offered rates ('IBORs') has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023. During the reporting year and as at 31 December 2021, the Group does not have any transactions and balances based on IBOR or LIBOR rates.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

43 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2022, which the Group has not early adopted:

IFRS 17 "Insurance Contracts"(issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.

The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be recognising the profit from a group of insurance contracts over the period they provide insurance coverage, and as they are released from risk. If a group of contracts is or becomes loss-making, an entity will be recognising the loss immediately. The Group is currently assessing the impact of IFRS 17 on the insurance contracts issued by the Insurance Company as well as the impact for credit cards and similar loan products which may include insurance component.

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Notes to the Consolidated Financial Statements (Continued)

43 Significant Accounting Pronouncements (Continued)

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments 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.

Amendment to IFRS 4 – deferral of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

The following other new pronouncements are not expected to have any material impact on the Group when adopted:

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016)*.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022)*.
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.
- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

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