"BNP PARIBAS BANK" JSC

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

31 December 2020

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Independent Auditor's Report

To the Shareholder and the Supervisory Board of "BNP PARIBAS Bank" Join Stock Company:

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of "BNP PARIBAS Bank" Joint Stock Company (the "Bank") as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Bank's financial statements comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Auditor's Professional Ethics Code and Auditor's Independence Rules that are relevant to our audit of the financial statements in the Russian Federation. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Responsibilities of management and those charged with governance for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Report on other legal and regulatory requirements

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

The management of the Bank is responsible for compliance of the Bank with the statutory ratios set by the Bank of Russia and for compliance of internal control and organisation of risk management systems of the Bank with the Bank of Russia's requirements for such systems.

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

- compliance of the Bank as at 1 January 2021 with the statutory ratios set by the Bank of Russia;
- compliance of internal control and organisation of risk management systems of the Bank with the requirements set by the Bank of Russia for such systems.

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

We have identified the following based on our examination:

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

   as at 1 January 2021 the Bank's statutory ratios set by the Bank of Russia were within the limits set by the Bank of Russia.

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

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

   a) in accordance with the Bank of Russia's requirements and recommendations, as at 1 January 2021 subdivisions of the Bank for managing significant risks of the Bank were not subordinated or accountable to subdivisions assuming corresponding risks;

   b) internal documents of the Bank effective as at 1 January 2021 which set out the methodologies to identify and manage significant credit, market, liquidity, interest rate, operational, concentration risks and the methodologies to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Bank of Russia's requirements and recommendations;

   c) as at 1 January 2021 the Bank had in place a reporting system for significant credit, market, liquidity, interest rate, operational, concentration risks and for equity (capital) of the Bank;

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

e) as at 1 January 2021 the authority of the Supervisory Board of the Bank and its executive bodies included control over compliance of the Bank with risk and equity (capital) adequacy limits set by internal documents of the Bank. To exercise control over the effectiveness of the risk management procedures applied in the Bank and their consistent application in 2020, the Supervisory Board of the Bank and its executive bodies regularly discussed the reports prepared by risk management subdivisions of the Bank and its internal audit function and considered proposed measures to eliminate weaknesses.

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

АО PricewaterhouseCoopers Audit

31 March 2021

Moscow, Russian Federation

A.V. Boyko, certified auditor (licence No. 01-001510), AO PricewaterhouseCoopers Audit

Audited entity: BNP PARIBAS Bank" Joint Stock Company

Record made in the Unified State Register of Legal Entities on 22 July 2002 under State Registration Number 1027700045780

Taxpayer Identification Number: 7744002405

Lesnaya 5, Moscow, Russia, 125047

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

Member of Self-regulatory organization of auditors Association «Sodruzhestvo»

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

In thousands of Russian Roubles	Note	31 December 2020	31 December 2019
ASSETS			
Cash and cash equivalents	7	34 887 142	31 882 041
Mandatory cash balances with the Central Bank of Russian Federation		562 710	374 813
Derivatives and financial assets at fair value through profit or loss	8	2 768 956	2 191 094
Due from other banks and financial institutions	9	2 434 070	20 000
Investments in debt securities	10	3 223 103	2 938 778
Loans and advances to customers	11	12 046 679	5 289 213
Right of use assets	12	382 321	504 221
Intangible assets	13	37 764	41 896
Property and equipment	13	26 630	38 577
Current income tax prepayment	24	130 406	225
Other financial assets	14	620 550	295 399
Other non-financial assets	14	91 290	59 371
TOTAL ASSETS		**57 211 621**	**43 635 628**
LIABILITIES			
Derivatives and financial liabilities at fair value through profit or loss	8	2 152 785	2 286 425
Due to other banks	15	15 737 153	8 894 783
Customer accounts	16	27 063 329	20 274 944
Lease liabilities	25	334 435	448 370
Current income tax liability	24	8 574	7 820
Subordinated debt	17, 25	2 015 335	2 724 405
Other financial liabilities	18	220 681	73 028
Other non-financial liabilities	18	142 369	123 861
TOTAL LIABILITIES		**47 674 661**	**34 833 636**
EQUITY			
Share capital	19	5 798 193	5 798 193
Share premium	19	392 546	392 546
Retained earnings		3 346 221	2 611 253
TOTAL EQUITY		**9 536 960**	**8 801 992**
TOTAL LIABILITIES AND EQUITY		**57 211 621**	**43 635 628**

Approved for issue and signed on behalf of the Board on 31 March 2021.

Акционерное общество * Свидетельство Банка России № 3407 * «БНП ПАРИБА Банк» * "BNP PARIBAS Bank" Joint stock company * МОСКВА *

Pierre Bonin
Chairman of the Management Board

Konstantin Ruchkin
Chief Accountant

The notes set out on pages 5 to 64 form an integral part of these financial statements.

In thousands of Russian Roubles	**Note**	**2020**	**2019**
Interest income and similar revenues	20	2 199 293	2 821 718
Interest expense and similar charges	20	(1 325 110)	(2 134 738)
Net interest income		**874 183**	**686 980**
Credit loss allowance (charges) / reversal		(8 511)	5 460
Net interest income after credit loss allowance		**865 672**	**692 440**
Fee and commission income	21	755 151	379 056
Fee and commission expense	21	(79 540)	(60 845)
Gains less losses from trading in foreign currencies, financial instruments at FVTPL and remeasurement of currency position	22	332 901	304 117
Credit loss allowance for credit related commitments (charges) / reversal		1 160	43 865
Other operating income		19 123	6 981
Administrative and other operating expenses	23	(1 123 774)	(985 039)
Profit before tax		**770 693**	**380 575**
Income tax expense	24	(35 725)	(33 270)
PROFIT FOR THE YEAR		**734 968**	**347 305**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**734 968**	**347 305**

The notes set out on pages 5 to 64 form an integral part of these financial statements.

In thousands of Russian Roubles	Share capital	Share premium	Retained earnings	Total equity
Balance at 1 January 2019	**5 798 193**	**392 546**	**2 263 948**	**8 454 687**
Total comprehensive income for 2019	-	-	347 305	347 305
Balance at 31 December 2019	**5 798 193**	**392 546**	**2 611 253**	**8 801 992**
Total comprehensive income for 2020	-	-	734 968	734 968
Balance at 31 December 2020	**5 798 193**	**392 546**	**3 346 221**	**9 536 960**

In thousands of Russian Roubles	Note	2020	2019
Cash flows from operating activities			
Interest received		2 183 351	2 835 057
Interest paid		(1 330 554)	(2 284 482)
Fees and commissions received		453 367	292 959
Fees and commissions paid		(79 540)	(60 845)
Losses net of gains from financial instruments at fair value through profit or loss		(1 273 280)	(37 748)
Staff costs paid		(558 263)	(505 166)
Administrative and other operating expenses paid		(253 456)	(326 563)
Income tax paid		(165 152)	(163 602)
Other income received		19 123	6 981
Cash flows from operating activities before changes in operating assets and liabilities		**(1 004 404)**	**(243 409)**
Net (increase) / decrease in mandatory cash balances		(187 897)	10 351
Net (increase) in due from other banks		(2 414 485)	-
Net (increase) / decrease in loans and advances to customers		(6 643 386)	583 793
Net decrease / (increase) in other financial assets		21 106	(287)
Net (increase) / decrease in other non-financial assets		(36 574)	44 008
Net increase in due to other banks		5 946 698	799 630
Net increase / (decrease) in customer accounts		6 047 844	(3 411 879)
Net (decrease) in other financial liabilities		(11 176)	(650)
Net increase in other non-financial liabilities		6 963	1 666
Net cash received from / (used in) operating activities		**1 724 689**	**(2 216 777)**
Cash flows from investing activities			
Acquisition of investments in debt securities		(757 858)	(299 727)
Proceeds from redemption of investments in debt securities		454 296	1 000 000
Acquisition of premises and equipment	13	(8 615)	(12 875)
Acquisition of intangible assets	13	(10 602)	(46 507)
Net cash (used in) / received from investing activities		**(322 779)**	**640 891**
Cash flows from financing activities			
Repayment of subordinated debt	17, 25	(3 420 230)	(2 286 814)
Proceeds from subordinated debt	17, 25	1 742 182	-
Repayment of principal of lease liabilities	25	(109 662)	(103 734)
Net cash used in financing activities		**(1 787 710)**	**(2 390 548)**
Effect of exchange rate changes on cash and cash equivalents		**3 390 932**	**(2 025 547)**
Net increase / (decrease) in cash and cash equivalents		**3 005 132**	**(5 991 981)**
Cash and cash equivalents at the beginning of the year	7	31 882 110	37 874 091
Cash and cash equivalents at the end of the year	7	**34 887 242**	**31 882 110**

1 Principal activities

The Bank was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company and was set up in accordance with Russian regulations.

The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank accepts deposits from the legal entities and provides loans, transfers payments in Russia and abroad, exchanges currencies, trades derivative financial instruments and provides other banking services to its commercial customers. The Bank has operated under the banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 10 July 2002.

The Bank participates in the state deposit insurance program, which was introduced by Federal Law No. 177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank is directly and ultimately controlled by BNP Paribas S. A., incorporated in France (the “Parent Bank”), which owns 100% of the ordinary shares. Being a subsidiary of BNP Paribas S.A., the Bank is a part of the international banking network of BNP Paribas Group (the “Group”).

Since 23 January 2018 (and renewed on 14 December 2020) the Bank is rated AAA (RU) with Stable outlook by the Russian Analytical Credit Rating Agency (ACRA) (2019: AAA (RU) with Stable outlook).

Registered address and place of business. The Bank’s registered address is: 5 Lesnaya St., White Square Business Center, Bld. B., Moscow, 125047, Russian Federation.

The average number of the Bank’s employees during 2020 financial year was 126 (2019: 126).

Presentation currency. This financial information is presented in thousand Russian Roubles (“RR”), unless otherwise stated.

2 Operating environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations (Note 28). The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

On 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented 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, including closures. The above measures were gradually relaxed during 2020 and 2021. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Group, as well as the Russian and global economy for an unknown period of time.

The operating environment has a significant impact on the Bank’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Bank’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could differ from actual results.

The Bank acts in accordance with Russian regulations and BNP Paribas Group requirements. It has set up and constantly updates its systems and measures on anti-money laundering, on combatting the financing of terrorism, and on ensuring its compliance with UN Sanctions.

For the purpose of measurement of expected credit losses (“ECL”) the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 26 provides more information of how the Bank incorporated forward-looking information in the ECL models.

3 Significant accounting policies

Basis of preparation. These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) under the historical cost basis except that derivatives and other financial instruments are stated at fair value. Historical cost is generally based on the fair value of consideration given in exchange for goods and services.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated. Refer to Note 5.

Going concern. Management prepared these financial statements on a going concern basis. The management and shareholder have an intention to further develop the business of the Bank in Russian Federation in a corporate segment.

Financial instruments – key measurement terms. *Fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. This is the case even if a market’s normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price.

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). Refer to Note 29.

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 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 the financial instrument.

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.

3 Significant accounting policies (continued)

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. 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 Amortised Cost 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 Bank commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial assets – classification and subsequent measurement – measurement categories. The Bank classifies financial assets in the following measurement categories: FVTPL, FVOCI and Amortised Cost. The classification and subsequent measurement of debt financial assets depends on: (i) the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Bank manages the assets in order to generate cash flows – whether the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) 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") or, 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 Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Bank 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.

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 Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). 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 Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

***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 Bank did not change its business model during the current period and did not make any reclassifications.

3 Significant accounting policies (continued)

Financial assets impairment – credit loss allowance for ECL. The Bank assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts. The Bank measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) 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 Amortised Cost are presented in the statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the statement of financial position.

The Bank applies a three stage model for impairment, based on changes in credit quality since initial recognition. 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”). If the Bank 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 (“Lifetime ECL”). If the Bank determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Bank’s definition of credit impaired assets and definition of default is explained in Note 26. For financial assets that are purchased or originated credit-impaired (“POCI Assets”), the ECL is always measured as a Lifetime ECL. Note 26 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Financial assets – write-off. Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The write-off represents a derecognition event. The Bank may write-off financial assets that are still subject to enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Financial assets – derecognition. The Bank derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Bank 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 Bank sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Bank assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: 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 Bank 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 Bank 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.

3 Significant accounting policies (continued)

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Bank 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 Bank recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

When financial assets are contractually modified (e.g. renegotiated), the Bank assesses whether the modification is substantial and should result in derecognition of the original asset and recognition of a new asset at fair value. This assessment is based primarily on qualitative factors, described in the relevant accounting policy and it requires significant judgment. In particular, the Bank applies judgment in deciding whether credit impaired renegotiated loans should be derecognised and whether the new recognised loans should be considered as credit impaired on initial recognition. The derecognition assessment depends on whether the risks and rewards, that is, the variability of expected (rather than contractual) cash flows, change as a result of such modifications. Management determined that risks and rewards did not change as a result of modifying such loans and therefore in substantially all such modifications, the loans were neither derecognised nor reclassified out of the credit-impaired stage.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), and (ii) financial guarantee contracts and loan commitments.

Financial liabilities – derecognition. Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expired).

An exchange between the Bank 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, is 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. 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.

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management’s experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the 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. Measurement of ECLs is a significant estimate that involves determination of methodology, models and data inputs. Details of ECL measurement methodology are disclosed in Note 26. The following components have a major impact on credit loss allowance: definition of default, SICR, probability of default (“PD”), exposure at default (“EAD”), and loss given default (“LGD”), as well as models of macro-economic scenarios.

3 Significant accounting policies (continued)

For the purposes of compliance with local regulatory requirements and IFRS 9 prescriptions, the Bank has developed an internal set of approaches for calculation of expected credit losses (ECL) which was updated in 2020:

- Internal PD calculation model has been updated in the segments of small and middle entities (“SME”) and Corporates, large entities (“LE”) adding 2018 annual financial statements and bankruptcy/readjustments notifications, including macro-economic parameters forecasts;
- composition and weights of the derived features were reconsidered according to the model algorithm for feature selection and data processing and coefficients of the logistic regression were updated;
- in September 2020 macro-economic parameters forecasts and master-scales of PD on internal ratings have been additionally calibrated on COVID-19 influence.

The updates made on the Internal PD calculation model during 2020 did not have the significant impact on the results of the model.

In November 2020 an independent primary validation of the model was carried out by external validator.

In 2020 LGD calculation approach has been changed. While determining LGD values the Bank follows the standards recommended by the Basel Committee on Banking Supervision. According to the Foundation IRB approach to calculating credit risk-weighted assets (the standard "Calculation of RWA for credit risk. CRE 22. Standardized approach: credit risk mitigation" as amended on 1 January 2019 and "CRE 32 IRB approach: risk components for each asset class" as amended on 1 January 2019), the following standard LGD values are used on the following basis:

- Senior claims on corporates and financial institutions not secured by recognized collateral will be assigned a 45% LGD.
- Subordinated claims on corporates and financial institutions will be assigned a 75% LGD.
- Secured claims will be assigned LGD secured depending on external rating of Guarantor, taking into account adjustments on currency / tenor mismatch (if applicable).

Significant increase in credit risk (“SICR”). In order to determine whether there has been a significant increase in credit risk, the Bank compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Bank considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. Refer to Note 26.

Should ECL on all loans and advances to customers be measured at lifetime ECL (that is, including those that are currently in Stage 1 measured at 12-month ECL), the expected credit loss allowance would be higher by RR 140 387 thousand as of 31 December 2020 (31 December 2019: higher by RR 10 469 thousand).

Business model assessment. The business model drives classification of financial assets. Management applied judgement in determining the level of aggregation and portfolios of financial instruments when performing the business model assessment. When assessing sales transactions, the Bank considers their historical frequency, timing and value, reasons for the sales and expectations about future sales activity. Sales transactions aimed at minimising potential losses due to credit deterioration are considered consistent with the “hold to collect” business model. Other sales before maturity, not related to credit risk management activities, are also consistent with the “hold to collect” business model, provided that they are infrequent or insignificant in value, both individually and in aggregate. The Bank assesses significance of sales transactions by comparing the value of the sales to the value of the portfolio subject to the business model assessment over the average life of the portfolio. In addition, sales of financial asset expected only in stress case scenario, or in response to an isolated event that is beyond the Bank‘s control, is not recurring and could not have been anticipated by the Bank, are regarded as incidental to the business model objective and do not impact the classification of the respective financial assets.

3 Significant accounting policies (continued)

The “hold to collect and sell” business model means that assets are held to collect the cash flows, but selling is also integral to achieving the business model’s objective, such as, managing liquidity needs, achieving a particular yield, or matching the duration of the financial assets to the duration of the liabilities that fund those assets.

The residual category includes those portfolios of financial assets, which are managed with the objective of realising cash flows primarily through sale, such as where a pattern of trading exists. Collecting contractual cash flow is often incidental for this business model.

On transition to IFRS 9, the Bank classified its portfolio of Available-for-sale investment securities as held to collect based on the assumption that these securities would only be sold in a stress case scenario.

Assessment whether cash flows are solely payments of principal and interest (“SPPI”). Determining whether a financial asset’s cash flows are solely payments of principal and interest required judgement.

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument’s underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument’s cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets. The Bank applied a threshold of 5% to determine whether differences against benchmark instruments are significantly different. In case of a scenario with cash flows that significantly differ from the benchmark, the assessed instrument’s cash flows are not SPPI and the instrument is then carried at FVTPL.

The Bank identified and considered contractual terms that change the timing or amount of contractual cash flows. The SPPI criterion is met if a loan allows early settlement and the prepayment amount substantially represents principal and accrued interest, plus a reasonable additional compensation for the early termination of the contract. The asset’s principal is the fair value at initial recognition less subsequent principal repayments, i.e. instalments net of interest determined using the effective interest method. As an exception to this principle, the standard also allows instruments with prepayment features that meet the following condition to meet SPPI: (i) the asset is originated at a premium or discount, (ii) the prepayment amount represents contractual par value and accrued interest and a reasonable additional compensation for the early termination of the contract, and (ii) the fair value of the prepayment feature is immaterial at initial recognition.

The Bank’s loan agreements allow adjusting interest rates in response to certain macro-economic or regulatory changes. Management applied judgement and assessed that competition in the banking sector and the practical ability of the borrowers to refinance the loans would prevent it from resetting the interest rates at an above-market level and hence cash flows were assessed as being SPPI. Bank has no instruments that failed the SPPI test as at 31 December 2020 and 31 December 2019.

Initial recognition of related party transactions. In the normal course of business the Bank enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 31.

Cash and cash equivalents. Cash and cash equivalents are items which 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 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, both in the statement of financial position and for the purposes of the statement of cash flows. Cash and cash equivalents are carried at Amortised Cost because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

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 Bank’s day-to-day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the statement of cash flows.

3 Significant accounting policies (continued)

Due from other banks and financial institutions. Amounts due from other banks and financial institutions are recorded when the Bank advances money to counterparty banks. Amounts due from other banks and financial institutions are carried at Amortised Cost when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Bank classifies investments in debt securities as carried at Amortised Cost, 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. 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 Amortised Cost or FVOCI. The Bank 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 Bank advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Bank classifies loans and advances to customers into one of the following measurement categories: (i) Amortised Cost: 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, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for Amortised Cost or FVOCI are measured at FVTPL.

Impairment allowances are determined based on the forward-looking ECL models. Note 26 provides information about inputs, assumptions and estimation techniques used in measuring ECL, including an explanation of how the Bank incorporates forward-looking information in the ECL models.

Loan commitments. The Bank issues commitments to provide loans. These commitments are fully revocable. Such commitments 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 commitment, except for commitments to originate loans if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; 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 (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts. The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Bank cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees. Financial guarantees require the Bank to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial 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 guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition.

3 Significant accounting policies (continued)

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 Bank 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.

Equipment and leasehold improvements. Equipment and leasehold improvements are stated at cost less accumulated depreciation and provision for impairment, where required.

At the end of each reporting period management assesses whether there is any indication of impairment of equipment and leasehold improvements. 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).

Costs of minor repairs and day-to-day maintenance are expensed when incurred. Costs of replacing major parts or components of equipment and leasehold improvements items are capitalised and the replaced part is retired.

Depreciation. Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful life:

	Useful life in years
Equipment	5
Computers	3
Vehicles	5
Computer software licences	3-5
Right of use assets	over the term of the underlying lease
Leasehold improvements	over the term of the underlying lease
Other	5

The residual value of an asset is the estimated amount that the Bank would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life. The assets’ residual values and useful life are reviewed and adjusted, if appropriate, at the end of each reporting period.

Intangible assets. The Bank’s intangible assets have definite useful life and primarily include capitalised computer software and licenses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly associated with identifiable and unique software controlled by the Bank are recorded as intangible assets if the inflow of incremental economic benefits exceeding costs is probable. All other costs associated with computer software, e.g. its maintenance, are expensed when incurred. Capitalised computer software is usually amortised on a straight line basis over expected useful life of 5 years or term of licence.

Accounting for leases by the Bank as a lessee. The Bank leases premises and cars. Leases 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 Bank. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is recognised at cost and depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis.

3 Significant accounting policies (continued)

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;
- variable lease payment that are based on an index or a rate;
- 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;
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

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;
- restoration costs.

As an exception to the above, the Bank accounts for short-term leases and leases of low value assets by recognising the lease payments as an expense on a straight line basis.

In determining the lease term, management of the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial year, the financial effect of revising lease terms to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right of use assets of RR 45 834 thousand. Refer to Note 12.

Due to other banks. Amounts due to other banks are recorded when money or other assets are advanced to the Bank by counterparty banks. The non-derivative liability is carried at Amortised Cost. If the Bank purchases its own debt, the liability is removed from the statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in gains or losses arising from early retirement of debt.

Customer accounts. Customer accounts are non-derivative liabilities to individuals, state or corporate customers and are carried at Amortised Cost.

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 Amortised Cost.

Derivative financial instruments. Derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, and currency and interest rate options are carried at their fair value.

All derivative instruments are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of derivative instruments are included in profit or loss for the year (gains less losses from derivatives).

3 Significant accounting policies (continued)

Income taxes. Income taxes have been provided for in the financial statements in accordance with 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 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 the reporting period which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

Uncertain tax positions. The Bank's uncertain tax positions are reassessed 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 by the end of the 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 Bank 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.

Trade and other payables. Trade payables are accrued when the counterparty has performed its obligations under the contract and are carried at Amortised Cost.

Share capital and share premium. 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. Any excess of the fair value of consideration received over the par value of shares issued is recorded as share premium in equity.

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 financial statements are authorised for issue, are disclosed in the subsequent events note.

Interest income and expense recognition. Interest income and expense are recorded for all debt instruments, on an accrual basis using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents. Commitment fees received by the Bank to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Bank will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Bank does not designate loan commitments as financial liabilities at FVTPL.

3 Significant accounting policies (continued)

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 Amortised Cost, 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 Amortised Cost.

Fee and commission income. Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Bank’s performance. Such income includes recurring fees for account maintenance, account servicing fees other asset management advisory and service fees, etc. 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 Bank 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 fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements and others. Loan syndication fees are recognised as income when the syndication has been completed and the Bank retains no part of the loan package for itself, or retains a part at the same effective interest rate as for the other participants.

Foreign currency translation. For the purposes of financial information preparation monetary assets and liabilities are translated into each entity’s functional currency at the official exchange rate of the CBRF at the last working day of reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into each entity’s functional currency are recognised in profit or loss for the period (as foreign exchange translation gains less losses).

As at 31 December 2020 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 73.8757 (31 December 2019: USD 1 = RR 61.9057), EUR 1 = RR 90.6824 (31 December 2019: EUR 1 = RR 69.3406).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the 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.

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 Bank.

Share-based compensation. Certain employees of the Bank are entitled to cash settled share-based compensation. Share-based payment transactions are payments based on shares issued by the BNP Paribas S.A., which are settled in the form of cash of which the amount is based on trends in the value of BNP Paribas S.A. shares. The Bank does not provide any compensation plans for its own shares.

IFRS 2 requires share-based payments to be recognised as an expense. The amount recognised is the value of the share-based payment granted to the employee. The expense related to these plans is recognised in the year during which the employee rendered the corresponding services. The expense is recognised under salaries and employee benefits’ account with a corresponding liability in the statement of financial position. It is revised each reporting date until settlement to take into account any performance conditions and the change in the BNP Paribas S.A. share price.

Presentation of statement of financial position in order of liquidity. The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity.

3 Significant accounting policies (continued)

The following tables provide information for each line item in the statement of financial position which combines amounts expected to be recovered or settled before and after twelve months after the reporting period for items that are not analysed in Note 26:

		31 December 2020			**31 December 2019**		
		Amounts expected to be recovered or settled			**Amounts expected to be recovered or settled**		
In thousands of Russian Roubles	**Note**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**	**Within 12 months after the reporting period**	**After 12 months after the reporting period**	**Total**
ASSETS							
Other non-financial assets	14	91 290	-	91 290	59 371	-	59 371
Current income tax prepayment	24	130 406	-	130 406	225	-	225
Intangible assets	13	-	37 764	37 764	-	41 896	41 896
Property and equipment	13	-	26 630	26 630	-	38 577	38 577
Right of use assets	12	-	382 321	382 321	-	504 221	504 221
LIABILITIES							
Current income tax liability	24	8 574	-	8 574	7 820	-	7 820
Other non-financial liabilities	18	117 459	24 910	142 369	103 254	20 607	123 861

4 Critical accounting estimates and judgements in applying accounting policies

Write-off policy. Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. Determining the cash flows for which there is no reasonable expectation of recovery requires judgement.

Deferred income tax asset recognition. The deferred tax asset is recorded to the extent that realisation of the related tax benefit is probable.

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.

Tax legislation. Russian tax currency and customs legislation is subject to varying interpretations.

5 Adoption of new or revised standards and interpretations

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

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

5 Adoption of new or revised standards and interpretations (continued)

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

The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

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

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020). The amendments were triggered by replacement of benchmark interest rates such as LIBOR and other inter-bank offered rates ('IBORs'). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform.

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

6 New accounting pronouncements

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

IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds. The standard requires recognition and measurement of groups of insurance contracts at: (i) a risk-adjusted present value of the future cash flows (the fulfilment cash flows) that incorporates all of the available information about the fulfilment cash flows in a way that is consistent with observable market information; plus (if this value is a liability) or minus (if this value is an asset) (ii) an amount representing the unearned profit in the group of contracts (the contractual service margin). Insurers will be 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 Bank is currently assessing application of the standard to performance guarantees that it issues and the impact of the new standard on its financial statements. Potential impact on insurance products embedded in loans and similar instruments is also under consideration.

6 New accounting pronouncements (continued)

Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments 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. The following amendments to IFRS 17 were made:

- *Effective date:* The effective date of IFRS 17 (incorporating the amendments) has been deferred by two years to annual reporting periods beginning on or after 1 January 2023; and the fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has also been deferred to annual reporting periods beginning on or after 1 January 2023.
- *Expected recovery of insurance acquisition cash flows:* An entity is required to allocate part of the acquisition costs to related expected contract renewals, and to recognise those costs as an asset until the entity recognises the contract renewals. Entities are required to assess the recoverability of the asset at each reporting date, and to provide specific information about the asset in the notes to the financial statements.
- *Contractual service margin attributable to investment services*: Coverage units should be identified, considering the quantity of benefits and expected period of both insurance coverage and investment services, for contracts under the variable fee approach and for other contracts with an ‘investment-return service’ under the general model. Costs related to investment activities should be included as cash flows within the boundary of an insurance contract, to the extent that the entity performs such activities to enhance benefits from insurance coverage for the policyholder.
- *Reinsurance contracts held – recovery of losses:* When an entity recognises a loss on initial recognition of an onerous group of underlying insurance contracts, or on addition of onerous underlying contracts to a group, an entity should adjust the contractual service margin of a related group of reinsurance contracts held and recognise a gain on the reinsurance contracts held. The amount of the loss recovered from a reinsurance contract held is determined by multiplying the loss recognised on underlying insurance contracts and the percentage of claims on underlying insurance contracts that the entity expects to recover from the reinsurance contract held. This requirement would apply only when the reinsurance contract held is recognised before or at the same time as the loss is recognised on the underlying insurance contracts.
- *Other amendments:* Other amendments include scope exclusions for some credit card (or similar) contracts, and some loan contracts; presentation of insurance contract assets and liabilities in the statement of financial position in portfolios instead of groups; applicability of the risk mitigation option when mitigating financial risks using reinsurance contracts held and non-derivative financial instruments at fair value through profit or loss; an accounting policy choice to change the estimates made in previous interim financial statements when applying IFRS 17; inclusion of income tax payments and receipts that are specifically chargeable to the policyholder under the terms of an insurance contract in the fulfilment cash flows; and selected transition reliefs and other minor amendments.

The Bank is currently assessing the impact of the amendments on its financial statements.

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

6 New accounting pronouncements (continued)

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

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). The amendment to IAS 1 on classification of liabilities as current or non-current was issued in January 2020 with an original effective date 1 January 2022. However, in response to the Covid-19 pandemic, the effective date was deferred by one year to provide companies with more time to implement classification changes resulting from the amended guidance. The Bank is currently assessing the impact of the amendments on its financial statements.

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). The amendment to IAS 16 prohibits an entity from deducting from the cost of an item of PPE any proceeds received from selling items produced while the entity is preparing the asset for its intended use. The proceeds from selling such items, together with the costs of producing them, are now recognised in profit or loss. An entity will use IAS 2 to measure the cost of those items. Cost will not include depreciation of the asset being tested because it is not ready for its intended use. The amendment to IAS 16 also clarifies that an entity is 'testing whether the asset is functioning properly' when it assesses the technical and physical performance of the asset. The financial performance of the asset is not relevant to this assessment. An asset might therefore be capable of operating as intended by management and subject to depreciation before it has achieved the level of operating performance expected by management.

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

IFRS 3 was amended to refer to the 2018 Conceptual Framework for Financial Reporting, in order to determine what constitutes an asset or a liability in a business combination. Prior to the amendment, IFRS 3 referred to the 2001 Conceptual Framework for Financial Reporting. In addition, a new exception in IFRS 3 was added for liabilities and contingent liabilities. The exception specifies that, for some types of liabilities and contingent liabilities, an entity applying IFRS 3 should instead refer to IAS 37 or IFRIC 21, rather than the 2018 Conceptual Framework. Without this new exception, an entity would have recognised some liabilities in a business combination that it would not recognise under IAS 37. Therefore, immediately after the acquisition, the entity would have had to derecognise such liabilities and recognise a gain that did not depict an economic gain. It was also clarified that the acquirer should not recognise contingent assets, as defined in IAS 37, at the acquisition date.

6 New accounting pronouncements (continued)

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

IFRS 1 allows an exemption if a subsidiary adopts IFRS at a later date than its parent. The subsidiary can measure its assets and liabilities at the carrying amounts that would be included in its parent’s consolidated financial statements, based on the parent’s date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. IFRS 1 was amended to allow entities that have taken this IFRS 1 exemption to also measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to IFRS. The amendment to IFRS 1 extends the above exemption to cumulative translation differences, in order to reduce costs for first-time adopters. This amendment will also apply to associates and joint ventures that have taken the same IFRS 1 exemption.

The requirement for entities to exclude cash flows for taxation when measuring fair value under IAS 41 was removed. This amendment is intended to align with the requirement in the standard to discount cash flows on a post-tax basis. The Bank is currently assessing the impact of the amendments on its financial statements.

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

- *Accounting for changes in the basis for determining contractual cash flows as a result of IBOR reform:* For instruments to which the amortized cost measurement applies, the amendments require entities, as a practical expedient, to account for a change in the basis for determining the contractual cash flows as a result of IBOR reform by updating the effective interest rate using the guidance in paragraph B5.4.5 of IFRS 9. As a result, no immediate gain or loss is recognized. This practical expedient applies only to such a change and only to the extent it is necessary as a direct consequence of IBOR reform, and the new basis is economically equivalent to the previous basis. Insurers applying the temporary exemption from IFRS 9 are also required to apply the same practical expedient. IFRS 16 was also amended to require lessees to use a similar practical expedient when accounting for lease modifications that change the basis for determining future lease payments as a result of IBOR reform.
- *End date for Phase 1 relief for non contractually specified risk components in hedging relationships:* The Phase 2 amendments require an entity to prospectively cease to apply the Phase 1 reliefs to a non-contractually specified risk component at the earlier of when changes are made to the non-contractually specified risk component, or when the hedging relationship is discontinued. No end date was provided in the Phase 1 amendments for risk components.
- *Additional temporary exceptions from applying specific hedge accounting requirements:* The Phase 2 amendments provide some additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.
- *Additional IFRS 7 disclosures related to IBOR reform:* The amendments require disclosure of: (i) how the entity is managing the transition to alternative benchmark rates, its progress and the risks arising from the transition; (ii) quantitative information about derivatives and non-derivatives that have yet to transition, disaggregated by significant interest rate benchmark; and (iii) a description of any changes to the risk management strategy as a result of IBOR reform.

The Bank is currently assessing the impact of the amendments on its financial statements.

Unless otherwise described above, the new standards and interpretations are not expected to affect significantly the Bank’s financial statements.

7 Cash and cash equivalents

In thousands of Russian Roubles	31 December 2020	31 December 2019
Cash balances and placements with the CBRF (other than mandatory)	19 121 027	11 244 199
Correspondent accounts with other banks:		
- Russian Federation	5 646 235	4 328 641
- other countries	412 503	530 513
Placements with other banks with original maturities of less than three months	9 707 477	15 778 757
Total Cash and cash equivalents (gross carrying amount)	**34 887 242**	**31 882 110**
Less credit loss allowance	(100)	(69)
Total Cash and cash equivalents (carrying amount)	**34 887 142**	**31 882 041**

The following table contains an analysis of cash and cash equivalents balances by credit quality at 31 December 2020 based on credit risk ratings for the purpose of ECL measurement.

Refer to Note 26 for the description of the Bank's credit risk rating methodology. For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1.

The carrying amount of cash and cash equivalents balances at 31 December 2020 below also represents the Bank's maximum exposure to credit risk on these assets:

In thousands of Russian Roubles	Cash balances and placements with the CBRF (other than mandatory reserve deposits)	Correspondent accounts with other banks	Placements with other banks with original maturities of less than three months	Total
Neither past due nor impaired				
Externally rated				
- Aa3	-	404 217	7 407 226	7 811 443
- A1	-	8 286	-	8 286
- Baa2	-	5 590 235	1 000 105	6 590 340
- Baa3	19 121 027	4 266	-	19 125 293
- Ba1	-	-	1 300 146	1 300 146
- Ba2	-	51 734	-	51 734
Total Cash and cash equivalents (gross carrying amount)	**19 121 027**	**6 058 738**	**9 707 477**	**34 887 242**
Less credit loss allowance	-	(8)	(92)	(100)
Total Cash and cash equivalents (carrying amount)	**19 121 027**	**6 058 730**	**9 707 385**	**34 887 142**

7 Cash and cash equivalents (continued)

The credit quality of cash equivalents balances based on the same credit rating methodology as at 31 December 2019 may be summarised as follows:

In thousands of Russian Roubles	**Cash balances and placements with the CBRF (other than mandatory reserve deposits)**	**Correspondent accounts with other banks**	**Placements with other banks with original maturities of less than three months**	**Total**
Neither past due nor impaired				
Externally rated				
- Aaa	-	-	4 607 271	4 607 271
- Aa2	-	-	10 003	10 003
- Aa3	-	530 513	11 161 483	11 691 996
- Baa3	11 244 199	4 246 139	-	15 490 338
- Ba3	-	82 502	-	82 502
Total Cash and cash equivalents (gross carrying amount)	**11 244 199**	**4 859 154**	**15 778 757**	**31 882 110**
Less credit loss allowance	-	(15)	(54)	(69)
Total Cash and cash equivalents (carrying amount)	**11 244 199**	**4 859 139**	**15 778 703**	**31 882 041**

As at 31 December 2020 cash and cash equivalents were not collateralised (31 December 2019: not collateralised).

As at 31 December 2020 the Bank had 3 counterparty banks (2019: 4 banks) with aggregated cash and cash equivalent balances of RR 32 189 311 thousand (2019: RR 31 319 927 thousand) or 92% of the cash and cash equivalents (2019: 98%).

At 31 December 2020 the estimated fair value of cash and cash equivalents was RR 34 887 142 thousand (2019: RR 31 882 041 thousand). Refer to Note 29. Maturity and interest rate analysis of cash and cash equivalents are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

8 Derivatives, financial assets, financial liabilities at fair value through profit or loss

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under derivative contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

	31 December 2020		31 December 2019	
In thousands of Russian Roubles	Contracts with positive fair value	Contracts with negative fair value	Contracts with positive fair value	Contracts with negative fair value
Foreign exchange forwards: fair values, at the end of reporting period, of				
- USD receivable on settlement (+)	337 564	1 635 792	-	1 176 746
- USD payable on settlement (-)	(6 736 703)	(4 263 570)	(3 534 184)	(481 704)
- EUR receivable on settlement (+)	2 487 155	427 636	-	360 777
- EUR payable on settlement (-)	(11 353 240)	(18 337 535)	(27 735 362)	(12 403)
- RUR receivable on settlement (+)	19 347 226	28 937 992	38 717 398	1 044 908
- RUR payable on settlement (-)	(3 610 243)	(2 118 095)	-	(1 599 773)
- CNY receivable on settlement (+)	290 810	45 694	107 682	-
- CNY payable on settlement (-)	(290 810)	(45 694)	(107 682)	-
- GBP receivable on settlement (+)	1 152 361	-	-	1 913
- GBP payable on settlement (-)	(645 198)	(7 816 572)	(5 389 832)	(558 815)
- CHF payable on settlement (-)	(126 692)	-	(85 438)	-
Net fair value of foreign exchange forwards	**852 230**	**(1 534 352)**	**1 972 582**	**(68 351)**
Foreign exchange swaps: fair values, at the end of reporting period, of				
- USD receivable on settlement (+)	38 954 020	221 489	1 361 296	12 399 390
- USD payable on settlement (-)	(6 464 722)	(26 375 873)	(7 882 877)	(4 924 728)
- EUR receivable on settlement (+)	23 939 996	10 213 832	2 116 020	29 097 704
- EUR payable on settlement (-)	(257 257)	(6 572 255)	(3 713 972)	-
- RUR receivable on settlement (+)	1 579 790	32 753 088	7 412 187	-
- RUR payable on settlement (-)	(62 758 475)	(11 261 647)	(1 602 194)	(41 823 307)
- GBP receivable on settlement (+)	6 621 967	650 047	2 471 537	3 189 338
Net fair value of foreign exchange swaps	**1 615 319**	**(371 319)**	**161 997**	**(2 061 603)**
Cross currency interest rate swaps: fair values, at the end of reporting period, of				
- USD receivable on settlement (+)	1 554 034	8 491 901	-	-
- USD payable on settlement (-)	(1 162 911)	(3 584 346)	-	-
- EUR receivable on settlement (+)	3 312 357	-	-	-
- EUR payable on settlement (-)	(1 646 714)	(66)	-	-
- RUR receivable on settlement (+)	2 564 689	3 720 393	-	-
- RUR payable on settlement (-)	(4 334 626)	(8 808 851)	-	-
Net fair value of cross currency interest rate swaps	**286 829**	**(180 969)**	**-**	**-**
Interest rate swaps: fair values, at the end of reporting period	**998**	**(60 256)**	**-**	**(100 989)**
Foreign exchange options: fair values, at the end of reporting period	**-**	**-**	**53 548**	**(53 548)**
Net fair value of derivative financial instruments	**2 755 376**	**(2 146 896)**	**2 188 127**	**(2 284 491)**

8 Derivatives, financial assets, financial liabilities at fair value through profit or loss (continued)

In thousands of Russian Roubles	31 December 2020 Contracts with positive fair value	31 December 2020 Contracts with negative fair value	31 December 2019 Contracts with positive fair value	31 December 2019 Contracts with negative fair value
Foreign exchange spots: fair values, at the end of reporting period, of				
- USD receivable on settlement (+)	-	1 193 093	1 136 817	27 858
- USD payable on settlement (-)	(1 880 653)	-	-	(720 274)
- EUR payable on settlement (-)	(362 730)	-	-	-
- RUR receivable on settlement (+)	2 256 963	-	8 184	961 944
- RUR payable on settlement (-)	-	(1 198 674)	(1 363 283)	(27 877)
- GBP receivable on settlement (+)	-	-	229 364	-
- GBP payable on settlement (-)	-	-	(8 115)	(243 438)
Net fair value of other assets and liabilities at fair value through profit or loss	**13 580**	**(5 581)**	**2 967**	**(1 787)**
Market risk provision	-	(308)	-	(147)
Net fair value of derivatives and other assets, liabilities at fair value through profit or loss	**2 768 956**	**(2 152 785)**	**2 191 094**	**(2 286 425)**

Market risk provision represents bid-offer adjustment to net derivatives portfolio of the Bank.

Foreign exchange and other derivative financial instruments entered into by the Bank are generally not quoted in active market and their fair value is determined by the Bank using valuation techniques with input observable in markets. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Refer to Note 29.

The table below presents undiscounted notional amounts of derivatives:

In thousands of Russian Roubles	31 December 2020 Assets, undiscounted	31 December 2020 Liabilities, undiscounted	31 December 2019 Assets, undiscounted	31 December 2019 Liabilities, undiscounted
Undiscounted notional amounts of derivatives				
Foreign exchange forwards	55 258 498	(55 402 480)	42 289 781	(39 521 998)
Foreign exchange options	-	-	4 594 964	(4 594 964)
Swaps, including:	123 094 622	(122 181 994)	58 274 437	(61 111 697)
- Foreign exchange swaps	115 044 913	(114 275 583)	58 130 247	(60 866 355)
- Interest rate swaps	1 142 000	(1 142 000)	144 190	(245 342)
- Cross currency interest rate swaps	6 907 709	(6 764 411)	-	-
Total undiscounted notional amounts	**178 353 120**	**(177 584 474)**	**105 159 182**	**(105 228 659)**

9 Due from Other Banks and Financial Institutions

In thousands of Russian Roubles	31 December 2020	31 December 2019
Long-term placements with other banks with original maturities of more than a year	2 414 485	-
Guarantee deposit	20 000	20 000
Total due from other banks and financial institutions (gross carrying amount)	**2 434 485**	**20 000**
Less credit loss allowance	(415)	-
Total due from other banks and financial institutions (carrying amount)	**2 434 070**	**20 000**

Guarantee deposit represents balance on correspondent accounts with Clearing Institutions. The Bank does not have the right to use these funds for the purposes of funding its own activities. Refer to Note 28.

At 31 December 2020 long-term placements are represented by 1 financial institution (2019: no long-term placements).

The following table contains an analysis of due from other banks and financial institutions balances by credit quality at 31 December 2020 based on credit risk ratings and discloses due from other banks and financial institutions balances by the Stages for the purpose of ECL measurement. Refer to Note 26 for the description of the Bank’s credit risk rating methodology. The carrying amount of due from other banks and financial institutions balances at 31 December 2020 below also represents the Bank’s maximum exposure to credit risk on these assets:

In thousands of Russian Roubles	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
Long-term placements with other banks with original maturities of more than a year					
Externally rated					
- Baa2	2 414 485	-	-	-	2 414 485
Guarantee deposit					
Externally rated					
- Baa2	20 000	-	-	-	20 000
Gross carrying amount	**2 434 485**	**-**	**-**	**-**	**2 434 485**
Credit loss allowance	(415)	-	-	-	(415)
Carrying amount	**2 434 070**	**-**	**-**	**-**	**2 434 070**

9 Due from Other Banks and Financial Institutions (Continued)

The following table contains an analysis of due from other banks balances by credit quality at 31 December 2019 based on credit risk grades and discloses due from other banks balances by three stages for the purpose of ECL measurement.

In thousands of Russian Roubles	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	POCI	Total
Guarantee deposit					
Externally rated					
- Baa3	20 000	-	-	-	20 000
Gross carrying amount	**20 000**	-	-	-	**20 000**
Credit loss allowance	-	-	-	-	-
Carrying amount	**20 000**	-	-	-	**20 000**

At 31 December 2020 the Bank had balances with 1 counterparty bank (2019: 1 clearing company) for total amount of RR 2 414 485 thousand (2019: RR 20 000 thousand) or 99% of the total amount due from other banks and financial institutions (2019: 100%).

Amounts due from other banks and financial institutions are not collateralised (2019: not collateralised).

As at 31 December 2020 the estimated fair value of amounts due from other banks and financial institutions was RR 2 434 070 thousand (2019: RR 20 000 thousand). Refer to Note 29. Maturity and interest rate analyses of due from other banks and financial institutions are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

10 Investment in debt securities

In thousands of Russian Roubles	31 December 2020	31 December 2019
Debt securities at Amortised Cost	3 223 103	2 938 778
Total investments in debt securities at Amortised Cost	**3 223 103**	**2 938 778**

At 31 December 2020 all debt securities at Amortised Cost are Russian Government bonds externally rated with Baa3 (2019: Baa3) and designated on Stage 1 (12-months ECL) for the purpose of ECL measurement. Refer to Note 26 for the description of the Bank's credit risk grading system.

OFZ (Russian Government bonds) are Russian Rouble-denominated government securities issued by the Ministry of Finance of the Russian Federation. OFZ bonds have maturity dates from April 2021 to October 2024 and coupon rate from 6.50% to 7.60% depending on the type of bond issue.

The debt securities at amortised cost are not collateralised.

Maturity and interest rate analyses of debt securities at Amortised Cost are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

11 Loans and advances to customers

In thousands of Russian Roubles	31 December 2020	31 December 2019
Gross carrying amount of loans and advances to customers at AC	12 060 499	5 294 968
Less credit loss allowance	(13 820)	(5 755)
Total carrying amount of loans and advances to customers at AC	**12 046 679**	**5 289 213**

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

	31 December 2020			31 December 2019		
In thousands of Russian Roubles	Gross carrying amount	Credit loss allowance	Carrying amount	Gross carrying amount	Credit loss allowance	Carrying amount
Loans to corporate customers	4 109 693	(12 121)	4 097 572	465 398	(4 684)	460 714
Loans to leasing companies	7 950 806	(1 699)	7 949 107	4 829 570	(1 071)	4 828 499
Total loans and advances to customers at Amortised Cost	**12 060 499**	**(13 820)**	**12 046 679**	**5 294 968**	**(5 755)**	**5 289 213**

The following table discloses the changes in the credit loss allowance and gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period:

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	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 corporate customers								
At 31 December 2019	**(4 684)**	**-**	**-**	**(4 684)**	**465 398**	**-**	**-**	**465 398**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(11 298)	-	-	(11 298)	3 818 944	-	-	3 818 944
Repaid during the period	3 757	-	-	3 757	(194 323)	-	-	(194 323)
Changes in accrued interest	104	-	-	104	19 674	-	-	19 674
Total movements with impact on credit loss allowance charge for the period	**(7 437)**	**-**	**-**	**(7 437)**	**3 644 295**	**-**	**-**	**3 644 295**
At 31 December 2020	**(12 121)**	**-**	**-**	**(12 121)**	**4 109 693**	**-**	**-**	**4 109 693**

11 Loans and advances to customers (continued)

In thousands of Russian Roubles	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Loans to corporate customers								
At 1 January 2019	**(10 501)**	**-**	**-**	**(10 501)**	**1 846 361**	**-**	**-**	**1 846 361**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(3 224)	-	-	(3 224)	110 802	-	-	110 802
Repaid during the period	8 817	-	-	8 817	(1 442 112)	-	-	(1 442 112)
Changes in accrued interest	(8)	-	-	(8)	(2 555)	-	-	(2 555)
Total movements with impact on credit loss allowance charge for the period	**5 585**	**-**	**-**	**5 585**	**(1 333 865)**	**-**	**-**	**(1 333 865)**
Movements without impact on credit loss allowance charge for the period:								
Foreign exchange gains and losses and other movements	232	-	-	232	(47 098)	-	-	(47 098)
At 31 December 2019	**(4 684)**	**-**	**-**	**(4 684)**	**465 398**	**-**	**-**	**465 398**

11 Loans and advances to customers (continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Loans to leasing companies								
At 31 December 2019	**(1 071)**	**-**	**-**	**(1 071)**	**4 829 570**	**-**	**-**	**4 829 570**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(1 220)	-	-	(1 220)	4 328 000	-	-	4 328 000
Repaid during the period	571	-	-	571	(1 219 199)	-	-	(1 219 199)
Changes in accrued interest	21	-	-	21	12 435	-	-	12 435
Total movements with impact on credit loss allowance charge for the period	**(628)**	**-**	**-**	**(628)**	**3 121 236**	**-**	**-**	**3 121 236**
At 31 December 2020	**(1 699)**	**-**	**-**	**(1 699)**	**7 950 806**	**-**	**-**	**7 950 806**

11 Loans and advances to customers (continued)

	Credit loss allowance				Gross carrying amount			
In thousands of Russian Roubles	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Loans to leasing companies								
At 1 January 2019	**(926)**	**-**	**-**	**(926)**	**4 201 046**	**-**	**-**	**4 201 046**
Movements with impact on credit loss allowance charge for the period:								
New originated or purchased	(412)	-	-	(412)	1 704 000	-	-	1 704 000
Repaid during the period	267	-	-	267	(1 075 000)	-	-	(1 075 000)
Changes in accrued interest	-	-	-	-	(476)	-	-	(476)
Total movements with impact on credit loss allowance charge for the period	**(145)**	**-**	**-**	**(145)**	**628 524**	**-**	**-**	**628 524**
At 31 December 2019	**(1 071)**	**-**	**-**	**(1 071)**	**4 829 570**	**-**	**-**	**4 829 570**

The credit loss allowance for loans and advances to customers recognised in the period is impacted by a variety of factors, details of ECL measurement are provided in Note 26. Main movements in the table are described below:

- Write-offs of allowances related to assets that were sold during the period.
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period.
- Foreign exchange translations of assets denominated in foreign currencies and other movements.

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at Amortised Cost as at 31 December 2020. The carrying amount of loans and advances to customers below also represents the Bank's maximum exposure to credit risk on these loans. For the purpose of ECL measurement all loans and advances to customers are included in Stage 1 (12-months ECL) (2019: Stage 1).

11 Loans and advances to customers (continued)

In thousands of Russian Roubles	**31 December 2020 Stage 1 (12-month ECL)**	**31 December 2019 Stage 1 (12-month ECL)**
Neither past due nor impaired		
Loans to corporate customers		
Externally rated		
- A2	414 148	-
- A3	1 506 233	-
- Baa3	1 001 213	-
- Ba2	270 692	354 500
Internally rated		
- 2	59 035	-
- 3	858 372	60 852
- 5	-	50 046
Gross carrying amount	**4 109 693**	**465 398**
Credit loss allowance	(12 121)	(4 684)
Carrying amount	**4 097 572**	**460 714**
Loans to leasing companies		
Externally rated		
- A2	4 623 573	4 829 570
- Baa1	3 026 878	-
- Baa2	300 355	-
Gross carrying amount	**7 950 806**	**4 829 570**
Credit loss allowance	(1 699)	(1 071)
Carrying amount	**7 949 107**	**4 828 499**
Total loans and advances to customers at Amortised Cost (carrying amount)	**12 046 679**	**5 289 213**

Refer to Note 26 for the description of the Bank's credit risk rating methodology.

At 31 December 2020 the Bank had 6 borrowers (2019: 2 borrowers) with aggregated loan amounts of RR 11 016 269 thousand (2019: RR 5 184 070 thousand) or 91% of the gross loan portfolio (2019: 98%).

11 Loans and advances to customers (continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

	31 December 2020		31 December 2019	
In thousands of Russian Roubles	**Amount**	**%**	**Amount**	**%**
Rental of vehicle	4 623 573	38.4%	4 829 570	91.2%
Financial leasing	3 327 233	27.6%	-	0.0%
Healthcare and pharmaceuticals	1 506 233	12.5%	-	0.0%
Trade	1 060 248	8.8%	20 856	0.4%
Chemicals excl. pharmaceuticals	858 372	7.1%	-	0.0%
Business services	414 148	3.4%	-	0.0%
Materials and ores	270 692	2.2%	394 517	7.5%
Media and cultural services	-	0.0%	50 025	0.9%
Total loans and advances to customers (gross amount)	**12 060 499**	**100%**	**5 294 968**	**100%**

The Bank’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. Description of collateral held for loans to corporate customers carried at amortised cost is as follows as at 31 December 2020 and 31 December 2019:

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Loans guaranteed by the BNP Paribas Group Banks	5 843 573	4 829 570
Loans guaranteed by third parties	4 307 528	465 398
Unsecured loans	1 909 398	-
Total loans and advances to customers (gross amount)	**12 060 499**	**5 294 968**

The disclosure above represents the lower of the carrying value of the loan or collateral taken, the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

At 31 December 2020 the unsecured loans include two loans which are not 100% collateralised (31 December 2019: no unsecured loans). One loan is collateralised on 41%, another one – on 30%.

At 31 December 2020 the estimated fair value of loans and advances to customers is RR 12 148 733 thousands (31 December 2019: RR 5 147 830 thousands). Refer to Note 29. Maturity and interest rate analyses of loans and advances to customers are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

12 Right of use assets and lease liabilities

The Bank leases premises and vehicles. Rental contracts are typically made for fixed periods of 11 months to 6 years, but may have extension options.

All leases are recognised as a right of use asset and a corresponding liability from the date when the leased asset becomes available for use by the Bank.

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

In thousands of Russian Roubles	Buildings	Vehicles	Total
Carrying amount at 1 January 2019 *(after adoption of IFRS 16)*	**436 305**	**3 542**	**439 847**
Additions	18 143	-	18 143
Remeasurement	142 269	-	142 269
Disposals	(2 249)	-	(2 249)
Depreciation charge	(92 774)	(1 015)	(93 789)
Carrying amount at 31 December 2019	**501 694**	**2 527**	**504 221**
Additions	9 108	-	9 108
Remeasurement	(45 834)	-	(45 834)
Disposals	(935)	-	(935)
Depreciation charge	(83 238)	(1 001)	(84 239)
Carrying amount at 31 December 2020	**380 795**	**1 526**	**382 321**

Interest expense on lease liabilities was RR 22 138 thousand (2019: RR 11 254 thousand).

During the current reporting year, the financial effect of revising lease term to reflect the effect of exercising extension and termination options was a decrease in recognised lease liabilities and right of use assets of RR 45 834 thousand.

Expenses relating to operational short-term leases (included in administrative expenses) and to leases of low-value assets that are not shown as short-term leases are included in administrative expenses:

In thousands of Russian Roubles	2020	2019
Expense relating to short-term leases	2 769	881
Expense relating to leases of low-value assets that are not shown above as short-term leases	416	466

Total cash outflow for operational leases in 2020 was RR 3 185 thousand (2019: RR 1 347 thousand).

13 Property, equipment and intangible assets

In thousands of Russian Roubles	Note	Premises and Leasehold improve-ments	Equipment and computers	Other	Total equipment and leasehold improve-ments	Intangible assets
Cost as at 1 January 2019		26 520	158 115	42 551	227 186	108 253
Accumulated depreciation		(19 894)	(113 276)	(39 875)	(173 045)	(76 357)
Carrying amount at 1 January 2019		**6 626**	**44 839**	**2 676**	**54 141**	**31 896**
Additions		-	12 721	154	12 875	46 507
Disposals		-	(3 165)	(50)	(3 215)	(1 066)
Accumulated depreciation of disposals		-	3 165	37	3 202	1 066
Depreciation charge	23	(2 782)	(20 046)	(1 247)	(24 075)	(13 861)
Impairment charge to profit or loss	23	-	(4 351)	-	(4 351)	(22 646)
Carrying amount at 31 December 2019		**3 844**	**33 163**	**1 570**	**38 577**	**41 896**
Cost at 31 December 2019		26 520	163 321	42 655	232 496	131 048
Accumulated depreciation		(22 676)	(130 158)	(41 085)	(193 919)	(89 152)
Carrying amount at 31 December 2019		**3 844**	**33 163**	**1 570**	**38 577**	**41 896**
Additions		-	8 353	262	8 615	10 602
Disposals		-	(1 121)	-	(1 121)	(12 956)
Accumulated depreciation of disposals		-	1 121	-	1 121	12 156
Depreciation charge	23	(2 782)	(18 040)	(971)	(21 793)	(14 864)
Reversals of impairment through profit or loss	23	-	1 231	-	1 231	930
Carrying amount at 31 December 2020		**1 062**	**24 707**	**861**	**26 630**	**37 764**
Cost at 31 December 2020		26 520	171 784	42 917	241 221	129 624
Accumulated depreciation		(25 458)	(147 077)	(42 056)	(214 591)	(91 860)
Carrying amount at 31 December 2020		**1 062**	**24 707**	**861**	**26 630**	**37 764**

14 Other financial and non-financial assets

In thousands of Russian Roubles	31 December 2020	31 December 2019
Other financial assets at Amortised Cost		
Fees receivable	584 428	270 440
Accrued commissions on guarantees	36 189	25 216
Other	167	126
Gross other financial assets	**620 784**	**295 782**
Less credit loss allowance for credit related commitments	(234)	(383)
Total other financial assets at Amortised Cost	**620 550**	**295 399**
Other non-financial assets		
Prepayments for services	88 377	57 827
Other	2 913	1 544
Total other non-financial assets	**91 290**	**59 371**

Fees receivable represent fees to be received from the Parent Bank for provision of services by the Bank and other accrued commissions from customers.

At 31 December 2020 the carrying amount of other financial assets at Amortised Cost RR 620 550 thousand (2019: 295 399 thousand) represents the Bank’s maximum exposure to credit risk. For the purpose of ECL measurement other financial assets are included in Stage 1 (12-months ECL) (2019: Stage 1).

A 31 December 2020 other financial assets are not collateralised (2019: not collateralised).

At 31 December 2020 the estimated fair value of other financial assets was RR 620 550 thousand (2019: RR 295 399 thousand). Refer to Note 29.

Information on related party balances is disclosed in Note 31. Maturity analysis of other financial assets is disclosed in Note 26.

15 Due to other banks

In thousands of Russian Roubles	31 December 2020	31 December 2019
Term placements of other banks	14 703 602	6 376 550
Correspondent accounts of other banks	1 033 551	2 518 233
Total due to other banks	**15 737 153**	**8 894 783**

Term placements are mainly provided by the Parent bank and its subsidiaries. Further information on related party balances is disclosed in Note 31.

At 31 December 2020 the Bank had balances with 1 counterparty bank (31 December 2019: 3 banks) with aggregated amounts of RR 13 178 289 thousand (31 December 2019: RR 6 610 165 thousand) or 84% of the total amount due to other banks (31 December 2019: 74%).

At 31 December 2020 the estimated fair value of due to other banks was RR 15 737 153 thousand (31 December 2019: RR 8 894 783 thousand). Refer to Note 29. Maturity and interest rate analyses of due to other banks are disclosed in Note 26.

16 Customer accounts

In thousands of Russian Roubles	31 December 2020	31 December 2019
Legal entities		
- Term deposits	21 705 832	16 185 456
- Current/settlement accounts	5 357 351	4 089 208
Individuals		
- Current/demand accounts	146	280
Total customer accounts	**27 063 329**	**20 274 944**

Economic sector concentrations within customer accounts are as follows:

	31 December 2020		31 December 2019	
In thousands of Russian Roubles	Amount	%	Amount	%
Materials and ores	6 494 492	24.0%	2 820 349	13.9%
Agriculture, food, tobacco	4 931 772	18.2%	5 726 843	28.2%
Household goods	3 367 235	12.4%	4 248 986	21.0%
Retail trade	2 117 506	7.8%	1 524 921	7.5%
Equipment excl. IT	2 104 453	7.8%	81 433	0.4%
Wholesale trade	1 904 470	7.0%	806 326	4.0%
Information technologies	1 812 312	6.7%	705 796	3.5%
Insurance	1 087 934	4.0%	727 012	3.6%
Finance	970 087	3.6%	757 436	3.7%
Business services	637 514	2.4%	761 830	3.8%
Chemicals excl. pharmaceuticals	529 973	2.0%	182 108	0.9%
Rental of vehicle	455 636	1.7%	309 890	1.5%
Utilities	68 974	0.3%	1 229 670	6.1%
Other	580 971	2.1%	392 344	1.9%
Total customer accounts	**27 063 329**	**100.0%**	**20 274 944**	**100.0%**

At 31 December 2020 no deposits were held as collateral for irrevocable commitments under letters of credit (2019: RR nil thousand). Refer to Note 28.

At 31 December 2020 the Bank had 3 customers (31 December 2019: 4 customers) with aggregated amount of RR 10 651 146 thousand (31 December 2019: RR 10 893 146 thousand) or 39% of the total customer accounts amount (31 December 2019: 54%).

At 31 December 2020 the estimated fair value of customer accounts was RR 27 064 238 thousand (2019: approximates its carrying value RR 20 274 944 thousand). Refer to Note 29.

Maturity and interest rate analyses of customer accounts are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

17 Subordinated debt

In thousands of Russian Roubles	Original currency	Nominal, thousands of original currency	Start date	Contract Maturity	Interest rate as at 31 December 2020	Carrying value as at 31 December 2020	Carrying value as at 31 December 2019
Subordinated loan № 1	USD	44 000	02.02.2011	30.12.2022	1.75% + 3M USD LIBOR	-	2 724 405
Subordinated loan № 2	EUR	22 000	14.07.2020	01.07.2030	2.28% + 6M EURIBOR	2 015 335	-
Total carrying value of subordinated debt		**-**	**-**	**-**	**-**	**2 015 335**	**2 724 405**

Subordinated loan is received from the Parent bank. In accordance with the terms of subordinated loan contracts these loans rank last upon the Bank’s liquidation and may be settled only after the claims of all other lenders are met.

On 30 March 2020 the Bank early repaid a subordinated loan of USD 44 000 thousand. Contractual maturity date of the loan was 30 December 2022, interest rate in 2020 was 3.63% p.a. (2019: 3.71% p.a.). Early repayment was approved by Central Bank of Russia. New subordinated loan in the amount of EUR 22 000 thousand was received on 2 July 2020 for 10-years period. Interest rate in 2020 was 1.99% p.a.

Subordinated loans meet the criteria for “subordinated loans” stated by the CBRF and are included in the calculation of the Bank’s capital under the Russian legislation since 14 July 2020.

At 31 December 2020 the estimated fair value of subordinated debt was RR 2 015 335 thousand (2019: RR 2 724 405 thousand). Refer to Note 29. Maturity and interest rate analyses of subordinated debt are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

18 Other financial and non-financial liabilities

In thousands of Russian Roubles	Note	31 December 2020	31 December 2019
Other financial liabilities			
Payable to the Parent bank		148 823	13 957
Accrued expenses		38 802	20 955
Deferrals on guarantees issued		33 056	24 789
Other financial liabilities		-	13 327
Total other financial liabilities		**220 681**	**73 028**
Other non-financial liabilities			
Accrued employee benefit costs		116 716	109 703
Taxes other than on income payable		25 560	10 855
Provisions other		93	3 303
Total other non-financial liabilities		**142 369**	**123 861**

Payable to the Parent bank represents amounts to be paid for provision of services by the Parent Bank.

Refer to Note 28 for analysis of exposure from issued guarantees and loan commitments by credit risk ratings.

As at 31 December 2020 the estimated fair value of other financial liabilities was RR 220 681 thousand (2019: RR 73 028 thousand). Refer to Note 29. Maturity and currency analyses of other financial liabilities are disclosed in Note 26. Information on related party balances is disclosed in Note 31.

19 Share capital and share premium

In thousands of Russian Roubles except for number of shares	Number of outstanding shares in thousands	Ordinary shares	Share premium	Total
As at 31 December 2019	**4 876**	**5 798 193**	**392 546**	**6 190 739**
As at 31 December 2020	**4 876**	**5 798 193**	**392 546**	**6 190 739**

As at 31 December 2020 the total authorised number of ordinary shares is 4 876 thousand shares (2019: 4 876 thousand shares). All issued ordinary shares are fully paid. Each ordinary share carries one vote. Share premium represents the excess of contributions received over the nominal value of shares issued.

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Russian Accounting Rules. In 2020 no dividends were declared and paid (2019: no dividends were declared and paid).

20 Interest income and expense

In thousands of Russian Roubles	2020	2019
Interest income calculated using the effective interest method		
Cash equivalents	1 067 852	1 873 621
Loans and advances to customers	644 761	618 149
Due from other banks and financial institutions	289 719	118 674
Investments in debt securities	196 961	211 274
Total interest income calculated using the effective interest method	**2 199 293**	**2 821 718**
Interest and other similar expense		
Customer accounts	1 053 574	1 779 749
Due to other banks	203 328	212 111
Subordinated debt	46 070	131 624
Lease liabilities	22 138	11 254
Total interest and other similar expense	**1 325 110**	**2 134 738**
Net interest income	**874 183**	**686 980**

21 Fee and commission income and expense

In thousands of Russian Roubles	2020	2019
Fee and commission income		
Fee on operations with Parent bank	545 938	224 431
Settlement operations	135 308	87 755
Currency control	45 641	44 503
Guarantees and letters of credit issued	25 231	20 126
Other	3 033	2 241
Total fee and commission income	**755 151**	**379 056**
Fee and commission expense		
Foreign exchange operations	58 847	43 402
Settlement operations	11 382	12 196
Guarantees and letters of credit received	6 997	964
Other	2 314	4 283
Total fee and commission expense	**79 540**	**60 845**
Net fee and commission income	**675 611**	**318 211**

22 Gains less losses from trading in foreign currencies, financial instruments at FVTPL and remeasurement of currency position

Gains less losses from Trading with Foreign Currencies and Financial Instruments at Fair Value through Profit or Loss include all profit and loss items relating to financial instruments managed in the trading book and financial instruments that the Bank has designated as at fair value through profit or loss under the fair value option, other than interest income and expense which are recognised in Net interest income in Note 20.

In thousands of Russian Roubles	2020	2019
Trading in foreign currencies and financial instruments at fair value through profit or loss	552 122	761 229
Remeasurement of currency position	(219 221)	(457 112)
Total net gain from trading in foreign currencies, financial instruments at FVTPL and remeasurement of currency position	**332 901**	**304 117**

23 Administrative and other operating expenses

In thousands of Russian Roubles	Note	2020	2019
Staff costs		565 860	523 412
IT maintenance and data processing		251 234	131 587
Professional services		98 464	82 902
Depreciation of right of use assets	12	84 239	93 789
Other costs of premises and equipment		75 030	50 342
Depreciation of equipment	13	21 793	24 075
Amortisation of intangibles	13	14 864	13 861
Communication and transportation		6 935	10 072
Business travel and related expenses		3 992	7 703
Other		1 363	47 296
Total administrative and other operating expenses		**1 123 774**	**985 039**

23 Administrative and other operating expenses (continued)

Included in staff costs are statutory tax and charges paid of RR 83 547 thousand (2019: RR 63 370 thousand).

Included in staff costs for 2020 is the accrual of deferred share-based compensation in amount of RR 7 260 thousand (2019: accrual of RR 4 437 thousand).

24 Income taxes

(a) Components of income tax expense

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

In thousands of Russian Roubles	2020	2019
Current income tax	35 725	33 270
Income tax expense for the year	**35 725**	**33 270**

(b) Reconciliation between the tax expense and profit or loss multiplied by applicable tax rate

The income tax rate applicable to the majority of the Bank’s 2020 income is 20% (2019: 20%). Reconciliation between the expected and the actual taxation charge is provided below.

In thousands of Russian Roubles	2020	2019
Profit before tax	**770 693**	**380 575**
Theoretical tax charge at statutory rate, 20% (2019: 20%)	154 139	76 115
Tax effect of items which are not deductible or assessable for taxation purposes:		
- Non-deductible items	1 205	5 694
- Income on government securities taxed at different rates	(10 931)	(11 090)
Adjustment for previous year income tax	4 196	6 749
Movement of deferred tax assets / liabilities related to the formation and settlement of temporary differences in the reporting period	(112 884)	(44 198)
Income tax expense for the year	**35 725**	**33 270**

(c) Deferred taxes analysed by type of temporary difference

Differences between IFRS and statutory taxation regulations in Russia give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences is detailed below and is recorded at the rate of 20% (2019: 20%), except for income on state securities, which is taxed at 15% (2019: 15%).

In thousands of Russian Roubles	1 January 2020	(Charged)/credited to profit or loss	31 December 2020
Tax effect of (taxable)/deductible temporary differences			
Property and equipment	(5 418)	81	(5 337)
Right of Use Assets and Lease Liabilities	(11 170)	1 593	(9 577)
Credit loss allowance of loans	6 452	(14 646)	(8 194)
Fair valuation of derivatives	19 302	(144 136)	(124 834)
Valuation of securities	4 848	4 300	9 148
Deferral of fees	636	(636)	-
Accruals	28 875	14 909	43 784
Other	673	3 391	4 064
Recognized tax losses carried forward	-	93 877	93 877
Remaining tax losses carried forward	140 539	(89 682)	50 857
Effect of deferred tax asset unrecognition	(184 737)	130 949	(53 788)
Net deferred income tax asset/(liability)	**-**	**-**	**-**

24 Income taxes (continued)

In thousands of Russian Roubles	1 January 2019	(Charged)/credited to profit or loss	31 December 2019
Tax effect of (taxable)/deductible temporary differences			
Property and equipment	(6 422)	1 004	(5 418)
Right of Use Assets and Lease Liabilities	-	(11 170)	(11 170)
Credit loss allowance of loans	(12 676)	19 128	6 452
Fair valuation of derivatives	214 806	(195 504)	19 302
Valuation of securities	(1 246)	6 094	4 848
Deferral of fees	-	636	636
Accruals	41 219	(12 344)	28 875
Other	(935)	1 608	673
Tax losses carried forward	-	140 539	140 539
Effect of deferred tax asset unrecognition	(234 746)	50 009	(184 737)
Net deferred income tax asset/(liability)	**-**	**-**	**-**

(d) Tax loss carry forwards

The Bank has unrecognised potential deferred tax assets in respect of unused tax loss carried forwards of RR 50 857 thousand (2019: RR 140 539 thousand).

(e) Net current income tax prepayment / (liability)

Net current income tax prepayment / (liability) comprise the following:

In thousands of Russian Roubles	2020	2019
Current income tax prepayment	130 406	225
Current income tax liability	(8 574)	(7 820)
Net current income tax liability	**121 832**	**(7 595)**

No tax litigation provision is created as of December 2020 (2019: no litigation provision). Refer to Note 28.

25 Reconciliation of liabilities arising from financing activities

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

In thousands or Russian Roubles	Subordinated debt	Lease liabilities	Total
Liabilities from financing activities at 1 January 2019	**5 474 983**	**416 487**	**5 891 470**
Cash flows repayment net of proceeds	(2 286 814)	(103 734)	(2 390 548)
Foreign exchange adjustments	(464 318)	(6 751)	(471 069)
Other non-cash movements	554	142 368	142 922
Liabilities from financing activities at 31 December 2019	**2 724 405**	**448 370**	**3 172 775**
Cash flows repayment net of proceeds	(1 678 048)	(109 662)	(1 787 710)
Foreign exchange adjustments	948 656	17 866	966 522
Other non-cash movements	20 322	(22 139)	(1 817)
Liabilities from financing activities at 31 December 2020	**2 015 335**	**334 435**	**2 349 770**

26 Financial risk management

Integrated risk management. The Bank’s risk and capital management system is aimed at ensuring the Bank’s sustainable growth as part of its strategy implementation and is consistent with the nature and scope of the Bank’s operations and with the level and combination of its accepted risks. The Bank’s risk management policies aim to identify, analyse, measure and manage the risks taken by the Bank, to establish appropriate risk limits and methods of monitoring, and to continuously monitor risk levels and compliance with the established limits.

The fundamental principles underlying the Bank’s risk and capital management system are defined in the Regulations on Banking Risks Capital Management.

Risks management system in the Bank is organized in compliance with Russian legislation as well as risk management requirements and policies of BNP Paribas Group. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and to emerge best practice in risk management.

Main objectives of the banking risks management:

- Reveal the risks inherent to the Bank’s activity, as well as new types of risks to which the Bank may be exposed in the process of implementation of its strategy (potential risks);
- Highlight, assess and aggregate the risks material for the Bank;
- Identify, monitor and manage Risk Appetite of the Bank;
- Control over the amounts of material risks;
- Control over the total (aggregated) amount of all risks accepted by the Bank;
- Ensure compliance with statutory ratios set by the Central Bank of Russia and the amount of an open foreign exchange position of the Bank;
- Develop banking risks management system in correspondence with the character and volume of operations carried out by the Bank, the level and the combination of risks (the proportionality principle);
- Improve existing and develop new approaches to banking risks management;
- Take risk assessment into account when making management decisions related to business development and pricing.

Key authority of decision-making bodies with regard to banking risks and capital management:

The ***Supervisory Board*** is responsible for proper operation of the risk management control system, including key risk management. It approves the Strategy on Banking Risks Capital Management (inluding the Risk Appetite Statement) and Regulation on significant risks and capital management (including the first level limits) and monitors its compliance with the Bank’s Development Strategy, Financial and Capital Plan and takes into account the impact of strategic decision-making on the risk profile of the Bank.

The ***Management Board*** of the Bank approves the procedure for management of all significant risks, has overall responsibility for monitoring and implementation of risk mitigation measures and makes sure that the Bank operates within the established risk limits. It ensures the availability of processes and procedures for the effective identification, assessment, monitoring and reporting relevant to the Bank’s risk profile and makes decisions on establishing, operating and improving the banking risks management system.

The following committees are responsible for the Bank’s risk management:

- Credit Committee;
- Assets and Liabilities Committee;
- Internal Control Committee;
- New Activity/Transactions Committee.

26 Financial risk management (continued)

Strategy on Banking Risks Capital Management defines significant risks as risks associated with the Bank’s key areas of operations realisation of which may result in significant direct and indirect losses, impact assessment of capital adequacy and the opportunities available to achieve financial targets and objectives.

Depending on the activity, scale, specifics of the Bank’s operations, the Bank’s significant risks in 2020 included credit risk, market risk, liquidity risk, operational risk, interest rate risk in the banking portfolio and concentration risks. Starting from December 2020 Bank recognised counterparty risk as a significant one within annual Risk ID process.

For each significant risk, the Bank defines the methodology to assess such risk and identify the capital needs, including stress-testing procedures and methods used by the Bank to reduce and manage the risk.

In order to control volumes of significant risks the transparent and clear system of decision-making and setting limits by Management and Supervisory Board of the Bank is implemented.

Risk Appetite and Limits are based on phase of the business activity cycle, maximum aggregate volume of risk that the Bank is predisposed to take on the basis of Bank’s strategic objectives, target business development indicators, ongoing and planned risks structure. Risk appetite and Limits are defined as a set of quantitative and qualitative indicators that are cascaded through a hierarchical system of limits on activities, the types of significant risks, divisions and other sections.

As part of controlling its limits, the Bank sets a system of signal and ultimate level of limits. The Bank controls significant risks by comparing the amounts of risks assumed with the established limits.

Credit risk. The Bank exposes itself to credit risk, which is the risk of Bank’s losses resulting from non-performance, improper or incomplete performance of financial obligations by the borrower / counterparty to the Bank in accordance with the agreement terms. Exposure to credit risk arises as a result of the Bank’s lending and other transactions with counterparties giving rise to financial assets.

The Bank’s maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the statement of financial position. For guarantees and commitments to extend credit, the maximum exposure to credit risk is the amount of the commitment. Refer to Note 28. The credit risk for corporate loans is mitigated by guarantees and other collateral.

Counterparty credit risk is the risk of loss associated with the failure of a counterparty to fulfil its contractual obligations at the financial markets such as derivatives. The amount of this risk varies over time in line with market parameters that impact the value of the transaction.

Credit risk management

General credit policy and credit control and provisioning procedures. The Bank’s lending activities are governed by the Credit Policy, internal procedures on credit risk management which are based on the regulations and rules of BNP Paribas Group and local regulatory requirements.

The main Bank’s regulations in the frame of credit risk management are Credit Policy, Regulation on Concentration Risk Management, Stress-Testing Methodology, Limit Policy and other internal operational procedures of the Bank.

Credit Policy defines the basic principles and standards of the credit process, credit risk management stages, decision-making process, credit portfolio monitoring and credit risk assessment process.

Decision-making process. A system of discretionary lending limits has been established in the Bank, under which all lending decisions must be approved by the Credit Committee. The Credit Committee consists of the Delegation Holder, authorised representative of Credit risk Department (who has advisory vote and veto right) and the invitees from Corporate Coverage Department. The Credit Committee decision is taken based on the credit proposal prepared by the commercial representatives and the opinion of Credit Risk Department. Depending on the credit amount, tenor and type of transaction, the additional recommendation of higher-level authorized body of BNP Paribas Group may be required.

All existing credit limits are subject to annual review by the Credit Committee.

26 Financial risk management (continued)

Expected credit losses calculation. For the purposes of compliance with local regulatory requirements and IFRS 9 prescriptions, the Bank has developed an internal set of approaches for calculation of expected credit losses (ECL).

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 probabilities of default occurring in a given time period used as weights).

ECL measurement is based on the following components used by the Bank: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and the Credit Conversion Factor ("CCF"):

$$ECL = EAD \times PD \times LGD \times CCF$$

Probability of default (PD) is a relative assessment of the probability of improper fulfilment by a borrower/counterparty of its obligations, either partially or fully, within certain period of time.

Loss given default ("LGD") is a relative assessment of the amount of loss that the Bank would face in the event of the counterparty's/borrower's default.

Exposure at default (EAD) is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF").

CCF is a coefficient that reflects the probability of conversion of the committed amounts to an on-balance sheet exposure. CCF estimates the portion of off-balance sheet exposure at risk depending on the type of commitment type and assessed on the basis of common market benchmarks.

The level of expected credit losses (ECL) that is recognised in these financial statements depends on whether the credit risk has increased significantly since initial recognition. Depending on factors indicative of a significant increase in credit risk and/or impairment (default) as at the reporting date, all financial instruments are designated to one of the following Stages of impairment.

- Stage 1 – a financial instrument that is not credit-impaired on initial recognition and its credit risk has not increased significantly since initial recognition, ECLs are estimated for 12 months starting from the reporting date.
- Stage 2 – if since initial recognition a significant increase in credit risk ("SICR") is identified, the financial instrument is moved to Stage 2; the expected credit losses are measured based on the lifetime of the financial instrument.
- Stage 3 – if a financial instrument is credit-impaired or defaulted, it is moved to Stage 3. The consequence of an asset being in Stage 3 is that the entity ceases to recognise interest income based on gross carrying value and applies the asset's effective interest rate to the carrying amount, net of ECL, when calculating interest income.

Significant increase in credit risk (SICR) factors and default factors, their thresholds, their level of application (to the financial instrument or the counterparty overall) as well as grounds for improving of credit quality are specified within Internal Methodology for Credit Loss Assessment. Basic factors are: past-due information on the counterparty's financial instruments, expected significant change in the financial instrument's quality, an actual or expected internal/external credit rating downgrade, an actual or expected significant change in the operating results of the counterparty, other relevant information available to the Bank.

The factors can be applied at the counterparty level as well as at the financial instrument level. If a factor is applied at the level of borrower/counterparty, when such factor arises for one financial instrument, it is considered that all financial instruments of such borrower/counterparty have experienced a SICR. In case the factor is applied at the level of a financial instrument, the occurrence of this factor for one financial instrument does not result in a significant increase in credit risk for other financial instruments of that counterparty.

If there is an evidence that SICR criteria are no longer met, a credit should be transferred back to Stage 1.

26 Financial risk management (continued)

For purposes of measuring PD, the Bank defines default as the presence of signs of impairment (events of default), indicating the counterparty’s inability to meet its obligations on time and/or in full amount. The default event is equivalent to the impairment event.

Purchased or originated credit impaired asset (“POCI”) is a facility for which impairment factors are observed at the recognition date.

The expected credit losses calculation for Stage 1 facilities is based on 12-month horizon for which the annual probability of default is adjusted to factual tenor of an instrument. The ECL for Stage 2 facilities is calculated based on lifetime PD of the counterparty.

Counterparties or financial instruments assessed as defaulted are classified in Stage 3. Credit loss allowance for the assets classified in Stage 3 should be calculated on an individual basis. Individual assessment of expected credit losses takes into account the time value of money, as well as reasonable information about past, current and forecast future economic conditions. For the purpose of assessing the provision on a case-by-case basis for each financial instrument, possible scenarios for debt recovery are identified.

ECL for Stage 3 financial instruments is calculated as the difference between the current carrying amount and the present value of cash flows expected for each scenario of debt recovery, weighted by the probability of occurrence of that scenario.

Internal probability of default scale. Based on historical data for annual financial statements and bankruptcy/readjustments notifications for the latest six-year period as well as macro-economic parameters forecasts (3-year horizon), statistical models calculating counterparty’s probability of default (as a key parameter for ECL assessment) were created for the following segments:

- Small and middle entities (“SME”) with revenues ≤ RR2 billion (based on Russian statutory financial statements);
- Corporates, large entities (“LE”) with revenues ≥ RR 2 billion (based on Russian statutory financial statements);
- Large corporates (based on IFRS financial statements).

The counterparty’s probability of default is expressed via rating. The internal rating Master-scale (see below) consists of 7 ratings. Ratings from 1 to 6 cover performing clients and rating 7 relates to clients classified as defaulted.

Master-scale of probability of default on internal ratings

Rating	**LE**	**SME**
1	0.27%	0.27%
2	0.68%	0.89%
3	1.67%	2.89%
4	4.07%	8.95%
5	9.56%	24.50%
6	20.88%	51.72%
7	100.00%	100.00%

For the counterparties having an external credit rating (assigned by Moody’s, Fitch or S&P) or belonging to a group that benefits from an external credit rating, such credit rating is considered by the Bank when defining probability of default of such counterparty. The Moody’s rating scale is considered as basic.

26 Financial risk management (continued)

External ratings compliance table

Moody’s	S&P	Fitch	Average expected PD
Aaa	AAA	AAA	0.00%
Aa1	AA+	AA+	0.00%
Aa2	AA	AA	0.00%
Aa3	AA-	AA-	0.03%
A1	A+	A+	0.04% – 0.05%
A2	A	A	0.03% – 0.04%
A3	A-	A-	0.03% – 0.04%
Baa1	BBB+	BBB+	0.08% – 0.10%
Baa2	BBB	BBB	0.11% – 0.13%
Baa3	BBB-	BBB-	0.16% – 0.20%
Ba1	BB+	BB+	0.29% – 0.36%
Ba2	BB	BB	0.47% – 0.59%
Ba3	BB-	BB-	0.91% – 1.13%
B1	B+	B+	1.33% – 1.66%
B2	B	B	1.99% – 2.48%
B3	B-	B-	3.40% – 4.22%
Caa1	CCC+	CCC+	3.21% – 3.98%
Caa2	CCC	CCC	7.13% – 8.76%
Caa3	CCC-	CCC-	14.29% – 17.26%
Ca-C	CC-C	CC-C	24.14% – 28.47%
DR			100.00%

Monitoring procedures. A comprehensive risk monitoring and reporting system has been established in the Bank in accordance with the Group standards and requirements of the Bank of Russia. The main aim of the system is to identify early the deterioration of financial standing of the borrowers / counterparties and to take measures to decrease the probability of counterparties default and minimize credit risk.

Credit risk monitoring is performed on the level of the counterparties and transactions as well as on the level of the overall credit portfolio. The various monitoring levels are carried out. The first level of control is performed by Business and Operational units, Corporate Credit Control unit is responsible for the second level of control. There are special committees at the Bank and the Group levels for monitoring files on the watch list and non-performing exposures.

The Bank sets the systems of limits for monitoring credit risk of the whole credit portfolio, such as monitoring of different types of concentration (exposure on one borrower/group of borrowers, industry), non-performing loans ratio and others. Monitoring of such credit risk limits/metrics is done on a regular basis by the relevant departments of the Bank.

To mitigate credit risk of the Borrowers the Bank uses different instruments, mainly the guarantees (sureties) issued by the borrower’s parent company, a third party bank, guarantees/stand-by letters of credit issued by BNP Paribas S.A. or other banks of BNP Paribas Group.

Impairment procedures. All default corporate loans are subject to monthly review by the Credit Committee to determine the of any impairment loss to be recognised, either by reducing the carrying amount or by recording a provision for impairment. The amount of the impairment loss is based on the present value of probable net recoveries, including the realisation of collateral.

An advanced automatic system for impairment decisions, movements and reporting is installed in the Bank and is used by the entitled representatives of the Business lines, Finance and Credit Risk Department.

Market risk is the risk of financial losses as a result of unfavourable changes in the current (fair) value of financial instruments and in foreign exchange rates. Market risk includes currency, interest rate and price risks. The Bank takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate, all of which are exposed to general and specific market movements. The Bank 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 than the expected market movements.

26 Financial risk management (continued)

Market risks arise mainly on the trading activities carried out by the Global Markets department within Corporate and Institutional Banking and ALM Treasury interest rate risk hedging activities.

The Bank has developed the Regulation on Market Risk Management regulating the procedure of assessing and controlling such risk which is approved by the Bank's Management Board.

At 31 December 2020 and 31 December 2019, the Bank’s trading portfolio was composed by financial assets at fair value through profit or loss, and included only derivative financial instruments.

At 31 December 2020, market risk used to calculate capital adequacy ratios in accordance with Instruction of the Bank of Russia No. 199-I and Regulation of the Bank of Russia No. 511-P “On the Procedure for Market Risk Calculation by Credit Institutions” of 3 December 2015 was RR 2 297 157 thousand (2019: RR 1 106 813 thousand).

Interest rate risk *as a part of market risk* is the risk of fluctuation of the value of a financial instrument as a result of market interest rate changes.

The Bank takes on exposure to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. The Bank sets limits on the acceptable level of interest rate risk and regularly monitors the set limits.

The Bank designates certain swap and forward contracts to manage interest rate risk of its trading book and banking portfolio. Exposure of interest rate risk includes both fixed and floating rate instruments.

The table below presents the trading book exposure to interest rate risks based on the sensitivity of the portfolio to the yield curve shift by 1 basis point down (PV’01).

	As at 31 December 2020		**As at 31 December 2019**	
In thousands of Russian Roubles	**Potential Impact on Income**	**Potential Impact on Equity**	**Potential Impact on Income**	**Potential Impact on Equity**
RUB	134	107	28	22
EUR	(69)	(56)	(44)	(35)
USD	(27)	(22)	30	24

The table below presents the banking book exposure of other financial instruments to interest rate risks based the sensitivity of the portfolio to the yield curve shift by 1 basis point down (PV’01).

	As at 31 December 2020		**As at 31 December 2019**	
In thousands of Russian Roubles	**Potential Impact on Income**	**Potential Impact on Equity**	**Potential Impact on Income**	**Potential Impact on Equity**
RUR	125	100	581	465
EUR	(97)	(78)	(2)	(1)
USD	13	11	(59)	(47)

Currency risk *as a part of market risk* is the risk that the value of an instrument or of future cash flows from that instrument will fluctuate due to changes in foreign exchange rates.

Calculation of open currency position. The Bank calculates its net position in each currency. Amounts (limits) of open foreign exchange positions are calculated as ratios of open foreign exchange positions in a single foreign currency and precious metal, a balancing position in Russian roubles, the overall amount of all open foreign exchange positions in a single foreign currency and precious metal to own funds (capital) of the Bank.

In respect of currency risk, the Bank sets limits on the level of exposure by currency and in total for overnight position, which is monitored daily, taking into account requirements of Instruction of the Bank of Russia No. 178-I.

26 Financial risk management (continued)

The table below summarizes the Bank's exposure to foreign currency exchange rate risk at the balance sheet date:

	As at 31 December 2020				As at 31 December 2019			
In thousands of Russian Roubles	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**	**Monetary financial assets**	**Monetary financial liabilities**	**Derivatives**	**Net position**
Russian Roubles	40 218 025	28 378 154	(2 990 035)	8 849 836	31 202 327	24 022 605	1 627 050	8 806 772
US Dollars	9 770 021	11 703 920	1 919 116	(14 783)	5 026 172	4 054 588	(1 441 660)	(470 076)
Euros	3 499 573	5 248 416	1 851 177	102 334	4 107 856	4 267 364	112 765	(46 743)
British Pounds	84 505	21 278	(37 395)	25 832	355 903	69 904	(308 048)	(22 049)
Other	202 130	19 165	(126 692)	56 273	107 986	58	(85 438)	22 490
Total	**53 774 254**	**45 370 933**	**616 171**	**9 019 492**	**40 800 244**	**32 414 519**	**(95 331)**	**8 290 394**

The above analysis includes only monetary assets and liabilities. Non-monetary assets are not considered to give rise to any material currency risk.

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

In thousands of Russian Roubles	**At 31 December 2020**	**At 31 December 2019**
	Impact before tax	
US Dollar strengthening by 30% (2019: strengthening by 30%)	(4 435)	(141 023)
US Dollar weakening by 30% (2019: weakening by 30%)	4 435	141 023
Euro strengthening by 30% (2019: strengthening by 30%)	30 700	(14 023)
Euro weakening by 30% (2019: weakening by 30%)	(30 700)	14 023
British Pound Sterling strengthening by 30% (2019: strengthening by 30%)	7 750	(6 615)
British Pound Sterling weakening by 30% (2019: weakening by 30%)	(7 750)	6 615

Operational risk is the risk of losses resulting from inadequate or failed internal processes and systems, from violations by employees or external events.

At 31 December 2020, the amount of operational risk used to calculate capital adequacy ratios in accordance with Instruction of the Bank of Russia No. 199-I and Regulation No. 652-P "On the Procedure for Calculating Operational Risk" was RR 203 191 thousand (2019: RR 232 348 thousand).

In order to minimise its operational risk, the Bank adopts a set of measures aimed to reduce the probability of events or circumstances resulting in operational losses and/or to decrease (limit) the amount of potential operational losses. The following operational risk mitigation methods are applied:

- Developing systems for automation of banking technologies and information security:
  - the maximum possible automation of the Bank's internal procedures;
  - automation of routine and repetitive activities;
  - reconciliation of accounting systems data;
  - audit (recording and monitoring) of users' activities;
  - access control;
  - developing protection from unauthorised access to information systems;
  - developing protection from unauthorised transactions with the use of information systems;
  - applying "four eyes" principle for data input and processing;
  - developing a plan to eliminate the identified deficiencies;

26 Financial risk management (continued)

- Analysing the reasons of operational risks, followed by development and implementation of action plans to prevent such operational risks in the future;
- Analysing innovations on a preliminary basis (e.g. introduction of new technologies, banking products or individual deals) to identify potential risk factors and implement controls;
- In its internal documents, the Bank focuses on compliance with principles of segregation of duties, accountability for banking and other transactions performed;
- The Bank’s procedure applied to approval of internal documents excludes the opportunity of approval of documents without taking into account the operational risk factors;
- Using the standard functionality and software documentation supplied by providers of the banking software. Development and implementation of non-standard functionality is followed by preparation of a detailed technical and user’s documentation;
- The Bank’s staff rotation programme allows it to identify positions which are critical for business processes continuity either due to a high level of importance, or because of specific knowledge and skills required for such position;
- Passing risks to third parties (outsourcing);
- Insurance of the Bank’s assets from damage or loss resulting from accidents or actions by third parties. Insurance of staff from accidents and personal injuries. Professional indemnity insurance of the Bank’s management. Comprehensive insurance of the Bank’s losses resulting from various types of fraud, cybercrime insurance;
- Adoption by the Bank of measures to ensure its business continuity and/or recovery.

Interest rate risk of the banking portfolio represents the risk of deterioration of the Bank’s financial position due to decrease in equity, revenue level and value of assets as a result of market interest rate changes as applied to the banking portfolio instruments.

The list of financial instruments exposed to interest rate risk in the bank portfolio is defined based on criteria applied for inclusion in Reporting Form 0409127 “Disclosure of Interest Rate Risk” in accordance with Regulation of the Bank of Russia No. 4927-U.

To assess interest rate risk of the bank portfolio, the Bank uses gap analysis assuming changes in interest rate levels by 400 basis points according to Procedure for completing Reporting Form 0409127, except for sensitivity to shift in interest rate curve.

In accordance with the method of interest rate risk assessment in the bank portfolio applied by the Bank, based on the scenario of changes in interest rate levels by 400 basis points in case of one-time increase (decrease) of interest rates, the Bank’s net interest income at 31 December 2020 would have changed by RR 246 million (2019: RR 137 million).

The Bank limits its interest rate risk in the bank portfolio by setting limits. Limits are set to ensure compliance with the Bank’s risk appetite and regulatory requirements.

The table below summarises the Bank’s exposure to interest rate risks. The table presents the aggregated amounts of the Bank’s financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

26 Financial risk management (continued)

In thousands of Russian Roubles	Demand and less than 1 month	From 1 to 3 months	From 3 to 12 months	Over 12 months	Non-interest-bearing	Total
31 December 2020						
Financial assets	27 691 983	8 676 147	5 601 672	2 513 063	12 060 344	56 543 209
Financial liabilities	26 776 934	4 165 335	869 571	6 854 459	8 857 418	47 523 717
Net interest sensitivity gap at 31 December 2020	**915 049**	**4 510 812**	**4 732 101**	**(4 341 396)**	**3 202 926**	**9 019 492**
Cumulative interest sensitivity gap as at 31 December 2020	**915 049**	**5 425 861**	**10 157 962**	**5 816 566**	**9 019 492**	**-**
31 December 2019						
Financial assets	26 863 997	986 558	3 918 825	2 495 423	8 726 535	42 991 338
Financial liabilities	16 063 266	6 785 189	2 538 943	-	9 313 546	34 700 944
Net interest sensitivity gap at 31 December 2019	**10 800 731**	**(5 798 631)**	**1 379 882**	**2 495 423**	**(587 011)**	**8 290 394**
Cumulative interest sensitivity gap as at 31 December 2019	**10 800 731**	**5 002 100**	**6 381 982**	**8 877 405**	**8 290 394**	**-**

The Bank monitors interest rates for its financial instruments. The table below summarises interest rates at the respective reporting date:

	2020				**2019**			
In % p.a.	**RUR**	**USD**	**EUR**	**Other**	**RUR**	**USD**	**EUR**	**Other**
Financial assets								
Placements with other banks with original maturities of less than 3 months	3.0	0.1	(0.5)	-	6.0	1.6	-	-
Due from other banks	6.7	-	-	-	-	-	-	-
Loans and advances to customers	7.4	2.4	1.2	-	10.2	3.8	1.4	-
Investment in debt securities	7.3	-	-	-	7.3	-	-	-
Derivative financial instruments at fair value through profit or loss	5.5	4.7	6.4	-	-	-	-	-
Financial liabilities								
Due to other banks	3.2	0.6	-	-	5.4	-	(0.5)	-
Customer accounts								
- Term deposits	3.8	0.04	-	-	6.0	0.9	-	-
Subordinated debt	-	-	2.0	-	-	3.7	-	-
Derivative financial instruments at fair value through profit or loss	6.3	4.5	6.4	-	9.1	-	-	-

The sign “-“ in the table above means that the Bank does not have the respective assets or liabilities in the corresponding currency.

Liquidity risk. Liquidity risk means the risk of financial losses resulting from the Bank’s inability to meet its obligations timely and in full. Such risk results from mismatch of maturities of the Bank's assets and liabilities or unforeseen necessity to meet its financial liabilities immediately or all at once.

26 Financial risk management (continued)

The Bank manages its liquidity risk based on its internal documents, specifically, the Regulation on ALM Treasury risks management. The following principles are underlying the Bank’s liquidity management strategy:

- maintaining a well-balanced level of the Bank’s intraday, short-, mid- and long-term liquidity;
- diversification of assets and liabilities;
- liquidity risk mitigation;
- optimisation of liquidity ratios.

The Bank’s liquidity management system includes two elements:

- intraday liquidity management system;
- the Bank’s balance-sheet liquidity management system.

The acceptable liquidity risk level is defined by the Bank’s Supervisory Board in its Risk Appetite Statement which includes target liquidity risk indicators. The Regulation on ALM Treasury risks management is approved by the Management Board which is responsible for the current implementation of the above-mentioned Regulation and for current liquidity management, delegating operational functions to the Assets and Liabilities Committee (ALCO). ALCO is responsible for ensuring efficient liquidity management, organisation of liquidity monitoring and implementation of the related decisions.

Monitoring of the state of liquidity and implementation of related decisions remains with the ALM Treasury. ALM Treasury in cooperation with Risks department is responsible for developing liquidity calculation methodologies and metrics, performing analysis of real liquidity of assets and liabilities, defining liquidity deficit/surplus values and their maximum acceptable values, calculating cap on investments in various types of assets by maturities. The Treasury is also responsible for concluding transactions in order to regulate the Bank’s liquidity and for the Bank’s compliance with mandatory liquidity ratios.

The Bank calculates liquidity ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

- Instant liquidity ratio (N2, Statutory requirement: >=15), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand. The ratio was 64.1% as at 31 December 2020 (2019: 85.0%).
- Current liquidity ratio (N3, Statutory requirement: >=50), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days. The ratio was 116.6% as at 31 December 2020 (2019: 150.0%).
- Long-term liquidity ratio (N4, Statutory requirement: <=120), which is calculated as the ratio of assets maturing after one year to regulatory capital and liabilities maturing after one year. The ratio was 48.9% as at 31 December 2020 (2019: 31.2%). The liquidity position is monitored and regular liquidity stress testing under a variety of scenarios covering both normal and more severe market conditions is performed by the Risk Management Department.

In addition to the regulatory liquidity ratios Bank has developed internal liquidity risk metric which allows to control the liquidity positions and general exposure to liquidity risk.

In order to determine the Bank’s current requirement for liquidity, including surplus/deficit of liquidity, it introduces limits (restrictions) on financial operations in Russian roubles and foreign currencies. Based on payment schedules, the difference between the remitted and accrued amounts is calculated which represents the Bank’s requirement in rouble and foreign currency liquidity separately in each currency.

Liquidity projection is prepared by the Treasury based on the tables which takes into account the real maturities of assets and liabilities separately in each currency and based on the planned placement and attraction of funds and opportunities of their placement and attraction, as well as taking into account the general national economic situation.

26 Financial risk management (continued)

Analysis of financial assets and liabilities by the remaining maturity (based on contractual undiscounted cash flows). The tables below show financial assets and financial liabilities as at 31 December 2020 and 2019 by their remaining contractual maturity. The amounts disclosed represent the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the statement of financial position, because the amount in the statement of financial position is based on discounted cash flows. Net settled derivatives are included at the net amounts expected to be paid. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the end of the reporting period. Foreign currency payments are translated using the forward exchange rate at the end of the reporting period.

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Over 12 months**	**Over 5 years**	**Total**
Assets						
Cash and cash equivalents	34 910 703	-	-	-	-	34 910 703
Mandatory cash balances with CBRF	562 710	-	-	-	-	562 710
Derivatives and financial assets at fair value through profit or loss	395 610	1 040 389	1 072 571	354 316	945 601	3 808 487
- Cash inflow	*53 080 005*	*20 930 443*	*23 936 630*	*2 603 224*	*2 146 513*	*102 696 815*
- Cash outflow	*(52 684 395)*	*(19 890 054)*	*(22 864 059)*	*(2 248 908)*	*(1 200 912)*	*(98 888 328)*
Due from other banks and financial institutions	-	-	-	2 400 000	20 000	2 420 000
Investment in debt securities	40 200	32 125	1 085 425	2 388 500	-	3 546 250
Loans and advances to customers	667 419	2 085 735	3 429 014	7 002 123	180 202	13 364 493
Other financial assets	-	36 142	584 408	-	-	620 550
Total financial assets	**36 576 642**	**3 194 391**	**6 171 418**	**12 144 939**	**1 145 803**	**59 233 193**
Liabilities						
Derivative financial liabilities	417 640	885 286	1 398 360	(283 625)	1 200 913	3 618 574
- Cash inflow	*(39 529 308)*	*(18 787 482)*	*(18 365 795)*	*(6 044 823)*	*-*	*(82 727 408)*
- Cash outflow	*39 946 948*	*19 672 768*	*19 764 155*	*5 761 198*	*1 200 913*	*86 345 982*
Due to other banks	7 793 905	1 104 283	1 568 646	5 652 916	295 362	16 415 112
Customer accounts	23 390 819	3 396 446	313 552	-	-	27 100 817
Lease liability	3 071	15 823	68 703	301 054	-	388 651
Other financial liabilities	41 575	17 210	161 896	-	-	220 681
Subordinated debt	(20 683)	-	(17 776)	(207 489)	(3 511 498)	(3 757 446)
Total potential future payments for financial obligations	**31 626 327**	**5 419 048**	**3 493 381**	**5 462 856**	**(2 015 223)**	**43 986 389**
Liquidity gap arising from financial instruments	**4 950 315**	**(2 224 657)**	**2 678 037**	**6 682 083**	**3 161 026**	**15 246 804**
Cumulative liquidity gap arising from financial instruments	**4 950 315**	**2 725 658**	**5 403 695**	**12 085 778**	**15 246 804**	**-**

26 Financial risk management (continued)

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

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Over 12 months**	**Total**
Assets					
Cash and cash equivalents	31 908 698	-	-	-	31 908 698
Mandatory cash balances with CBRF	264 312	74 114	36 387	-	374 813
Derivatives and financial assets at fair value through profit or loss	709 363	773 909	853 316	10 779	2 347 367
- Cash inflow	*18 987 069*	*16 358 627*	*19 613 363*	*1 971 836*	*56 930 895*
- Cash outflow	*(18 277 706)*	*(15 584 718)*	*(18 760 047)*	*(1 961 057)*	*(54 583 528)*
Due from other banks and financial institutions	-	-	-	20 000	20 000
Investment in debt securities	36 500	14 875	595 207	2 693 250	3 339 832
Loans and advances to customers	141 045	355 397	1 421 907	4 323 631	6 241 980
Other financial assets	-	24 968	270 431	-	295 399
Total financial assets	**33 059 918**	**1 243 263**	**3 177 248**	**7 047 660**	**44 528 089**
Liabilities					
Derivative financial liabilities	246 881	1 404 959	782 459	56 773	2 491 072
- Cash inflow	*(9 554 053)*	*(23 758 970)*	*(16 684 831)*	*(1 488 955)*	*(51 486 809)*
- Cash outflow	*9 800 934*	*25 163 929*	*17 467 290*	*1 545 728*	*53 977 881*
Due to other banks	8 092 882	483 939	102 135	246 348	8 925 304
Customer accounts	20 429 501	4 042 487	2 016 282	-	26 488 270
Lease liability	937	1 990	88 530	442 970	534 427
Other financial liabilities	34 124	21 863	16 030	-	72 017
Subordinated debt	-	25 355	36 739	3 054 987	3 117 081
Total potential future payments for financial obligations	**28 804 325**	**5 980 593**	**3 042 175**	**3 801 078**	**41 628 171**
Liquidity gap arising from financial instruments	**4 255 593**	**(4 737 330)**	**135 073**	**3 246 582**	**2 899 918**
Cumulative liquidity gap arising from financial instruments	**4 255 593**	**(481 737)**	**(346 664)**	**2 899 918**	**-**

26 Financial risk management (continued)

The Bank does not use the above undiscounted maturity analysis to manage liquidity. Instead, the Bank monitors contractual maturities, which may be summarised as follows as at 31 December 2020 and 31 December 2019:

In thousands of Russian Roubles	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 to 12 months**	**Over 12 months**	**Total**
As at 31 December 2020					
Financial assets	36 445 077	2 742 043	5 083 808	12 272 281	56 543 209
Financial liabilities	31 501 012	5 021 721	1 864 642	9 136 342	47 523 717
Net liquidity gap based on expected maturities as at 31 December 2020	**4 944 065**	**(2 279 678)**	**3 219 166**	**3 135 939**	**9 019 492**
As at 31 December 2019					
Financial assets	32 981 521	1 051 875	2 556 350	6 401 592	42 991 338
Financial liabilities	22 574 655	5 384 799	3 224 184	3 517 306	34 700 944
Net liquidity gap based on expected maturities as at 31 December 2019	**10 406 866**	**(4 332 924)**	**(667 834)**	**2 884 286**	**8 290 394**

As part of the day-to-day management of liquidity, in the event of a temporary liquidity crisis, the Bank’s most liquid assets constitute a financing reserve enabling the Bank to adjust its treasury position by selling them on the repo market or discounting them with the Central Bank. If there is a prolonged liquidity crisis, the Bank may have to gradually reduce its total balance sheet position by selling assets outright.

Some of the Bank’s less liquid assets (customer loans) may be collateralised within Central Bank refinancing facility. Liquidity risk is also reduced by the diversification of financing sources in terms of structure, investors, and secured/unsecured financing.

27 Management of capital

The Bank’s objectives when managing capital are (i) to comply with the minimum capital requirements set by the Central Bank of the Russian Federation; (ii) to safeguard the Bank’s ability to continue as a going concern; (iii) to maintain the balance between return and risk; (iv) to support the dividend policy while protecting shareholders and other stakeholder interests.

In line with these objectives, the capital generated and invested by the Bank is the key management focus.

Management of capital is the ongoing process of determining and maintaining the quantity and quality of capital appropriate for the Bank, which the Bank performs in compliance with the requirements and policies of BNP Paribas Group applicable to capital managing.

The internal capital management and planning process is performed in line with the Bank’s strategy and is based on the methods mentioned in Instruction dated November 29, 2019 No. 199-I “On Banks’ Required Ratios and Capital Adequacy Buffers for Banks with a Universal License”; and 646-P of 4 July 2018 “On the methods of determining the amount of own funds (capital) of credit institutions (“Basel III”).

27 Management of capital (continued)

In managing of its capital the Bank seeks to:

- maintain sufficient, but not excessive level of capital to provide financial strength in accordance with the Bank’s strategy, its risk appetite and risk profile in order to support business growth and satisfy the requirements of the regulator and stakeholders;
- keep optimised overall debt to equity structure to enhance the returns to shareholders, subject to capital risk profile and balancing the requirements of stakeholders;
- rigorously allocate capital to risk, to drive value adding growth through optimising risk and return;
- declare dividends with reference to factors including financial sustainability, growth in cash flows and earnings, maintenance of regulatory ratios.

The amount of capital for statutory requirements that the Bank managed as at 31 December 2020 was RR 11 405 513 thousand (2019: RR 10 330 082 thousand). Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored monthly with reports outlining their calculation reviewed and signed by the Bank’s Chief Executive Officer and Chief Accountant.

Under the current capital requirements set by the Central Bank of Russia banks have to maintain a ratio of regulatory capital to risk weighted assets (“statutory capital ratio”) above a prescribed minimum level. Regulatory capital is based on the Bank’s reports prepared under Russian accounting standards and comprises:

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Tier 1 Capital under Russian GAAP	**9 410 500**	**8 695 772**
Subordinated debt and adjustments	1 995 013	1 634 310
Tier 2 Capital	**1 995 013**	**1 634 310**
Total Regulatory Capital	**11 405 513**	**10 330 082**

The Bank calculates capital adequacy ratios on a daily basis in accordance with the requirement of the Central Bank of Russia. These ratios are:

- N1.0 Capital adequacy ratio based on Total Capital (Statutory requirement: >=8) was 36.9% as at 31 December 2020 (2019: 50.3%).
- N1.1 Capital adequacy ratio based on Tier 1 Capital (Statutory requirement: >=4.5) was 30.4% as at 31 December 2020 (2019: 42.4%).

28 Contingencies and commitments

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 Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant 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.

28 Contingencies and commitments (continued)

Management believes that the procedure for taxation of transactions employed by the Bank fully complies with Russian tax legislation. Nevertheless, there is a risk that the positions taken by the Bank may be challenged by tax authorities. The impact of such controversial situations cannot be estimated with sufficient reliability.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD) although has specific characteristics. This legislation provides the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controlled transactions (transactions with related parties and some types of transactions with unrelated parties), provided that the transaction price is not on an arm’s length basis. The management has implemented an internal control system to meet the requirements of the current transfer pricing legislation. In respect of some types of transactions (including transactions with securities and derivative contracts) there are special rules for determination of the market prices.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the 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 Bank.

Capital expenditure commitments. At 31 December 2020, the Bank did not have contractual capital expenditure commitments in respect of premises, equipment, software and other intangible assets (2019: no commitments).

Compliance with covenants. The Bank is not subject to any covenants related primarily to its borrowings as at 31 December 2020 and 31 December 2019.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand-by letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank 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.

Outstanding credit related commitments are as follows:

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
Revocable undrawn credit lines	11 279 386	10 355 070
Financial guarantees issued	4 566 047	2 582 266
Performance guarantees issued	2 466 504	3 819 621
Total credit related commitments (gross)	**18 311 937**	**16 756 957**
Less credit loss allowance for credit related commitments	0	(1 011)
Total credit related commitments net of provision	**18 311 937**	**16 755 946**

28 Contingencies and commitments (continued)

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantee contracts represent the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Bank faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Bank uses historical data and statistical techniques to predict levels of such payments.

As at 31 December 2020 the Bank’s revocable undrawn credit lines are uncommitted and not bearing credit risk (2019: no credit risk).

An analysis of credit related commitments by credit quality based on credit risk rating at 31 December 2020 is as follows:

In thousands of Russian Roubles	**31 December 2020 Stage 1 (12-month ECL)**	**31 December 2019 Stage 1 (12-month ECL)**
Financial guarantees		
Externally rated		
- Aa3	254 171	9 477
- A2	1 348 991	-
- Baa1	921 956	77 278
- Baa2	3 250	-
- Baa3	693 906	283 498
- Ba3	-	250 000
Internally rated		
- 1	201 465	-
- 2	1 142 316	1 680 157
- 4	-	241 856
- 5	-	40 000
Unrecognised gross amount	**4 566 047**	**2 582 266**
Credit loss allowance for financial guarantees	**0**	**(1 011)**
Performance guarantees		
Externally rated		
- Aa3	37 462	423 712
- A3	1 081 957	1 526 758
- Baa1	10 863	30 466
- Baa2	67 204	1 507 870
- Baa3	977 421	-
- Ba1	291 597	317 700
Internally rated		
- 2	-	13 115
Unrecognised gross amount	**2 466 504**	**3 819 621**

28 Contingencies and commitments (continued)

In thousands of Russian Roubles	**31 December 2020 Stage 1 (12-month ECL)**	**31 December 2019 Stage 1 (12-month ECL)**
Revocable undrawn credit lines		
Externally rated		
- A1	-	1 386 815
- A2	4 638 444	2 443 596
- A3	4 118 043	3 173 242
- Baa2	30 000	-
- Baa3	-	1 000 000
Internally rated		
- 1	1 400 000	-
- 2	560 899	-
- 3		501 417
- 4	532 000	-
- 5	-	450 000
- 6	-	1 400 000
Unrecognised gross amount	**11 279 386**	**10 355 070**

Refer to Note 26 for the description of credit rating methodology used by the Bank and the approach to ECL measurement.

Credit related commitments are denominated in currencies as follows:

In thousands of Russian Roubles	**31 December 2020**	**31 December 2019**
RUR	15 848 772	13 312 740
EUR	2 321 270	3 438 594
USD	61 478	5 623
Other	80 417	-
Total credit related commitments (gross)	**18 311 937**	**16 756 957**

Assets pledged and restricted. Mandatory cash balances with the CBRF of RR 562 710 thousand (2019: RR 374 813 thousand) represent mandatory reserve deposits which are not available to finance the Bank’s day-to-day operations.

Guarantee deposit with Clearing Institution of RR 20 000 is restricted cash, i.e. not available for the purposes of funding Bank’s activities.

29 Fair value disclosures

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 observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value.

29 Fair value disclosures (continued)

(a) Financial instruments carried at fair value

All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of derivatives are based on observable market prices or valuation models.

For financial instruments carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized in the table below (Level 1 reflects the quoted price in an active market; Level 2 reflects valuation technique with inputs observable in markets):

	31 December 2020		31 December 2019	
In thousands of Russian Roubles	**Level 1**	**Level 2**	**Level 1**	**Level 2**
Financial assets				
Derivatives and other financial assets carried at fair value				
- Cross currency interest rate swaps	-	286 829	-	-
- Foreign exchange swaps	-	1 615 319	-	161 997
- Foreign exchange forwards	-	852 230	-	1 972 582
- Foreign exchange options	-	-	-	53 548
- Foreign exchange spots	-	13 580	-	2 967
- Interest rate swaps	-	998	-	-
Total financial assets carried at fair value	**-**	**2 768 956**	**-**	**2 191 094**
Financial liabilities				
Derivatives and other financial liabilities carried at fair value				
- Cross currency interest rate swaps	-	(180 969)	-	-
- Foreign exchange forwards	-	(1 534 352)	-	(68 351)
- Foreign exchange swaps	-	(371 319)	-	(2 061 603)
- Interest rate swaps	-	(60 256)	-	(100 989)
- Foreign exchange options	-	-	-	(53 548)
- Foreign exchange spots	-	(5 581)	-	(1 787)
- Market risk provision	-	(308)	-	(147)
Total financial liabilities carried at fair value	**-**	**(2 152 785)**	**-**	**(2 286 425)**

The Bank uses discounted cash flow valuation techniques to determine the fair value of derivative financial instruments that are not traded in an active market. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. These models use observable market inputs, therefore, derivative financial instruments are reported as level 2.

Exposure to credit risk associated with derivative financial instruments is primarily managed by entering into contracts with the Parent bank, which substantially mitigates the exposure on the Bank’s level.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is 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.

29 Fair value disclosures (continued)

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

In thousands of Russian Roubles	Note	31 December 2020 Level 3 fair value	31 December 2019 Level 3 fair value
Financial assets			
Cash and cash equivalents	7	34 887 142	31 882 041
Mandatory cash balances		562 710	374 813
Due from other banks and financial institutions		2 434 070	20 000
Loans and advances to customers	11	12 148 733	5 147 830
Investment in debt securities	10	3 223 103	2 938 778
Other financial assets	14	620 550	295 399
Total financial assets		**53 876 308**	**40 658 861**

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

In thousands of Russian Roubles	Note	31 December 2020 Level 3 fair value	31 December 2019 Level 3 fair value
Financial liabilities			
Due to other banks	15	15 737 153	8 894 783
Customer accounts	16	27 064 238	20 274 944
Lease liabilities	25	334 435	448 370
Other financial liabilities	18	220 681	73 028
Subordinated debt	17	2 015 335	2 724 405
Total financial liabilities		**45 371 842**	**32 415 530**

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

30 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) debt instruments at FVOCI, (c) equity instruments at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets mandatorily measured at FVTPL, and (ii) assets designated as such upon initial recognition or subsequently.

All of the Bank's financial assets fell in the financial assets carried at AC measurement category except for financial derivatives. All of the Bank's financial liabilities except for derivatives were carried at AC. Derivatives belonged to the FVTPL measurement category.

30 Presentation of financial instruments by measurement category (continued)

The following table provides a reconciliation of financial assets with these measurement categories as of 31 December 2020:

In thousands of Russian Roubles	FVTPL (designated)	AC	Total
Assets			
Cash and cash equivalents	-	34 887 142	34 887 142
Mandatory cash balances	-	562 710	562 710
Derivative financial instruments	2 768 956	-	2 768 956
Due from other banks and financial institutions	-	2 434 070	2 434 070
Investments in debt securities	-	3 223 103	3 223 103
Loans and advances to customers	-	12 046 679	12 046 679
Other financial assets	-	620 550	620 550
Total financial assets	**2 768 956**	**53 774 254**	**56 543 210**

The following table provides a reconciliation of financial assets with these measurement categories as at 31 December 2019:

In thousands of Russian Roubles	FVTPL (designated)	AC	Total
Assets			
Cash and cash equivalents	-	31 882 041	31 882 041
Mandatory cash balances	-	374 813	374 813
Derivative financial instruments	2 191 094	-	2 191 094
Due from other banks and financial institutions	-	20 000	20 000
Investments in debt securities	-	2 938 778	2 938 778
Loans and advances to customers	-	5 289 213	5 289 213
Other financial assets	-	295 399	295 399
Total financial assets	**2 191 094**	**40 800 244**	**42 991 338**

At 31 December 2020 and 2019 all of the Bank’s financial liabilities except for derivatives were carried at amortised cost. Derivatives belong to the fair value through profit or loss measurement category.

Financial instruments designated at fair value through profit or loss represents all profit and loss items relating to financial instruments managed in the trading book and financial instruments that the Bank has designated as at fair value through profit or loss under the fair value option, excluding foreign exchange gains and losses from the translation into the reporting currency which are recognised in “Remeasurement of currency positions”.

31 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. Entities of BNP Paribas Group are presented by the branches and subsidiaries of BNP Paribas S.A. (Parent Bank).

31 Related party transactions (continued)

At 31 December 2020 and 2019, the outstanding balances with related parties were as follows:

In thousands of Russian Roubles	31 December 2020 Parent Bank	31 December 2020 Entities of BNP Paribas Group	31 December 2019 Parent bank	31 December 2019 Entities of BNP Paribas Group
Cash and cash equivalents (contractual interest rate: 2020: -0.53% - 4.25%, 2019: 0% - 6.15%)	7 664 845	146 570	11 604 651	97 294
Net of derivatives at fair value thought profit and loss	1 352 329	-	(2 036 447)	-
Loans and advances to customers (contractual interest rate: 2020: 1.20% - 15.90%; 2019: 8.66% - 19.29%)	-	5 037 055	-	4 828 503
Other financial assets	584 949	2 535	270 942	38
Due to other banks (contractual interest rate: 2020: -0.04% - 3.60%; 2019: -0.48% - 6.42%)	13 564 173	1 372 676	7 239 280	1 305 453
Customer accounts (contractual interest rate: 2020: 0% - 6.00%; 2019: 0% - 6.5%)	-	1 229 089	-	639 927
Subordinated debt (contractual interest rate: 2020: 1.99% - 3.63%; 2019: 3.71% - 3.71%)	2 015 335	-	2 724 405	-
Other financial liabilities	149 430	11 603	14 376	16 133

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

In thousands of Russian Roubles	2020 Parent Bank	2020 Entities of BNP Paribas Group	2019 Parent Bank	2019 Entities of BNP Paribas Group
Interest income	371 814	457 930	636 616	469 673
Interest expense	(161 397)	(69 259)	(245 105)	(77 680)
Credit loss allowance	35	405	7	(143)
Net result from trading in foreign currencies and financial derivatives	3 969 064	3 065	(6 579 092)	619
Fee and commission income	643 563	16 288	261 344	9 428
Fee and commission expense	(6 867)	-	(167)	(11)
Provision for credit related commitments	31	81	68	273
Administrative and other operating expenses	(189 613)	(32 480)	(73 032)	(8 718)

At 31 December 2020 and 2019, other rights and obligations with related parties were, as follows:

In thousands of Russian Roubles	2020 Parent Bank	2020 Entities of BNP Paribas Bank	2019 Parent Bank	2019 Entities of BNP Paribas Bank
Guarantees issued by the Bank	291 625	1 391 810	433 189	107 745
Guarantees received by the Bank	1 720 000	8 539 681	433 189	6 625 761

The remuneration paid to key management for 2020 and 2019 were, as follows:

In thousands of Russian Roubles	2020	2019
Short-term benefits	88 949	81 491
Long-term benefits	4 143	4 350
Share-based compensation	6 621	3 267

31 Related party transactions (continued)

Key management personnel are members of Management Board of the Bank.

Non-monetary benefits to key management in 2020 was RR 20 084 thousand (2019: RR 17 302 thousand).

Social taxes paid under remuneration to key management for 2020 was RR 5 601 thousand (2019: RR 4 629 thousand).

At 31 December 2020 and 2019 the Bank's immediate and ultimate parent company was BNP Paribas S.A.