

INDEPENDENT AUDITOR'S REPORT

**ON ANNUAL FINANCIAL STATEMENTS OF
Public Joint Stock Company «Best Efforts Bank»
for the year of 2020**

Opinion

We have audited the accompanied annual financial statements of Public Joint Stock Company «Best Efforts Bank» (OGRN 1037700041323,127006, Moscow, Dolgorukovskaya str., 38, hereinafter – the Bank) which comprise the Statement of Financial Position as at 31 December 2020, the Statement of Comprehensive Income, the Statement of Changes in Equity and the Statement of Cash Flows for 2020, as well as notes to the annual financial statements, containing a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanied annual financial statements present fairly, in all material respects, the financial position of Public Joint Stock Company «Best Efforts Bank» as at 31 December 2020, financial performance and cash flows for 2020 in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the audited entity in accordance with the Rules for the Independence of Auditors and Audit Organisations and the Code of Professional Ethics of Auditors that comply with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (including international standards of independence) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Key audit matters	How our audit addressed the key audit matters
Measurement of financial assets at fair value through other comprehensive income	
We focused on this matter due to the significance of investments in financial instruments, which are securities of various issuers.	In relation to the Bank:
The current financial markets are affected by various external and internal factors and are volatile, that is why measurement of financial instruments may have a significant effect on the Bank's financial performance and financial position.	We reviewed the Bank's internal regulations on measurement methods for their compliance with IFRS and the regulations of the Bank of Russia, as well as sources of material assumptions used to measure the fair value of financial instruments.
Financial instruments are measured at fair value, analyzed and allocated to the levels of the fair value hierarchy. The levels correspond to the ability to directly determine fair value based on market data.	We analysed internal control and control environment in terms of the market risk management policy, including risk limitation, differentiation of powers when accepting the market risk, the market risk monitoring by the Bank's management bodies.
In 2020, the Bank carried out transactions with securities and other financial assets classified as at 31 December 2020 as financial assets at fair value through other comprehensive income. The Bank's investments in securities are mainly represented by financial instruments traded in active markets (Level 1).	We tested in detail (on a sample basis) significant financial instruments to check methods used to measure the current fair value.
	We assessed sufficiency of disclosures made by the Bank in the notes to the annual financial statements about the fair value of financial instruments.

To measure the fair value of financial instruments, the Bank uses observable and unobservable inputs of various levels. Measurement of the fair value is disclosed in Note 31 of the financial statements.

Other Information

Management of the Bank is responsible for the other information. The other information comprises the information included in the Annual Report for 2020, but does not include the annual financial statements and our auditor's report thereon. The Annual Report for 2020 is expected to be made available to us after the date of this auditor's report.

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

In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Responsibilities of Management and members of Board of Directors for the annual Financial Statements

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

In preparing the annual financial statements, Management is responsible for assessing the audited entity'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 audited entity or to cease operations, or has no realistic alternative but to do so.

Board of Directors is responsible for overseeing the preparation of annual financial statements.

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

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

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

a) Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the audited entity's internal control.

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

d) Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the audited entity'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 annual 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 audited entity to cease to continue as a going concern.

e) Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the members of the Board of Directors of the audited entity with a statement that we have complied with all relevant ethical requirements regarding independence and informed these persons about all relationships and other issues that can reasonably be considered to affect the independence of the auditor, and, if necessary, about the relevant precautionary measures.

From the issues that we brought to the attention of the members of the board of directors of the audited entity, we identified the issues that were most significant for the audit of the annual financial statements for the current period and, therefore, are key audit issues. We describe these issues in our audit opinion, except when public disclosure of information about these issues is prohibited by law or regulation, or when, in extremely rare cases, we conclude that information about any issue should not be communicated to our conclusion, since it can reasonably be assumed that the negative consequences of the communication of such information will exceed the socially significant benefit of its communication.

Report on procedures performed in accordance with the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990

Management of the Bank is responsible for compliance of the Bank with the obligatory ratios established by the Bank of Russia, as well as for compliance of the Bank's internal control and risk management systems with the Bank of Russia requirements.

According to Article 42 of the Federal Law No. 395-1 "On Banks and Banking Activities" dated 2 December 1990 in the course of our audit of the Bank's financial statements for 2020 we performed procedures with respect to the following:

- the Bank's compliance with the obligatory ratios as at 1 January 2021;
- compliance of the Bank's internal control and risk management systems with the Bank of Russia requirements.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Bank's policies, procedures and methodologies with the Bank of Russia requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

- 1) with respect to the Bank's compliance with the obligatory ratios established by the Bank of Russia:
 - a) the obligatory ratios established by the Bank of Russia as at 1 January 2021 were within the limits established by the Bank of Russia.

We have not performed any procedures with respect to the Bank's financial information other than those we considered necessary to express our opinion on whether the financial statements of the Bank present fairly, in all material respects, the financial position of the Bank as at 31 December 2020, its financial performance and its cash flows for 2020 in accordance with International Financial Reporting Standards.

- 2) with respect to compliance of the Bank's internal control and risk management systems with the Bank of Russia requirements:
 - a) in accordance with the Bank of Russia requirements and recommendations as at 31 December 2020 the Bank's internal audit department was subordinated and accountable to the Bank's Board of Directors and the Bank's risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank's risk management and internal audit departments comply with qualification requirements established by the Bank of Russia;
 - b) as at 31 December 2020, the Bank had duly approved in accordance with the Bank of Russia requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

- c) as at 31 December 2020, the Bank had a reporting system with regard to the Bank's significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Bank's capital;
- d) frequency and sequential order of reports prepared by the Bank's risk management and internal audit departments in 2020 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank's internal policies; these reports included results of monitoring by the Bank's risk management and internal audit departments of effectiveness of the Bank's respective methodologies and improvement recommendations;
- e) as at 31 December 2020, the authority of the Bank's Board of Directors and the Bank's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Bank's risk management policies, during 2020 the Bank's Board of Directors and the Bank's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

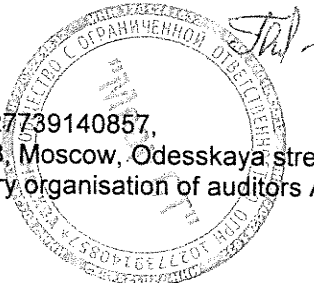
We have carried out the procedures with respect to the Bank's internal control and risk management systems solely to report on the findings related to compliance of the Bank's internal control and risk management systems with the Bank of Russia requirements.

CEO OOO Moore ST:

Auditor:

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Member of the self-regulatory organisation of auditors Association "Sodruzhestvo"
ORNZ 11606055761.

28.04.2021



Gorbunova M.A.



Public Joint Stock Company Best Efforts Bank

Financial Statements for the year ended 31 December 2020
and Independent Auditor's Report

Financial Statements for the period ended 31 December 2020
(thousands of Russian roubles)

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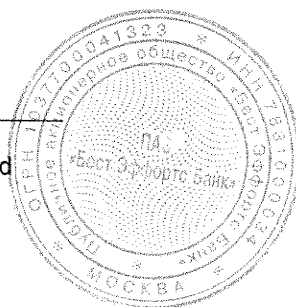
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Statement of comprehensive income
(in thousands of Russian roubles)

	Note	for the year ended 31 December	
		2020	2019
Interest income	6	150 853	152 621
Interest expense	6	(47 890)	(48 273)
Net interest income		102 963	104 348
Change in provision for expected credit losses on interest bearing assets	7	(15 639)	(8)
Net interest income after change in provision for expected credit losses		87 324	104 340
Profit less losses from operations with financial assets and liabilities at fair value	8	9 784	79 008
Income less expenses from transactions with derivative financial instruments and foreign currency, from revaluation of foreign currency accounts	9	19 208	27 234
Fee and commission income	10	1 333 731	262 318
Fee and commission expense	10	(978 555)	(162 600)
Change in provision of other assets	7	(1 903)	307
Other operating income		2 118	2 884
Administrative and other operating expenses	11	(373 001)	(237 059)
Profit before tax		98 706	76 432
Current income tax	12	(28 312)	(18 097)
Changes in deferred taxes due to occurrence and writing off of temporary differences	12	6 064	7 752
Net profit		76 458	66 087
Other comprehensive income			
Other comprehensive income (expense) that cannot be reclassified to profit or loss in the future			
Revaluation of property, plant and equipment		(914)	-
Change in deferred tax relating to components of other comprehensive income	12	183	(183)
Other comprehensive income (expense) that may be reclassified to profit or loss in the future			
Change in fair value of financial assets at fair value through other comprehensive income		4 297	40 743
Accumulated income transferred to profit or loss account in connection with disposal, net of tax		(11 390)	(6 203)
Change in deferred tax relating to components of other comprehensive income	12	1 399	(5 347)
Other comprehensive income / (loss) for the period		(6 425)	29 010
Total comprehensive income for the period		70 033	95 097

Signed on 27 April 2021


I.B. Ionova
Chairman of the Management Board




N.R. Yankina
Chief Accountant

Public Joint Stock Company Best Efforts Bank

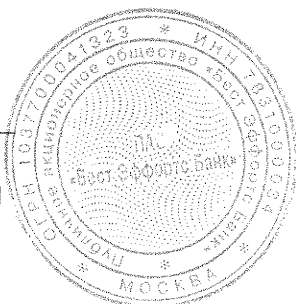
Statement of Financial Position
(in thousands of Russian roubles)

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	13	3 120 691	360 159
Mandatory cash balances with the Bank of Russia		46 893	24 424
Due from financial instruments	14	492 172	769 440
Claims of derivative financial assets	15	557	509
Financial assets at fair value through other comprehensive income	16	719 251	627 247
Financial assets pledged under repurchase agreements	17	31 597	69 747
Accounts receivable under repo agreements	18	2 207 096	3 292 522
Loans to customers	19	5 327	5 779
Deferred tax asset	12	12 524	4 878
Property, plant and equipment and assets in the form of right of use	20	63 447	88 055
Intangible assets	21	11 064	14 271
Other assets	22	102 525	14 618
Total assets		6 813 144	5 271 649
Liabilities			
Due to banks and other financial institutions	23	1 772 871	14 084
Derivative financial liabilities and obligations to deliver securities	26	131 805	39 184
Accounts payable under repo agreements	18	75 899	2 025 395
Customer accounts	24	3 011 146	1 591 078
Subordinated debt	25	505 342	502 705
Current income tax payable		16 066	11 028
Other liabilities	27	170 594	28 787
Total liabilities		5 683 723	4 212 261
Equity			
Share capital	28	702 762	702 762
Share premium		685 811	685 811
Revaluation reserve for financial assets at fair value through other comprehensive income		5 764	11 458
Revaluation reserve for property, plant and equipment		-	731
Accumulated deficit		(264 916)	(341 374)
Total equity		1 129 421	1 059 388
Total liabilities and equity		6 813 144	5 271 649

Signed on 27 April 2021

I.B. Ionova

Chairman of the Management Board



N.R. Yankina

Chief Accountant

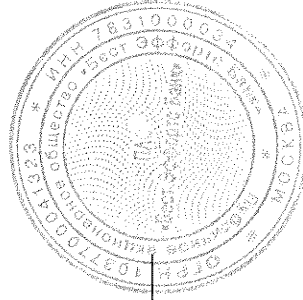
Statement of Changes in Equity
(in thousands of Russian roubles)

	Share capital	Share premium	Revaluation reserve for financial assets held at fair value through other comprehensive income	Revaluation reserve for property, plant and equipment	Accumulated deficit	Total equity
Balance at 1 January 2019	702 762	685 811	(17 735)	914	(250 838)	1 120 914
Comprehensive income for the period	-	-	29 193	(183)	66 087	95 097
Dividends payment	-	-	-	-	(156 623)	(156 623)
Balance at 31 December 2019	702 762	685 811	11 458	731	(341 374)	1 059 388
Comprehensive income for the period	-	-	(5 694)	(731)	76 458	70 033
Balance at 31 December 2020	702 762	685 811	5 764	-	(264 916)	1 129 421

Signed on 27 April 2021



I.B. Ionova
Chairman of the Management Board




N.R. Yankina
Chief Accountant


Cash flow Statement
(in thousands of Russian roubles)

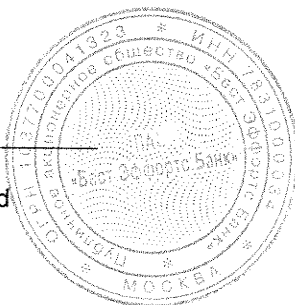
	Year ended 31 December	
	2020	2019
<i>Cash flows from operating activities</i>		
Interest received	153 997	153 645
Interest paid	(45 166)	(55 432)
Fees and commissions received	1 328 109	262 318
Fees and commissions paid	(978 570)	(162 600)
Expenses from transactions with financial assets at fair value	(80 033)	(12 409)
Expenses from foreign currency transactions	(57 870)	73 894
Other operating income	2 118	2 884
Operating expenses paid	(331 743)	(219 711)
Income tax paid	(23 274)	(11 470)
Cash flows from operating activity before changes in operating assets and liabilities	(32 432)	31 119
Net increase in mandatory cash balances with the Bank of Russia	(22 469)	(2 185)
Net (increase)/decrease due from financial institutions	427 961	(500 606)
Net decrease in financial assets, of assets at fair value through other comprehensive income	(1 632)	909 259
Net decrease of assets at fair value through profit or loss	-	151 563
Net (increase)/decrease in accounts receivable under repo agreements	1 327 509	(1 440 607)
Net decrease in loans to customers	466	7 708
Net (increase)/decrease in other assets	47 792	(7 421)
Net increase in due to banks and other financial institutions	1 652 250	2 842
Net increase in obligations to deliver securities	93 041	38 512
Net increase/(decrease) in accounts payable under repo agreements	(1 988 736)	1 570 602
Net decrease in customer accounts	1 250 476	(408 422)
Net (decrease)/increase in other liabilities	116 795	(121 316)
Net cash flows received from operating activities	2 871 021	231 048
<i>Cash from investing activities</i>		
Acquisition of fixed and intangible assets	(3 638)	(7 670)
Net cash used in investing activities	(3 638)	(7 670)


Public Joint Stock Company Best Efforts Bank

	Year ended 31 December 2020	2020
<i>Cash flows from financial activities</i>		
Dividends paid	(6)	(156 623)
Net cash flows used in financial activities	(6)	(156 623)
Effect of changes in exchange rate on cash and cash equivalents	(97 741)	(47 245)
Net increase in cash and cash equivalents	2 769 636	19 510
Cash and cash equivalents at the beginning of the reporting period	360 192	340 682
Cash and cash equivalents at the end of the reporting period	3 129 828	360 192

Signed on 27 April 2021


 I. B. Ionova
 Chairman of the Management Board




 N.R. Yankina
 Chief Accountant

Notes to the Financial statements

1. Principal activities

The Bank has been carrying out its activities since the year of 1990 under the current legislation and the licenses issued:

- License of the Central Bank of the Russian Federation for banking transactions with individuals and legal entities No. 435 without limitation of the validity period;
- Professional securities trader license for dealership No. 077-13818-010000 without limitation of the validity period;
- Professional securities trader license for brokerage No. 077-13817-100000 without limitation of the validity period;
- Professional securities trader license for custody business No. 077-13860-000100 without limitation of the validity period.

The Bank participates in the Russian deposit insurance program since 26 August 2005.

The Bank is a member of the Association of Financial Market Participants Non-Commercial Partnership of RTS' Financial Market Development, The National Association of Stock Market Participants, The Association of Banks of Russia, and Non-Commercial Organization Russian National SWIFT Association.

As at 16 February 2021 RAEX (Expert RA) rating agency has upgraded the credit rating of the Bank to the level ruA-. The rating has a stable outlook, which means a high probability of maintaining the rating in the medium term.

The Bank was registered on the website of the US Internal Revenue Service (IRS) (The IRS is a government agency of the US federal government that collects taxes and monitors compliance with tax legislation). In the status of a «Participating Foreign Financial Institution» and was assigned the Global Intermediary Identification Number (GIIN): B57WNA.99999.SL643. The US Internal Revenue Service (IRS) has assigned to PJSC Best Efforts Bank the identification number of a qualified intermediary (QI-EIN) 98-0242949.

As at 31 December 2020 and 31 December 2019 the Bank did not have any branches or subsidiaries.

The Bank has one structural unit – additional Central office that is located: 38/1 Dolgorukovskaya str., Moscow 127006.

Principal banking transactions of the Bank are as follows:

- brokerage and depository services;
- cash and settlement services to legal entities and individuals in roubles and foreign currencies;
- conversion operations both on behalf of clients and at the expense of the Bank;
- outsourcing of internal accounting for professional securities market participants;
- repo transactions;
- securities transactions;
- lending to legal entities and individuals;
- deposit-taking operations from corporate clients and private depositors.

The Bank is a trader for Moscow Exchange PJSC and St Petersburg Exchange PJSC; it provides services for access to international sites (CME Group, American and European stock markets).

The Bank is a participant of trading at the Moscow Exchange and St.Petersburg Exchange and provides access to international exchanges (CME Group, American and European stock markets).

The Bank is one of the key participants of the exchange infrastructure, acting both as a broker for professional securities market participants and as a settlement depository for participants of organised trading in the securities market and as a settlement organisation for market participants.

1. Principal activities (continued)

In December 2019, the Bank completed the process of building a closed cycle of exchange-settlement and clearing services for professional securities market participants based on the companies that are members of the Banking holding of the Association of Financial Market Participants Non-profit Partnership for Financial Market Development RTS, in which the Bank plays an important role as a settlement depository through which securities settlements based on the results of organised trading at PJSC St.Petersburg Exchange and where trading participants of PJSC St.Petersburg Exchange The turnover under executed transactions at the request of the Bank's depositors for Q4 2020 exceeded RUB 13 trillion, which is 37.9 times more than a year earlier.

The Bank consistently implements the objectives of its adopted development strategy, focusing on maintaining and expanding the achieved scope of cooperation with professional financial market participants, including foreign ones.

Considering further ways of development and service improvement, the Bank is continuously mastering new tools and technologies, offering its clients a full package of innovative services with advanced information solutions to achieve maximum economic efficiency. The Bank plans to provide a qualitatively new level of customer service and build a modern, competitive Bank with significant technological tools sufficient to ensure resistance to stressful situations in the economy and constitute the necessary foundation for further development.

By providing customers access to exchange platforms, in 2020 the Bank secured high positions in the ranking of Moscow Exchange PJSC and St. Petersburg Exchange PJSC.

On the stock market of PJSC St Petersburg Stock Exchange:

- by total turnover in all trading modes - 2nd place;
- turnover in the main trading mode – 1st place.

On the markets of the Moscow Exchange (MB):

- The MB stock market: by volume of client transactions: main trading mode, negotiated transactions mode, main T+ trading mode, RPS mode with the Central Counterparty (CC), repo trading mode, repo trading mode with the CC - 14th place;
- The MB foreign exchange market: in terms of the volume of client transactions 23rd place;
- MB futures and options market: 19th place in the overall ranking of leaders in the futures and options market in terms of volume of transactions.

The Bank has adopted the document "Regulation on the observance by PJSC Best Efforts Bank of the US legislation on taxation of foreign accounts (FATCA)", approved by Order No. 01-04-05 / 03 of the Chairman of the Management Board of the Bank dated 04 May 2017.

The document contains information on necessary terms and definitions of the US Foreign Account Tax Compliance Act (FATCA) and Federal Law No. 173-FZ of 28.06.2014 "On peculiarities of financial transactions with foreign nationals and legal entities". The procedures for customer identification and identification for the purposes of FATCA are prescribed, the procedure for interaction of departments and submission of annual reports are defined. In order to comply with the "Regulations on Compliance by Best Efforts Bank PJSC with the US Foreign Account Tax Compliance Act (FATCA)", information on the status of clients under FATCA is entered into the Bank's ABS, reflecting the availability of GIIN numbers. During the year, the Bank monitors the status of its customer base to ensure that there is no increase in FATCA-negative customers among customers - professional securities market participants engaged in transactions on foreign markets. The Bank's employees in charge of customer relations are familiarised with the current editions of tax forms W-8BEN, W-8BEN-E, W-8IMY and specifics of their completion.

1. Principal activities (continued)

The Bank has developed and operates the document "Criteria for classifying clients of Best Efforts Bank PJSC as foreign taxpayers and methods of obtaining necessary information from them", approved by Order No. 01-09-01/05 of 01.09.2017 of the Chairman of the Bank's Management Board. The Bank has approved forms of questionnaires for classifying clients as foreign taxpayers. For the convenience of clients, the text of the questionnaires has been translated into English. These documents, as well as the current editions of tax forms W-8BEN, W-8BEN-E, W-8IMY, W-8ECI are available on the Bank's official website - <http://besteffortsbank.ru>.

In accordance with the requirements of Federal Law No. 340-FZ dated 27.11.2017 "On Amendments to Part One of the Tax Code of the Russian Federation in Connection with the Implementation of International Automatic Exchange of Information and Documentation on International Groups of Companies and Entry into Force of the Government Decree No. 693 dated 16 June 2018 "On Implementation of International Automatic Exchange of Financial Information with Competent Authorities of Foreign States (Territories)", the Bank developed and adopted the document "Regulations on Implementation of PJSC "Be The Bank has approved and enacted forms of confirmation of the clients' tax residency status; the forms are available on the Bank's website - <http://besteffortsbank.ru> in the FATCA/CRS section.

The Bank is a part of a banking holding, the head organization of which is the Association of Financial Market Participants "Non-commercial Partnership for the Development of the RTS Financial Market".

As of 01 January 2021, the banking holding includes:

	Effective share of ownership in NP RTS group	Country of registration
PJSC «Best Efforts Bank»	55.3109%	Russia
Public Joint-Stock Company «SPB Exchange»	54.1199%	Russia
JSC «Voskhod»	54.1199%	Russia
CC «Clearing Centre MFB» (JSC)	52.3368%	Russia
JSC«Best Execution»	38.1226%	Russia
JSC «Best Stocks»	27.1141%	Russia
JSC «Complex information disclosure system»	25.0000%	Russia
JSC «Matching Solutions»	99.9600%	Russia

As of the reporting date, PJSC Saint Petersburg Exchange owns 73.7339% of the Bank's shares.

2. Economic environment in which the Bank operates

The Bank operates in the territory of the Russian Federation, as a result it is exposed to economic and financial risks in the markets of the Russian Federation that exhibit characteristic features inherent in emerging markets.

The legislation of the Russian Federation continues to improve but it can be interpreted differently and is often subject to changes, which, together with other shortcomings of the legal and fiscal systems, create additional difficulties for enterprises operating in the Russian Federation.

In addition, in 2020, the banking sector was under significant pressure from a decline in GDP, falling oil prices and the coronavirus infection (COVID-19) pandemic.

2. Economic environment in which the Bank operates (continued)

According to the information and analytical material "On the Development of the Banking Sector of the Russian Federation in 2020" published on the Bank of Russia website, in general, income of the banking sector is RUB 1.6 trillion (ROE = 16%). It is lower only by RUB 0.1 trillion (6%) than in 2019. However, the median decline was about 30%, mainly due to reserves, which more accurately reflects the impact of the pandemic.

Corporate lending growth for 2020 amounted to 9.9%, which is more than twice as much as in 2019 (+ 5.8%). Banks thus helped the economy and borrowers to weather the acute phase of the crisis more easily by providing resources when they were most needed.

In total, consumer loans have increased by 9.2% since the beginning of the year, significantly lower than in 2019 (20.9%). Obviously, due to the uncertainty associated with the pandemic, banks slightly reduced the share of approved loans, but individuals were probably also more cautious in taking new consumer loans, not being confident about maintaining income levels and, consequently, the ability to service the loans.

Overall in 2020, contrary to fears, there was no significant deterioration in loan quality. The share of problem and bad loans (loans of quality categories IV and V) in the corporate portfolio decreased to 10.1% as at 30.11.2020 from 11% at the beginning of the year - mainly due to portfolio growth (the denominator effect). In the unsecured consumer loans segment, the share of non-performing loans (overdue for more than 90 days) increased to 9.0% from 7.5%, which is not critical, while in the mortgage portfolio it remained at 1.4%. At the same time, these NPLs do not represent a significant risk, as they are well covered by provisions: corporate loans are 74% and, when total portfolio provisions are taken into account, 97%; retail loans are 88% and 110%, respectively. Measures to support borrowers in the affected industries, including loan restructurings, helped avoid a more severe impact on credit quality. A total of about RUB 6.8 trillion worth of loans (10% of the portfolio) have been restructured since the end of March. For those loans where borrowers will not be able to restore their financial position (estimated at 20-30% of restructured loans, or 2-3% of the total loan portfolio respectively), banks will have to gradually build up additional provisions. Taking into account the provisions already made for these loans, the amount of additional provisioning could be up to 2% of the loan portfolio. This is within the reach of the sector, given current profitability and capital buffer.

The increase in corporate funds since the beginning of the year was significant: 15.9% (2019: 7.0%).

The year-to-date increase in retail funds was 4.2%, significantly lower than in 2019 (9.7%) due to cash withdrawals in the acute phase of the pandemic as well as the exit to alternative instruments amid falling deposit yields (the average rate for rouble deposits with a term longer than 1 year has fallen by 1.3 p.p. to 4.15% since the start of the year). Escrow accounts, which characterise people's investments in real estate, have increased by more than RUB 1 trillion since the start of the year against a background of active flat sales in the primary market, supported, among other things, by mortgage lending.

Government funds increased by 7.5%, in line with the trend for 2019 (7.0%).

At the end of the 11 months, total capital adequacy increased by 0.14 p.p. to 12.39% as total capital (+3.7%) outperformed risk-weighted assets (RWA) (+2.5%). At the same time, the core capital adequacy ratio rose by 0.30 p. p., to 8.78%, due to inclusion of the audited profit from previous years in the core capital, while the core capital ratio increased by 0.59 p.p., to 9.76%, which was supported by inclusion of the previously received subordinated loan of RUB 150bn into the supplementary capital sources after the bank made amendments to the loan agreement. Growth in RWA in 2020 was significantly lower than growth in lending due to a number of regulatory changes, which resulted in the RWA density (the ratio of RWA to assets) falling to 88% at the end of November from 100% at the beginning of the year.

2. Economic environment in which the Bank operates (continued)

Among the main changes is the move by banks to a finalised approach (as of 30 November 2020 - 42 banks, representing 77% of the sector's assets, or -5.9 p.p. in terms of RWA growth), including application of Basel 3.5 standard to mortgage loan risk assessment (as of 30 November 2020 - 8 banks, 25% of sector assets), and cancellation of the 1.06 multiplier to credit risk for banks that switched to IRA (internal ratings-based approach) (about 1.2 p.p. in terms of RWA growth). Also affected by the reduction in RWA density were anti-crisis measures in terms of the unwinding of premiums on mortgage loans issued before 1 April 2020 and on unsecured consumer loans issued before 31 August 2019.

At the same time, the rise in RWA would have been even lower had it not been for the revaluation of assets denominated in foreign currency amid the weakening of the rouble (by 18.4% since the start of the year).

The introduction of a new standardised approach for unsecured consumer loans in 2021 could free up additional capital.

Overall, the banking sector has a significant capital buffer: RUB 5.7 trillion (10% of the loan portfolio net of provisions, excluding claims from reverse repurchase transactions), which maintains regulatory compliance but not premiums. The capital buffer is unevenly distributed among banks.

As of 31 December 2020, there were 406 credit institutions (including 366 banks) in Russia, including 12 systemically important credit institutions whose share of banking sector assets including their subsidiary credit institutions (another 17 credit institutions) is more than 75%. Other major credit institutions from the top-100 accounted for some 20% of the sector's assets, including 5.0% of large non-banking credit institutions (including the National Clearing Centre).

In total, since the beginning of 2020, 17 credit institutions have had their licenses revoked, eight have had their licenses revoked as a result of voluntary liquidation, 13 credit institutions have been reorganised in the form of merger, and two NPOs have been granted licenses.

According to PJSC "Moscow Exchange" (hereinafter referred to as Moscow Exchange), trading volume on the equity market reached a historic high of RUB 23.9 trillion in 2020, which is almost twice as high as in 2019. Private investors accounted for 40.6% of share trading volume in 2020, 13% of bond trading volume, 12.3% on the currency spot market and 42% on the derivatives market. The net asset value of exchange-traded funds traded on the Moscow Exchange was RUB 145.7 billion (USD 2 billion) by the end of 2020. Investors have access to 55 exchange-traded funds: 39 BPIFs and 16 ETFs, of which 20 exchange mutual investment funds (EMIF) and 3 ETFs were admitted to trading in 2020. Investors' investments in exchange-traded funds more than quintupled to RUB 90 billion in 2020 (RUB 17 billion in 2019). By the end of 2020, the number of opened individual investment accounts (IIA) reached 3.5 million. Over 1.8 million IIAs were opened in 2020. The turnover of IIM accounts exceeded RUB 1.4 trillion, with 85.6% of the turnover being transactions in shares, 10.1% in bonds, and 4% in exchange-traded funds.

In 2020, private investors invested RUB 301 billion in shares on the Moscow Exchange. Investments in bonds amounted to RUB 617 billion. The largest share of investments in debt securities - 88.5% - was represented by corporate bonds, 7.5% by government bonds (6.5% were OFZs and 1% were regional bonds) and 4% by Eurobonds.

At the end of 2020, the volume of trading in securities of foreign issuers on PJSC "St.Petersburg Exchange" (hereinafter referred to as the "St.Petersburg Exchange") amounted to USD 167.29 billion, which is 10 times more than in 2019.

2. Economic environment in which the Bank operates (continued)

Investor interest in instruments traded on the Russian stock market was high in 2020. On St.Petersburg Exchange, the number of active investor accounts for 2020 increased 7-fold and exceeded 608.77 thousand, while the number of customer accounts with securities positions amounted to 750.31 thousand (an increase of 6.3 times over the same period). This was largely facilitated by brokers, trading members of the St.Petersburg Exchange, who contributed significantly to increasing the availability of investments in Russia and created investment services with world-class quality and technology.

In 2020, investors concluded 203.01 million transactions in the main trading mode. The average transaction value was USD 824.02. The number of international issuers' securities traded on the St. Petersburg Exchange increased by 22% to 1,523 instruments (as of 31 December 2020), including shares, depositary receipts and Eurobonds. This diverse list of securities covers all sectors of the global economy and allows the investor to find investment ideas in any market environment, as well as effectively diversify portfolios and manage risk. In particular, on 21 August 2020. The St. Petersburg Stock Exchange launched a Euro-denominated European securities market. At the end of 2020, shares of the 10 largest issuers from Germany were available for trading.

During 2020, investor interest was spread across the entire spectrum of securities available for trading, so trading volume was broadly diversified and there was little concentration of turnover in a single instrument. Significant increases in trading volume in any given security were generally driven by corporate events related to the issuer.

Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances. 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.

3. Basis of preparation of financial statements

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS), including all previously adopted IFRS and Interpretations of the Standing Interpretations Committee and the Interpretations Committee for International Financial Statements. The Bank maintains accounting records and prepares financial statements in accordance with the requirements of the legislation applicable in the countries of their registration. These financial statements have been prepared on the basis of the financial statements, subject to adjustments and reclassifications of the items that are necessary to bring it into line with IFRS. The accounting policies used in preparing these financial statements are presented below. These principles have been applied consistently to all periods presented in the statements (unless otherwise indicated).

These financial statements have been prepared on a going concern basis.

The functional currency of the Bank is the national currency of the Russian Federation, the Russian rouble ("RUB"). Unless otherwise indicated, the figures in the financial statements are presented in thousands of Russian roubles.

At the end of 31 December 2020, the official exchange rate used to revalue foreign currency account balances was:

	31 December 2020	31 December 2019
US Dollar / Rouble	73,8757	61,9057
Euro / Rouble	90,6824	69,3406
British Pound Sterling / Rouble	100,0425	81,1460
Hong Kong dollar (10 units) / Rouble	95,2915	79,5049
Chinese yuan (10 units) / Rouble	113,1190	88,5937

3. Basis of preparation of financial statements (continued)

The accounting policies and calculation methods used in preparing these annual financial statements are consistent with the accounting policies and methods used in the Bank's annual financial statements for the year ended 31 December 2019, with the exception of some new standards, interpretations and changes to existing standards listed in the annual Bank financial statements, which became mandatory from 1 January 2020. The appearance of new standards, interpretations and changes to existing standards are disclosed in Note 5 of these annual financial statements.

4. Accounting policies

4.1 Key assessment conditions

When reflecting financial instruments, the Bank uses the following methods for evaluating them:

- at fair value;
- at amortized cost.

Fair value is the price that could be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value measurement is based on the assumption that a transaction to sell an asset or transfer a liability takes place either in the main market for the asset or liability or in the absence of the main market in the most profitable market for the asset or liability. Fair value is the current bid price of financial assets, the current bid price of financial liabilities and average current bid and ask prices when the Bank holds both a short and long term position in a financial instrument. A financial instrument is regarded as quoted in an active market if quotes are regularly and at any given time available according to the exchange or other institution, and these prices represent actual and regularly performed market operations on an on-going basis.

Valuation methods are used to measure the fair value of certain financial instruments for which pricing information on the foreign market is not available.

Such valuation methods include discounted cash flow models, generally accepted option pricing models, models based on recent transactions between independent market participants, or an analysis of the financial performance of the investee. Valuation methods may require assumptions that are not supported by observable market data.

Further information about fair value and fair value measurements is presented in these financial statements.

The amortized cost of a financial asset or liability is the cost at which the financial asset or liability was measured at the time of initial recognition, net of payments of principal, adjusted for the accumulated amortization of the difference between the initial recognised value and the value at maturity determined using the method effective interest rate, and adjusted for financial assets, adjusted for the allowance for losses. Premiums and discounts, as well as transaction costs, are included in the carrying amount of the respective instrument and amortized based on the effective interest rate of the instrument.

The gross carrying amount of a financial asset measured at amortized cost is the amortized cost of a financial asset before adjusting for the amount of the allowance for losses.

When calculating the amortized cost, either the linear method or the effective interest rate method are used in accordance with the accepted materiality criteria established by the Bank's Accounting Policy.

The linear method - interest and coupons are calculated at the rate established by the terms of the contract for the corresponding asset (liability) or the terms of the issue of debt securities, the amount of discount and premium are charged to the balance sheet account for interest income (expenses) evenly during the term of the contract or the circulation of the debt security.

4. Accounting policies (continued)

The effective interest rate method is a method of distributing interest income or interest expenses for the corresponding period in order to ensure a constant periodic interest rate (effective interest rate) on the current value of the instrument. The effective interest rate is the rate that discounts estimated future cash payments or receipts over the expected life of the financial instrument right up to:

- gross carrying amount of a financial asset; or
- the amortized cost of a financial liability.

When calculating the effective interest rate on financial instruments that are not credit-impaired assets, the Bank estimates future cash flows, taking into account all contractual terms of the financial instrument, but excluding expected credit losses. For credit-impaired financial assets, the effective interest rate adjusted for credit risk is calculated using the expected future cash flows, including expected credit losses.

Calculation of the effective interest rate includes transaction costs, as well as interest and fees paid or received, which are an integral part of the effective interest rate. Transaction costs include incremental costs directly attributable to the acquisition or issue of a financial asset or financial liability.

4.2 Initial recognition and classification of financial instruments

The Bank classifies financial assets in accordance with their characteristics related to the cash flows stipulated by the contract and based on the business model of managing the respective group of financial assets.

Depending on the purpose of managing the respective group of financial assets, the Bank applies the following business models:

- retention of financial assets to receive cash flows stipulated by the contract, i.e payments representing repayment of the principal amount of the debt and payment of interest on the outstanding portion of the principal amount of the debt;
- retention of financial assets to receive cash flows and sales stipulated by the contract;
- retention of financial assets for other purposes, including the sale of a financial asset.

The Bank classifies financial assets in one of the three categories:

1. financial assets carried at amortized cost;
2. financial assets carried at fair value through profit or loss (hereinafter referred to as FVPL);
3. financial assets carried at fair value through other comprehensive income (hereinafter referred to as FVOCI).

A financial asset is measured at amortized cost only if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

- The asset is held in the framework of a business model, the purpose of which is to hold assets to receive cash flows stipulated by the contract; and
- The contractual terms of the financial asset provide for the occurrence of cash flows in a timely manner, representing the payment of the principal amount of the debt and interest accrued on the outstanding part of the principal.

A debt instrument is measured at fair value through other comprehensive income only if it meets both of the following conditions and is not classified at the Bank's discretion as measured at fair value through profit or loss:

4. Accounting policies (continued)

- The asset is held in the framework of the business model, the purpose of which is achieved both by obtaining the cash flows stipulated by the contract and by selling financial assets; and
- The contractual terms of the financial asset provide for the occurrence of cash flows in a timely manner, representing the payment of the principal amount of the debt and interest accrued on the outstanding part of the principal.

For debt financial assets at fair value through other comprehensive income, profit or loss is recognised in other comprehensive income, except for the following items, which are recognised in profit or loss in the same way as for financial assets at amortized cost:

- Interest income calculated using effective interest method;
- Expected credit losses and recovery amounts; and
- Gains or losses from changes in exchange rates.

On derecognition of a debt financial asset at fair value through other comprehensive income, the accumulated profit or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss.

Upon initial recognition of non-trading investments in equity instruments, the Bank may, at its sole discretion, decide, without the right of subsequent cancellation, to present subsequent changes in the fair value of investments in other comprehensive income. This choice is made for each investment separately.

For such equity instruments, gains and losses are never reclassified to profit or loss, and no impairment is recognised in profit or loss. Dividends are recognised in profit, unless it is obvious that they represent a refund of a portion of the cost of the investment, and in these cases, dividends are recognised in other comprehensive income. On disposal of an investment, accumulated gains and losses recognised in other comprehensive income are transferred to retained earnings.

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

The Bank in rare cases (for example, if the Bank has acquired, sold or discontinued business) may change the financial asset management business model.

The decision to change the business model is made by key management personnel.

When changing the business model, financial assets are subject to reclassification. Financial assets are reclassified on the first business day of the next reporting period after a decision is made to change the asset management business model. After making a decision to change the business model, the Bank does not carry out activities in accordance with the previous asset management business model.

4.3 Impairment of financial assets

The Bank recognizes a provision for expected credit losses on all loans and other debt financial assets that are not measured at fair value through profit or loss (excluding deferred tax assets, assets arising from employee benefits), as well as loan commitments.

The provision for ECL is calculated based on the expected credit losses for the entire life of the asset (CMB for the entire term), if there is no significant increase in credit risk from the moment of recognition; in the latter case, the provision is calculated based on the expected credit losses for 12 months (12-month ECL). 12-month ECL are part of the entire ECL, which are ECL arising from defaults on a financial instrument that are possible within 12 months of the reporting date. Full-time ECL and 12-month ECL are calculated on an individual or collective basis, depending on the nature of the underlying portfolio of financial instruments.

4. Accounting policies (continued)

The Bank has approved a policy for assessing a significant increase in the credit risk of a financial instrument from the moment it was initially recognised by analysing changes in default risk arising over the remaining life of the financial instrument.

Upon initial recognition of a financial asset, the Bank assesses the impairment of the financial asset in the amount of 12-month expected credit losses. With respect to the Bank's obligations to provide loans to borrowers without the right of subsequent cancellation, the date of initial recognition for the purpose of applying the requirements for impairment is the date of conclusion of the relevant contract.

As of each reporting date, for each financial instrument or group of financial instruments (falling under portfolio management), the Bank assesses credit risk:

- If the credit risk for a financial instrument or group of financial instruments has not increased significantly since the initial recognition, the Bank forms a provision of 12 months of expected credit losses for the financial instrument or group of financial instruments.
- If the credit risk for a financial instrument or group of financial instruments has increased significantly since the initial recognition, the Bank forms a provision in the amount of expected credit losses for the financial instrument or group of financial instruments for the entire life of the financial instruments.
- If less than 12 months remain before the maturity of the financial instrument, the Bank forms a provision for the instrument in the amount of expected credit losses before the end of its term.
- If at the reporting date the credit risk of a financial instrument is low, then the Bank accepts that the credit risk of a financial instrument has not increased significantly since initial recognition.
- If, in the previous reporting period, the Bank established an allowance for losses on a financial instrument in an amount equal to expected credit losses for the whole term, but as of the current reporting date, the credit risk on a financial instrument decreased in such a way that, compared to initial recognition, a significant increase there is no credit risk, at the current reporting date the Bank estimates the provision in the amount equal to 12-month expected credit losses.

In order to assess whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Bank focuses on changing the risk of a default occurring over the expected life of the financial instrument (not on changing the amount of expected credit losses).

The risk assessment of the occurrence of default of financial instruments is carried out in the framework of risk assessment models generated by business models. The Bank assesses the risk of a default occurring on a group or individual basis (if the number of financial instruments is insufficient to conduct a group-based assessment). The use of a group or individual valuation method is determined when approving the business model of managing a financial instrument in the Bank's asset and liability management policy. When forming groups of financial instruments, the Bank does not include financial instruments with different risk characteristics in one group, and the groups are formed in such a way that the number of financial instruments is sufficient to obtain valid results.

For financial instruments that are assessed on a group basis, the risk of default is assessed on the basis of information on late payments, taking into account the forecast macroeconomic information, available without undue cost and effort.

For financial instruments that are assessed on an individual basis, the risk of default is assessed using information about overdue payments on a financial instrument, and using information about the borrower (his financial situation, availability of facts of debt restructuring, etc.), available without undue cost and efforts.

If reasonable and verifiable forward-looking information is available without undue cost or effort, the Bank does not rely solely on late payment information to determine whether credit risk has increased significantly since initial recognition.

4. Accounting policies (continued)

However, when information that is more predictive than the status of late payments (whether on an individual or group basis) is not available without undue cost or effort, the Bank uses the information on late payments to determine whether credit risk has increased significantly since initial recognition. The Bank accepts that the credit risk of a financial instrument has increased significantly if the payments specified in the contract are overdue by more than 30 days.

The methods used to determine whether the credit risk of a financial instrument has increased significantly since initial recognition take into account the characteristics of the financial instrument (or group of financial instruments) and the occurrence of defaults in previous periods for comparable financial instruments.

The Bank measures the expected credit losses of a financial instrument in a manner that reflects:

- An unbiased and probability-weighted amount determined by assessing the range of possible outcomes;
- Time value of money;
- Reasonable and confirmed information about past events, current conditions and projected future economic conditions, available at the reporting date without undue cost or effort.

The period considered in assessing expected credit losses is the maximum period under the contract (including extension options) during which the organization is exposed to credit risk, and not a longer period, even if it is consistent with business practice.

Expected credit losses are a probability-weighted estimate of credit losses (that is, the present value of all expected cash shortfalls) for the entire expected life of the financial instrument. Non-receipt of cash is the difference between the cash flows due to the Bank in accordance with the agreement and the cash flows that the Bank expects to receive. Since the expected credit losses take into account the amount and terms of repayments, a credit loss occurs even if the Bank expects to receive the full amount in full, but later than stipulated by the contract.

In the case of a credit-impaired financial asset as at the reporting date, which is not an acquired or created credit-impaired financial asset, the Bank estimates expected credit losses as the difference between the gross carrying amount of the asset and the present value of the estimated future cash flows discounted using initial effective interest rate on a financial asset. Any adjustment is recognised in profit or loss as profit or loss from impairment.

Impairment losses from financial assets carried at amortised cost are recognised in profit or loss as they arise as a result of one or more events ("loss events") that occurred after the initial recognition of the financial asset.

The Bank avoids, but does not exclude, the possibility of impairment losses on initial recognition of financial assets.

If in a subsequent period the amount of the impairment loss of a financial asset decreases, and this decrease can be objectively attributed to the event that occurred after the impairment of the financial asset was recognised (such as raising the credit rating of a debtor), the previously recognised impairment loss is restored by adjusting the created provision through composition of profit or loss.

Financial assets, the repayment of which is impossible, and in respect of which all necessary procedures have been completed with the aim of full or partial compensation and the final amount of the loss has been determined, are written off from the allowance for impairment in the balance sheet.

The main criteria for writing-off impaired financial assets from the provision are:

- The Bank has taken all necessary and sufficient measures to collect debts, the possibility of implementation of which arises from the law, business customs or an agreement.

4. Accounting policies (continued)

- Writing off debt unrealistic for collection is justified if there are documents confirming the fact that the debtor did not fulfil obligations to the Bank for a period of at least one year before the date of the decision to write off the debt.
- In cases where the amount of unrealistic debt exceeds one per cent of the Bank's own funds (equity) - the presence of acts of authorized state bodies proving the impossibility of collecting debt.

Impairment losses on financial assets at fair value through other comprehensive income are recognised in profit or loss as incurred as a result of one or more events ("loss events") that occurred after the initial recognition of financial assets at fair value through other comprehensive income.

A significant or prolonged decline in the fair value of an equity instrument measured at fair value through other comprehensive income, below its cost is a sign of impairment.

If there is any indication of impairment, the accumulated loss, defined as the difference between the acquisition cost and the current fair value, net of the impairment loss for the asset, which was initially recognised in the profit or loss account, is transferred from equity to profit or loss. Impairment losses on equity instruments are not reversed through the profit or loss account; an increase in fair value after impairment is recognised directly in equity.

For debt instruments that are measured at fair value through other comprehensive income, impairment indicators are assessed using the same criteria ("loss events") as for financial assets carried at amortized cost.

The amount of loss to be transferred to profit or loss is equal to the difference between the purchase price of the asset (net of payments to pay off the principal amount and taking into account depreciation on assets measured using the effective interest method) and current fair value minus impairment losses for this asset previously recognised in profit or loss. If, in a subsequent reporting period, the fair value of a debt instrument measured at fair value through other comprehensive income increases, and such an increase can be objectively attributable to the event that occurred after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the composition profit or loss of the current reporting period.

a. *Derecognition of financial assets and financial liabilities*

The Bank ceases to recognise a financial asset when it loses the contractual rights to cash flows for a given financial asset, or when it transfers a financial asset as a result of a transaction in which practically all risks and benefits associated with ownership are transferred to the other side on this financial asset, or in which the Bank neither transfers nor retains a substantial part of all the risks and benefits associated with the ownership of this financial asset, but does not retain control over the financial asset. Any interest in transferred financial assets that are subject to derecognition requirements created or retained by the Bank is recognised as a separate asset or liability in the statement of financial position. The Bank ceases to recognise a financial liability when its contractual obligations are fulfilled, cancelled or terminated.

The Bank enters into transactions under the terms of which it transfers the assets recognised in the statement of financial position, but at the same time retains all or part of the risks and benefits arising from the ownership of the transferred assets. While retaining all or almost all of the risks and benefits, the Bank does not cease to recognise transferred assets.

When transactions are concluded under the terms of which the Bank does not retain, but does not transfer practically all the risks and benefits arising from the ownership of the financial asset, the recognition of this asset is terminated if the Bank has lost control of the asset.

If, during the transfer of an asset, the Bank retains control over it, it continues to recognise the asset to the extent that it retains participation in the asset, defined as the degree to which the Bank is exposed to changes in its value.

4. Accounting policies (continued)

The Bank writes off assets that are recognised as uncollectible.

Any accumulated profit / loss recognised in other comprehensive income for equity investment securities classified at the discretion of the Bank at fair value through other comprehensive income is not reclassified to profit or loss upon derecognition of such securities. Any interest in transferred financial assets with respect to which the requirements for derecognition are created, created or retained by the Bank, is recognised as a separate asset or liability.

Any accumulated profit / loss recognised in other comprehensive income for financial liabilities classified at the Bank's discretion as a fair value through profit or loss is not reclassified to profit or loss upon derecognition of such financial liabilities.

Valuation of securities disposed of (sold) is carried out at the cost of the first-time securities purchased (FIFO method) in the context of securities portfolios formed on the basis of the business model used for securities management.

4.5 Cash and cash equivalents

Cash and cash equivalents include cash, Nostro accounts with the Bank of Russia, Nostro accounts with other banks, deposits with the Bank of Russia and deposits with other banks placed for a period not exceeding 1 business day with a provision level under expected credit losses of up to 1%.

All other short-term placements with other banks are included in amounts due from financial institutions. Cash equivalents are carried at amortized cost.

4.6 Mandatory cash balances with the Bank of Russia

Required reserves are funds deposited in accounts with the Bank of Russia and not intended to finance the Bank's current operations. Therefore, they are excluded from cash and cash equivalents for the purpose of compiling a statement of cash flows.

4.7 Sale (purchase) transactions of trading securities with the obligation of repurchase (sale)

Securities sold under sale agreements with a repurchase obligation ("repos") are recorded as financing transactions secured by a pledge of securities, while securities continue to be reflected in the statement of financial position and obligations to counterparties are included in accounts payable under repurchase agreements.

The difference between the sale and repurchase prices represents interest expense and is recognised in profit or loss for the term of the repo transaction using the effective interest method.

Securities purchased under agreements to resell are not recognised in the balance sheet. Relevant cash requirements (hereinafter referred to as "reverse repos") are recorded as receivables for repos. The difference between the purchase and resale prices represents interest income and is recognised in profit or loss for the duration of the reverse repurchase agreement using the effective interest method.

If assets acquired under agreements to resell are sold to third parties, the obligation to return the securities is recorded as a trading liability and measured at fair value, and the financial result from the acquisition and sale of these securities is recorded in the statement of comprehensive income in the line "Income less expenses from operations with financial assets / liabilities".

4. Accounting policies (continued)

4.8 *Due from financial institutions*

Due from financial institutions include financial assets that are not derivative financial instruments, with defined payments, which are not quoted in an active market, provided by the Bank to counterparty banks (including the Bank of Russia), with the exception of:

- overnight placements;
- those in respect of which the Bank has the intention to sell them immediately or in the near future and which should be classified as held for sale, and those which, after initial recognition, are determined by the Bank to be measured at fair value through profit or loss;
- those that, after initial recognition, are designated as withheld for income or sale;
- those for which the Bank will not be able to cover the entire substantial amount of its initial investment for reasons other than creditworthiness, and which should be classified as withheld for income and for sale.

In the line "Due from financial institutions" of the statement of financial position, the Bank reflects loans issued and deposits placed with other credit organizations and financial institutions, balances on correspondent Nostro accounts, as well as balances on brokerage accounts that are not equivalent to cash equivalents.

Amounts due from financial institutions are carried at amortized cost.

The difference between the fair value and the nominal value of the loan (deposit) arising from the provision of loans (placement of deposits) at interest rates higher or lower than prevailing market rates is reflected in the statement of comprehensive income at the time of issuing such a loan (placement of deposit) under "Income (expenses) from assets placed at rates higher (lower) than market ones". Subsequently, the carrying value of these loans (deposits) is adjusted for the amortization of this income / expense, and interest income is reflected in the statement of comprehensive income using the effective interest method.

4.9 *Loans to customers*

One of the criteria for classifying a financial asset as being measured at amortized cost or as being measured as FVOCI is the compliance of cash flows for the financial asset with the SPPI criterion - i.e. whether the terms of the contract of this financial asset provide for the occurrence, within the established time limits, of cash flows, which represent the payment of exclusively the principal amount and interest.

A financial asset that does not meet the SPPI criterion is always measured using the FVPL, unless it is an equity instrument for which the Bank has decided to use the option of valuation through other comprehensive income.

Loans to customers that meet the SPPI test are withheld in order to obtain the cash flows stipulated by the contract and are carried at amortized cost. The impairment of loans measured at amortized cost or fair value through other comprehensive income is determined using the forecast model of expected credit losses. Information is provided on the source data, assumptions and calculation methods used in assessing expected credit losses, including an explanation of how the Bank includes forecast information in the expected credit loss models.

The SPPI test assumes that the cash flows of a financial asset represent only the repayment of face value and interest. For example, loans whose profitability depends on the company's profit will not pass the SPPI test and will be carried at fair value. During the test, all loans are divided into three stages:

Stage 1. A group of assets for which the implementation of the SPPI test is obvious from the general parameters of the contract

Stage 2. A subgroup of homogeneous assets for which a collective analysis is possible

Stage 3. Analysis on an individual basis.

4. Accounting policies (continued)

The difference between the fair and nominal value of the loan is recognised in profit or loss as income from assets placed at rates higher than market, or as an expense from assets placed at rates below market. Subsequently, the carrying amount of these loans is adjusted for depreciation of the income (expense) of the loan, and the corresponding income is recognised in profit or loss using the effective interest method.

The Bank applies the impairment accounting model based on changes in credit quality since initial recognition:

- a financial asset that is not impaired at initial recognition, for which there was no significant increase in credit risk in the reporting period compared to the level established at the time of initial recognition, as well as an asset that is classified as a low-risk portfolio at the reporting date and is classified as related to Stage 1. For the financial assets of Stage 1, the expected credit losses are estimated at an amount equal to the portion of the expected credit losses for the entire period that arise as a result of defaults that may occur over the next 12 months (12-month ECL).
- if the Bank reveals a significant increase in credit risk from the moment of initial recognition, the asset is transferred to Stage 2 and the expected credit losses for it are estimated based on the expected credit losses for the entire term (CMR for the whole term).
- if the Bank determines that the financial asset is impaired: the borrower is assigned default status and at the same time the loan is recognised as problematic, the asset is transferred to Stage 3 and the expected credit losses for it are estimated as expected credit losses for the entire term.

The carrying amount of credit and receivables is reduced through the provision account for expected credit losses. After determining the objective evidence of impairment on an individual basis and subject to the absence of such evidence, loans are included in the group of financial assets with similar credit risk characteristics in order to determine the indicators of impairment on an aggregate basis.

4.10 Fixed assets

Items of property, plant and equipment are carried at revalued amounts and at cost less accumulated depreciation and impairment losses.

If an item of property, plant and equipment consists of several components having different useful lives, such components are recorded as separate items of property, plant and equipment.

If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount of the asset is reduced to its recoverable amount, and the difference is recognised in profit or loss. Estimated recoverable amount is determined as the higher of the fair value of the asset, less costs to sell and value in use.

If a revaluation of an individual object of fixed assets is carried out, then the whole group of fixed assets to which this asset belongs is subject to revaluation.

The revaluation of a group of fixed assets is carried out simultaneously to exclude the possibility of selective revaluation of assets, as well as the presentation in the financial statements of articles that are the sum of fixed assets valued at actual cost and revalued value for different dates. However, a group of assets can be revalued on a rolling schedule if the revaluation is made in a short time and the results are constantly updated.

At each reporting date, the Bank determines whether there is any indication of impairment of property, plant and equipment. If such signs exist, the Bank assesses the recoverable amount, which is determined as the higher of the net sale price of fixed assets and the value resulting from their use

4. Accounting policies (continued)

If the carrying amount of property, plant and equipment exceeds their estimated recoverable amount, the carrying amount of property, plant and equipment is reduced to recoverable amount, and the difference is recognised in profit or loss as an expense from impairment of property, plant and equipment, unless revaluation has been made previously. In this case, a positive revaluation is excluded first, and any additional loss is included in profit or loss. Impairment losses recognised for property, plant and equipment in previous years are reversed if there has been a change in the estimates used to determine the recoverable amount of property, plant and equipment.

Gains and losses arising from the disposal of fixed assets are determined on the basis of their carrying value and are taken into account when calculating the amount of profit (loss). Repair and maintenance costs are recognised in profit or loss when incurred.

4.11 Assets in the form of right of use and lease obligations

In accordance with IFRS 16 "Leases", the Bank, as a lessee, recognises a lease as an asset in the form of a right of use and a corresponding liability on the date that the leased asset is available for use by the Bank. Upon initial recognition, an asset in the form of a right of use is measured based on the cash flows of the lease.

Each rental payment is allocated between the liability and financial expenses. Finance costs are recognised in profit or loss over the lease term to ensure a constant periodic interest rate on the remaining lease liability for each period. An asset in the form of a right of use is amortized on a straight-line basis over the shorter of the terms, useful life of the asset or the lease term.

To calculate the lease liability and the corresponding asset in the form of a right to use, the Bank discounts future lease payments with an appropriate discount rate.

Lease payments are discounted using the interest rate implied in the contract, or, if it is not available, at the affordable rate for attracting additional borrowed funds by the lessee, which is the rate that the lessee must pay in order to raise the funds necessary to obtain an asset of a similar value in a similar economic environment with similar conditions.

When determining the lease term, the non-cancellable period established in the contract is taken into account during which the lessee has the right to use the underlying asset, taking into account possible renewal options, if the tenant has sufficient confidence to renew. In particular, in respect of those contracts that allow the tenant to renew the lease by default after the first set of years, the lease term is determined taking into account factors such as the duration of the first period, the availability of plans to terminate the use of the leased asset and any other circumstances indicating reasonable assurance in renewal.

Assets in the form of a right of use relating to property, plant and equipment, after initial recognition, are measured by the lessee using the historical cost model less accumulated depreciation and any accumulated impairment losses, and an adjustment is made to reassess the lease liability.

Lease obligations are re-measured as adjustments to the asset in the form of a claim by discounting rental payments in one of the following cases:

- change in lease term (revised lease payments are determined based on the revised lease term);
- change in the assessment of the right to purchase a leased asset.

In relation to leased assets in the form of real estate, the tenant decides to apply practical simplification not to allocate utilities as a separate component of the lease, but to take them into account as part of the lease.

The Bank decided not to apply the provisions of IFRS 16 "Leases", as this standard allows, in relation to:

4. Accounting policies (continued)

- rental of intangible assets;
- short-term leases for a period of less than 12 months;
- rental of assets with low cost (not more than 300 thousand roubles, such as computers, furniture, etc.).

Payments related to short-term leases and leases of low-value assets are recognised evenly as expenses in profit or loss.

4.12 Depreciation

Depreciation on property, plant and equipment is charged on a straight-line basis over their estimated useful lives. Depreciation is charged from the date when the object becomes available for use, and for fixed assets constructed in an economic way - from the moment the object is completed and ready for operation. For land plots depreciation is not charged. The useful lives of various items of property, plant and equipment can be represented as follows:

Categories of fixed assets	Useful life
Buildings	From 10 to 50 years
Furniture and equipment	From 5 to 20 years
Computers and office equipment	From 2 to 5 years

The residual value of an asset is the estimated amount that the Bank would currently receive in the event of the sale of the asset, less the estimated costs of disposal, if the condition and age of the asset corresponded to the age and condition that the asset would have at the end of its useful life. The residual value of an asset is zero if the Bank intends to use the asset before the end of its physical life. The residual value of assets and their useful lives are reviewed and, if necessary, adjusted at each reporting date.

Depreciation of an asset begins when it becomes available for use, i.e. when the location and condition of the asset ensures its use in accordance with the intentions of the Bank. Depreciation ceases upon derecognition.

4.13 Intangible assets

Intangible assets of the Bank, except for business reputation, have a definite useful life of 5 to 10 years, and mainly include capitalised software. Acquired intangible assets are carried in the financial statements at actual costs less accumulated amortisation and impairment losses.

The costs of acquiring licenses for special software and its implementation are capitalized at the cost of the corresponding intangible asset.

Amortisation of intangible assets is accrued on a straight-line basis over the estimated useful lives and is recognised in profit or loss. The useful lives of intangible assets can be either specific or uncertain. Intangible assets with fixed useful lives are amortised over their useful lives.

4.14 Non-financial assets

Other non-financial assets other than deferred taxes are assessed at each reporting date for any indications of impairment. The recoverable amount of non-financial assets is the greater of their fair value less costs to sell and value in use.

4. Accounting policies (continued)

In determining the value in use, the estimated future cash flows are discounted to their current value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows that are largely independent of the cash flows generated by other assets, the recoverable amount is determined by the group of cash generating assets to which the asset belongs. An impairment loss is recognised when the carrying amount of an asset or a group of cash generating assets exceeds its recoverable amount.

All losses from impairment of non-financial assets (with the exception of assets carried at revalued amounts, the impairment loss of which does not exceed the balance of the increase in the value of these objects) are recognised in profit or loss and must be reversed only if there have been changes in the estimates used in determination of recoverable amount.

Any impairment loss of an asset is recoverable to the extent that the carrying amount of the asset does not exceed the carrying amount (net of depreciation and amortization) that would have occurred if the impairment loss had not been reflected in the financial statements.

4.15 *Classification of financial liabilities*

The Bank recognises a financial liability in its statement of financial position when it becomes a party to an agreement determining the terms of a financial instrument.

The Bank classifies financial liabilities in accordance with their characteristics related to cash flows stipulated by the contract.

The classification of financial liabilities after initial recognition is not subject to change.

Financial liabilities at fair value through profit or loss include derivative instruments, including foreign exchange contracts, as well as trading financial liabilities or "short" positions associated with securities return liabilities.

Financial liabilities measured at amortized cost include borrowed funds. Borrowed funds include customer accounts, funds from financial institutions (including the Bank of Russia), subordinated deposits (debts), and other borrowed funds.

4.16 *Settlements with suppliers and other payables*

Accounts payable are recognised by the Bank when the counterparty fulfils its obligations and is carried at amortized cost.

4.17 *Share capital and dividends*

Share capital is recognised at historical cost, adjusted to the equivalent of purchasing power of the Russian rouble at the end of 31 December 2002, for contributions to the authorized capital made before 1 January 2003. Costs directly attributable to the issuance of ordinary shares and stock options are recognised as a decrease in equity, net of any tax effects.

Preference shares that are not redeemable and for which dividends are not required are recognised in equity.

The ability of the Bank to declare and pay dividends is subject to the regulation of the current the legislation of the Russian Federation.

4. Accounting policies (continued)

Dividends on ordinary and preferred shares are recorded in the financial statements as the use of retained earnings as they are declared. Dividends declared after the balance sheet date are reflected in the note on events that occurred after the balance sheet date. Dividends and other distribution of profits are based on the net profit of the current year according to the financial statements prepared in accordance with the legislation of the Russian Federation.

If dividends to holders of equity instruments are declared after the reporting date, such dividends at the reporting date are not recognised as liabilities. Dividends are recognised upon approval by the General Meeting of Shareholders and shown in the financial statements as distribution of profits.

Share premium represents the excess of contributions to the share capital over the nominal value of shares issued.

4.18 Recognition of income and expenses

Interest income and expense are recognised in profit or loss using the effective interest method.

Interest income from operations on the provision (placement) of cash and precious metals, on acquired debt securities, including promissory notes, on operations of the loan of securities, as well as income from the provision for a fee for temporary use (temporary ownership and use) are recorded taking into account commission and transaction costs that reduce interest income.

Fees and other income and expenses are recognised in profit or loss on the date the related service is provided.

Net income from transactions with financial instruments at fair value, changes in which are recognised in profit or loss for the period, include profit or loss from sales and changes in the fair value of financial assets and liabilities at fair value, changes in which are recorded in profit or loss for the period.

Other commissions, as well as other income and expenses are recognised in profit or loss as of the date of provision of the corresponding service.

Dividend income is recognised in profit or loss on the date the dividend is declared.

4.19 Taxation

The financial statements reflect taxation expenses in accordance with the requirements of the legislation of the Russian Federation.

Income tax expense (reimbursement) in the statement of comprehensive income for the year includes the amount of current tax for the year and the amount of deferred tax. Income taxes are recognised in profit or loss in full, excluding amounts relating to transactions recognised in other comprehensive income or to transactions with owners recognised directly on capital accounts, which, respectively, are recorded in other comprehensive income or directly in equity. Taxes, other than income taxes, are recognised as administrative and other operating expenses.

Current income tax is calculated based on the estimated amount of taxable profit for the reporting period, taking into account income tax rates at the reporting date, as well as the amount of liabilities arising from the refinement of the amount of income tax for previous reporting periods.

Deferred tax is recognised for temporary differences arising between the carrying amount of assets and liabilities determined for the purposes of their reflection in the financial statements and their tax base. Deferred tax is not recognised for assets and liabilities, the fact of the initial reflection of which does not affect either accounting profit or taxable.

4. Accounting policies (continued)

The amount of deferred tax is determined depending on the manner in which the Bank expects to realize or pay the carrying amount of its assets or liabilities using income tax rates at the reporting date.

Deferred tax requirements are recognised to the extent that it is probable that future taxable profits will be sufficient to cover temporary differences, unaccepted tax expenses and unused tax benefits. Deferred tax claims are reduced to the extent that there is no longer any likelihood that the related benefits will be derived from the implementation of tax claims.

4.20 *Derivative financial instruments*

Derivative financial instruments include swap transactions, forward and futures transactions, spot transactions and options on interest rates, foreign currency, precious metals and securities, as well as any combination of the above instruments.

Derivative financial instruments are initially recognised at fair value at the transaction date and subsequently re-measured at fair value. All derivative financial instruments are recorded as assets if their fair value is positive and as liabilities if their fair value is negative.

Changes in the fair value of derivative financial instruments are recognised immediately in profit or loss. Changes in the fair value of derivatives are included in gains less losses from operations with foreign currencies, gains less losses from operations with financial assets at fair value through profit or loss, and gains less losses from operations with precious metals, depending on type of transaction.

Embedded derivative financial instruments are not distinguished from the underlying financial asset contract.

The Bank does not conduct transactions that are defined as hedging in accordance with IFRS 9 "Financial Instruments".

4.21 *Provisions*

Estimated liabilities are recognised when the Bank has liabilities (legal or arising from established business practices) that arose prior to the reporting date. Moreover, there is a high probability that the Bank will need an outflow of economic resources to fulfil these obligations, and the amount of obligations can be reliably estimated.

4.22 *Related party transactions*

The Bank conducts transactions with related parties. The parties are considered related, including if one of them has the ability to control the other, together with the other party it is under common control, is under the joint control of the other party and a third party, or can have a significant impact when the other party makes financial and operational decisions.

When considering relationships with related parties, the Bank takes into account the economic content of such relationships, and not just their legal form.

5. Transition to New or Revised Standards and Interpretations

The amendments to the standards below became applicable to the Bank starting 01 January 2020, but have not had a significant 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).
- **Definition of a business – Amendments to IFRS 3** (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020).
- **Definition of material – Amendments to IAS 1 and IAS 8** (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020).
- **Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7** (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

6. Income and Expense

	2020	2019
<i>Interest income on assets measured at amortized cost</i>		
Accounts receivable under repo agreements	104 246	73 067
On loans to customers	766	1 256
On correspondent accounts with other banks	1	104
Total interest income on financial assets measured at amortized cost	105 013	74 427
<i>Interest income on assets measured at fair value through other comprehensive income</i>		
Financial assets at fair value through other comprehensive income	45 840	78 194
Total interest income on financial assets at fair value through other comprehensive income	45 840	78 194
Total interest income	150 853	152 621
<i>Interest expense on liabilities measured at amortised cost</i>		
Subordinated debt	(25 260)	(36 647)
Accounts payable under repo agreements	(10 970)	(5 971)
Accounts and deposits of legal entities	(9 830)	(1 846)
Deposits of customers-individuals	(657)	(584)
Lease liabilities	(195)	(249)
Other	(978)	(2 976)
Total interest expense on financial liabilities measured at amortised cost	(47 890)	(48 273)
Total interest expense	(47 890)	(48 273)
Net interest income	102 963	104 348

7. Provision for Expected Credit Losses on Interest bearing Assets and Other Provisions

Changes in provisions for 2020 were as follows:

	Balance as at 31 December 2019	12 month ECL	Lifetime ECL -- non-impaired assets	Lifetime ECL -- impaired assets	Reclassifi- cation	Net change in provision for expected credit loss	Balance as at 31 December 2020
<i>Measured at amortized cost:</i>							
Cash and cash equivalents other than amounts in the Bank of Russia	33	8 125	-	-	979	9 104	9 137
Due from financial institutions	8 099	5 632	-	-	(979)	4 653	12 752
Loans to customers	44	(16)	-	-	-	(16)	28
Accounts receivable under repo agreements	20	1 898	-	-	-	1 898	1 918
Total change in provision for expected credit losses from interest bearing assets	8 196	15 639	-	-	-	15 639	23 835
<i>Other assets</i>							
Change in provisions for other assets	1 070	274	1 284	345	-	1 903	2 973
Total change in provisions for ECL and other provisions	9 266	15 913	1 284	345	-	17 542	26 808

7. Provision for Expected Credit Losses on Interest bearing Assets and Other Provisions (continued)

Changes in provisions for 2019 were as follows:

	Balance as at 31 December 2018	12 month ECL	Lifetime ECL – non-impaired assets	Lifetime ECL – impaired assets	Net change in provision for expected credit loss	Balance as at 31 December 2019
<i>Measured at amortized cost:</i>						
Cash and cash equivalents other than amounts in the Bank of Russia	8	25	-	-	25	33
Due from financial institutions	7 810	289	-	-	289	8 099
Loans to customers	370	(326)	-	-	(326)	44
Accounts receivable under repo agreements	-	20	-	-	20	20
Total change in provision for expected credit losses from interest bearing assets	8 188	8	-	-	8	8 196
<i>Other assets</i>						
Change in provisions for other assets	1 377	4 346	(4 304)	(349)	(307)	1 070
Total change in provisions for ECL and other provisions	9 565	4 354	(4 304)	(349)	(299)	9 266

8. Income Less Expenses from Transactions with Financial Assets and Liabilities

	2020				2019			
	Fair value adjustment and revaluation	Realised gains / (losses) from resale and redemption	Total	Fair value adjustment and revaluation	Realised gains / (losses) from resale and redemption	Total	Fair value adjustment and revaluation	Total
Financial liabilities at fair value through profit or loss	(6 093)	-	(6 093)	(17 562)	-	(17 562)		
Financial assets at fair value through profit or loss	-	-	-	110 139	(18 508)	91 631		
Financial assets at fair value through other comprehensive income	-	15 877	15 877	-	4 939	4 939		
Total income less expenses from transactions with financial assets and liabilities	(6 093)	15 877	9 784	92 577	(13 569)	79 008		

9. Income Less Expenses from Transactions with Derivative financial instruments and foreign currency, from revaluation of foreign currency accounts

	2020	2019
(Expenses less income) / Income less expenses from operations with derivative financial instruments	(73 472)	233
Expenses less income from operations with derivative financial instruments where the underlying asset is a foreign currency	(79 404)	(4 149)
<i>Swaps</i>	(81 666)	(4 130)
<i>Other derivative financial instruments</i>	2 262	(19)
Income less expenses from operations with derivative financial instruments where the underlying asset is securities	5 932	4 382
<i>Other derivative financial instruments</i>	5 932	4 382
(Expenses less income) / Income less expenses from operation with currency	(57 870)	73 894
Income less expenses from foreign currency purchase and sale transactions in cash	300	12
(Expenses less income)/ Income less expenses from transactions of purchase and sale of foreign currency in non-cash form	(58 170)	73 882
Income less expenses/ (expenses less income) from revaluation of foreign currency	150 550	(46 893)
Total income, net of expenses, from transactions with derivative financial instruments and foreign currencies, from revaluation of foreign currency accounts	19 208	27 234

10. Fee and Commission Income and Expenses

	2020	2019
<i>Commission income</i>		
Brokerage operations	1 145 216	185 431
Market maker services	98 532	47 209
Depository services	52 500	1 500
Bank accounts maintenance	25 313	14 676
Depository operations	6 393	7 448
Maintenance of internal records	4 548	4 657
Other fee and commission income	1 229	1 397
Total fee and commission income	1 333 731	262 318
<i>Commission expense</i>		
Brokerage operations	(969 340)	(146 999)
Depository transactions	(5 876)	(9 592)
Settlement transactions	(2 705)	(2 655)
Other commission expense	(634)	(3 354)
Total commission expense	(978 555)	(162 600)
Total fee and commission income	355 176	99 718

11. Administrative and Other Operating Expenses

	2020	2019
Salaries and bonuses	196 578	131 356
Obligatory insurance contributions to non-budgetary funds	47 925	33 342
Other staff benefits	7 412	5 501
Total staff costs	251 915	170 199
Expenses with property, plant and equipment markdown	22 529	-
Software maintenance and services	17 310	8 524
Penalties	15 686	11
Right to use items of intellectual property	14 441	8 981
Communication services	8 697	9 335
Taxes and duties other than income tax	7 756	8 786
Other information services	6 795	7 079
Expenses associated with property, plant and equipment (maintenance, repairs, sales)	6 193	5 874
Amortization of intangible assets	5 010	4 072
Depreciation of property, plant and equipment and right to use assets	2 969	2 964
Inventories written-off	2 360	2 920
Professional services	1 221	1 070
Business travel expenses	860	519
Operating lease expenses	772	942
Other operating expenses	8 487	5 783
Other administrative and operating expenses	121 086	66 860
Total administrative and other operating expenses	373 001	237 059

12. Income Tax

Income tax comprises as follows:

	2020	2019
Current income tax (expense) / reimbursement	(28 312)	(18 097)
Change in deferred taxes due to occurrence and write-off of temporary differences	6 064	7 752
Total income tax	(22 248)	(10 345)

In 2020 and 2019, the interest rate on income tax did not change (20%, 15%).

The tax effect of temporary differences at the end of 31 December 2020 and 31 December 2019 is as follows:

12. Income Tax (continued)

	31 December 2019	Change in profit or loss	Change in equity	31 December 2020
<i>Tax effect of temporary differences that reduce the tax base</i>				
Revaluation at fair value of financial assets at fair value through profit or loss	32	34	-	66
Revaluation at fair value of financial assets at fair value through other comprehensive income	390	(390)	-	-
Fixed assets: depreciation and revaluation	5 023	4 399	-	9 422
Intangible assets	4	11	-	15
Leases	-	32	-	32
Other liabilities	713	2 357	-	3 070
Other	1 740	281	-	2 021
Total deferred tax asset	7 902	6 724	-	14 626
<i>Tax effect of temporary differences increasing the tax base</i>				
Provisions for ECL and revaluation of financial assets at fair value through other comprehensive income	2 841	660	(1 399)	2 102
Fixed assets: revaluation of OCI	183	-	(183)	-
Total deferred tax liability	3 024	660	(1 582)	2 102
Total net deferred tax asset (liability)	4 878	6 064	1 582	12 524

13. Cash and Cash Equivalents

	31 December 2020	31 December 2019
Cash in hand	36 808	37 566
Balances on accounts with the Bank of Russia (other than mandatory reserve fund)	337 505	46 479
Funds in correspondent accounts	2 755 515	276 147
Total cash and cash equivalents before provision for ECL	3 129 828	360 192
Provision for ECL	(9 137)	(33)
Total cash and cash equivalents	3 120 691	360 159

The movement of provision for ECL for Cash and Cash Equivalents is presented in Note 7. The estimated fair value of cash and cash equivalents is presented in Note 31. An analysis of cash and cash equivalents by currency structure and maturity is presented in Note 29.

14. Due from Financial Institutions

	31 December 2020	31 December 2019
Correspondent accounts	68	68
Brokerage accounts	502 856	619 504
Other accounts with financial institutions	2 000	157 967
Total due from financial institutions before provision for ECL	504 924	777 539
Provision for ECL	(12 752)	(8 099)
Total due from financial institutions	492 172	769 440

The movement of provision for ECL for due from Financial Institutions is presented in Note 7. Estimates of fair value of due from financial institutions as well as the fair value measurements used are disclosed in Note 31. An analysis of the amounts due from financial institutions by currency structure and maturity is presented in Note 29. Information on related party transactions is presented in Note 32.

15. Derivative Financial Instruments

The fair values of forwards, swaps and options for currency and securities contracts entered into by the Bank are presented in the table below as at the end of 31 December 2020 and at the end of 31 December 2019.

	31 December 2020	31 December 2019
Forward and swaps	16	435
Securities contracts	541	74
Total derivative financial assets	557	509

Estimates of fair value of derivative financial assets are presented in Note 31. An analysis of derivative financial assets by currency structure and maturity is presented in Note 29.

16. Financial Assets at Fair Value through Other Comprehensive Income

	31 December 2020	31 December 2019
Corporate bonds and Eurobonds	401 170	390 097
Bonds and Eurobonds of credit organizations	184 701	188 523
Bonds of the Russian Federation	74 412	48 627
Eurobonds of foreign state and municipal organizations	58 968	-
Total financial assets at fair value through other comprehensive income	719 251	627 247

The following is information about the quality of debt financial assets at fair value through other comprehensive income at the end of 31 December 2020.

	Corporate bonds and Eurobonds	Bonds and Eurobonds of credit organizations	Bonds and Eurobonds of the Russian Federation	Eurobonds of foreign state and municipal organizations	Total
- with a rating from BBB- to BBB+	287 971	45 670	74 412	-	408 053
- with a rating from BB- to BB+	84 959	135 050	-	22 574	242 583
- with a rating from B- to B+	28 240	3 981	-	36 394	68 615
Total financial assets at fair value through other comprehensive income	401 170	184 701	74 412	58 968	719 251

The following is information about the quality of debt financial assets at fair value through other comprehensive income at the end of 31 December 2019 года.

	Corporate bonds and Eurobonds	Bonds and Eurobonds of credit organizations	Bonds and Eurobonds of the Russian Federation	Total
- with a rating from BBB- to BBB+	315 878	76 592	48 627	441 097
- with a rating from BB- to BB+	66 899	98 892	-	165 791
- with a rating from B- to B+	7 320	13 039	-	20 359
Total financial assets at fair value through other comprehensive income	390 097	188 523	48 627	627 247

Estimates of fair value of financial assets at fair value through other comprehensive income are presented in Note 31. An analysis of financial assets measured at fair value through other comprehensive income by currency structure and maturity is presented in Note 29.

17. Financial Assets pledged under Repurchase Agreements

	<u>31 December 2020</u>	<u>31 December 2019</u>
<i>Financial assets at fair value through other comprehensive income</i>		
Bonds and Eurobonds of the Russian Federation	31 597	66 644
Corporate bonds and Eurobonds	-	3 103
Total financial assets pledged under repurchase agreements	<u>31 597</u>	<u>69 747</u>

Estimates of fair value of financial assets pledged under repurchase agreements are presented in Note 31. analysis of financial assets pledged under repurchase agreements by currency structure and maturity is presented in Note 29.

18. Repo Agreements

As of the end of 31 December 2020 and 31 December 2019, most repo transactions were concluded on PJSC "Moscow Exchange" and PJSC "Saint Petersburg Exchange" through central counterparties in accordance with the rules of the exchange and clearing.

The table below contains information on the structure accounts receivable under repo agreements as at the end of 31 December 2020 and 31 December 2019:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>Fair value of accepted assets</u>	<u>Amount of claims</u>	<u>Fair value of accepted assets</u>	<u>Amount of claims</u>
Bonds and Eurobonds of the Russian Federation	1 362 459	1 246 135	951 677	900 951
Corporate shares	1 015 694	767 551	565 151	563 173
Corporate bonds and Eurobonds	-	-	1 632 761	1 349 390
Bonds and Eurobonds of credit organizations	-	-	289 043	243 801
Eurobonds of foreign state and municipal organizations	56 807	74 156	-	-
Shares of credit organizations	123 485	121 172	240 961	235 227
Total	<u>2 558 445</u>	<u>2 209 014</u>	<u>3 679 593</u>	<u>3 292 542</u>
Provision for ECL		(1 918)		(20)
Total accounts receivable under repo agreements		<u>2 207 096</u>		<u>3 292 522</u>

18. Repo Agreements (continued)

The table below contains information on the structure accounts payable under repo agreements as at the end of 31 December 2020 and 31 December 2019:

	31 December 2020		31 December 2019	
	Fair value of transferred assets	Liabilities	Fair value of transferred assets	Liabilities
Bonds and Eurobonds of the Russian Federation	31 597	29 676	872 288	826 484
Corporate bonds and Eurobonds	-	-	755 949	745 982
Corporate shares	46 225	45 991	429 855	365 781
Shares of credit organizations	272	232	103 306	87 148
Total accounts payable under repo agreements	78 094	75 899	2 161 398	2 025 395

The movement of provision for ECL for accounts payable of Repo Agreements is presented in Note 7. The estimated fair value of accounts receivable and payable under repo agreements is disclosed in Note 31. An analysis of the accounts receivable and payable under repo agreements by currency structure and maturity dates is presented in Note 29. Related Party Transactions information is presented in Note 32.

19. Loans to Customers

	31 December 2020	31 December 2019
Loans to individuals – consumer	5 355	5 823
Total loans to customers before provision for ECL	5 355	5 823
Provision for ECL	(28)	(44)
Total loans to customers	5 327	5 779

The movement of provision for ECL for Loans to Customers is presented in Note 7. The estimated fair value of loans to customers as well as the used fair value measurements is disclosed in Note 31. An analysis of loans to customers by currency structure and maturity is presented in Note 29. Information about transactions with related parties is presented in Note 32.

20. Property, Plant and Equipment and Assets in the Form of Right of Use

	Building	Computer and office equipment	Furniture and equipment	Right to use leased assets	Total
Cost					
31 December 2018	85 737	10 345	758	-	96 840
Impact of the application of IFRS 16	-	-	-	4 190	4 190
01 January 2019	85 737	10 345	758	4 190	101 030
Additions	-	497	-	-	497
Disposals	-	(872)	-	-	(872)
31 December 2019	85 737	9 970	758	4 190	100 655
Additions	-	1 805	-	-	1 805
Disposals	(26 874)	-	-	-	(26 874)
31 December 2020	58 863	11 775	758	4 190	75 586
Accumulated depreciation					
31 December 2018	-	(9 802)	(706)	-	(10 508)
Depreciation charge for the period	(1 714)	(339)	(13)	-	(2 066)
Depreciation charge for the period of the right to use the leased asset	-	-	-	(898)	(898)
Written-off on disposal	-	872	-	-	872
31 December 2019	(1 714)	(9 269)	(719)	(898)	(12 600)
Depreciation charge for the period	(1 716)	(353)	(2)	-	(2 071)
Depreciation charge for the period of the right to use the leased asset	-	-	-	(898)	(898)
Written-off on devaluation	3 430	-	-	-	3 430
31 December 2020	-	(9 622)	(721)	(1 796)	(12 139)
Net book value					
31 December 2020	58 863	2 153	37	2 394	63 447
31 December 2019	84 023	701	39	3 292	88 055

21. Intangible assets

Cost	Licenses	Software	Total
31 December 2018	4 751	18 270	23 021
Additions	527	6 646	7 173
Disposals	-	(230)	(230)
31 December 2019	5 278	24 686	29 964
Additions	1 420	412	1 832
Disposals	-	(565)	(565)
31 December 2020	6 698	24 533	31 231
Accumulated amortisation			
31 December 2018	(263)	(11 581)	(11 844)
Amortisation charge for the period	(1 003)	(3 069)	(4 072)
Written-off on disposal	-	223	223
31 December 2019	(1 266)	(14 427)	(15 693)
Amortisation charge for the period	(1 044)	(3 966)	(5 010)
Written-off on disposal	-	536	536
31 December 2020	(2 310)	(17 857)	(20 167)
Net book value			
31 December 2020	4 388	6 676	11 064
31 December 2019	4 012	10 259	14 271

22. Other Assets

	31 December 2020	31 December 2019
Other assets (financial)		
Funds in settlements	81 996	-
Settlements with other debtors	4 235	3 508
Other	10 803	3 151
Provision for ECL	(1 902)	(770)
Total other assets (financial) net of provision for ECL	95 132	5 889
Other assets (non-financial)		
Prepayments for goods and services	8 299	7 331
Settlement and prepaid taxes	165	1 698
Impairment allowance	(1 071)	(300)
Total other assets (non-financial) net of provision for ECL	7 393	8 729
Total other assets	102 525	14 618

The movement of provision for ECL for other assets is presented in Note 7. The estimated fair value of other assets is disclosed in Note 31. An analysis of the structure of currencies and the maturity of other assets is disclosed in Note 29. Information about transactions with related parties is disclosed in Note 32.

23. Due to Banks and Other Financial Institutions

Due to banks and other financial institutions assets through at amortization cost

	31 December 2020	31 December 2019
Accounts of credit organizations	1 772 871	-
Other accounts of financial institutions	-	14 084
Total due to banks and other financial institutions	1 772 871	14 084

Estimates of fair value of due to banks and other financial institutions are disclosed in Note 31. An analysis of the structure of currencies and maturities of due to banks and other financial institutions is presented in Note 29. Information on transactions with related parties is presented in Note 32.

24. Customer Accounts

Customer accounts are measured at amortized cost

	31 December 2020	31 December 2019
<i>Accounts of corporate clients</i>		
Current and settlement accounts	512 438	107 313
Term deposits	140 000	17 200
Total accounts of non-state legal entities	652 438	124 513
<i>Accounts of individuals</i>		
Current accounts	8 391	7 460
Term deposits	22 315	16 492
Total accounts of individuals	30 706	23 952
<i>Brokerage accounts and other borrowed funds</i>	2 328 002	1 442 613
Total brokerage accounts and other borrowed funds	2 328 002	1 442 613
Total customer accounts	3 011 146	1 591 078

Balances with biggest clients comprised 45% of the all customer accounts as of 31 December 2020.

Balances with biggest clients comprised 46% of the all customer accounts as of 31 December 2019.

Information by type of economic activity:

Structure of balances with corporate clients as of 31 December 2020:

- Financial intermediation, provision of financial services, other financial intermediation, other insurance - 94.31%;
- Software development, processing and creation of databases, maintenance of a databases, consulting - 5.45 %;
- Other - 0.24%.

Structure of balances with corporate clients as of 31 December 2019:

- Financial intermediation, provision of financial services, other financial intermediation, other security - 83.54%;
- Software development, processing and creation of databases, maintenance of databases, consulting - 1.56%;
- Other - 14.90%.

24. Customer Accounts (continued)

Estimates of fair value of customer accounts are presented in Note 31. An analysis of customer accounts by currency structure and maturity is presented in Note 29. Information on transactions with related parties is presented in Note 32.

25. Subordinated Debt

As of the end of 31 December 2020 and 31 December 2019, subordinated debt was received on the following conditions:

	Maturity date	Interest rate at 31 December 2020, %	Balance as at 31 December 2020	Interest rate at 31 December 2019, %	Balance as at 31 December 2019
Association "NP RTS"	19.04.2027	4.25	505 342	6.25	502 705

The estimated fair value of the subordinated debt is presented in Note 31. An analysis of the subordinated debt by currency structure and maturity is presented in Note 29. Information on transactions with related parties is presented in Note 32.

26. Derivative Financial Liabilities and Obligations to Deliver Securities

The fair values of forwards, swaps and options for currency and securities contracts entered into by the Bank are presented in the table below as at the end of 31 December 2020 and at the end of 31 December 2019.

	31 December 2020	31 December 2019
Obligations to deliver securities	131 553	38 512
Derivative financial liabilities	252	672
Total derivative financial liabilities and obligations to deliver securities	131 805	39 184
	31 December 2020	31 December 2019
Forwards and swaps	132	672
Securities contracts	120	-
Total derivative financial liabilities	252	672

Information on the obligations to deliver securities at the end of 31 December 2020 and at the end of 31 December 2019 is presented in the table below.

	31 December 2020	31 December 2019
Bond loans of the Russian Federation	82 057	38 512
Bonds of state and municipal organizations	49 496	-
Total obligations to deliver securities	131 553	38 512

The estimated fair value of derivative financial liabilities and obligations to deliver securities is presented in Note 31. An analysis of derivative financial liabilities and obligations to deliver securities by currency structure and maturity is presented in Note 29.

27. Other Liabilities

	31 December 2020	31 December 2019
Other financial liabilities		
Funds in settlement	82 158	-
Accounts payable	59 405	11 660
Lease liabilities	2 552	3 398
Total other financial liabilities	144 115	15 058
Other non-financial liabilities		
Accrued staff compensation expenses	24 807	13 188
Tax payables (other than income tax)	1 672	541
Total other non-financial liabilities	26 479	13 729
Total other liabilities	170 594	28 787

The estimated fair value of other liabilities is presented in Note 31. An analysis of other liabilities by currency structure and maturity is presented in Note 29. Information on transactions with related parties is presented in Note 32.

28. Share Capital and Share Premium

	Nominal value of ordinary shares	Nominal value of preference shares	Inflation adjustment of share capital	Total authorised capital
31 December 2019	564 900	100	137 762	702 762
31 December 2020	564 900	100	137 762	702 762

29. Risk Management**Information on the risks taken by the Bank, methods for their identification, measurement, monitoring and control**

In 2020, risk management at the Bank was carried out in accordance with the scale and nature of the Bank's activities, as well as taking into account the recommendations of the Bank of Russia and the Basel Committee on Banking Supervision, as part of an established risk and capital management system.

The established procedures and methods for managing significant risks are an essential element of the strategy, one of the main areas of activity and a key part of the Bank's management decision-making system. An important aspect in the process of managing the Bank and performing operations is the management and control of risks and capital adequacy considered by the Bank Management.

The approaches to the organization of the risk and capital management system are defined in the Strategy and Risk and Capital Management Strategy of PJSC Best Efforts Bank for 2019 - 2020 adopted and approved by the Board of Directors.

The risk management procedure is governed by the adopted Bank Effectiveness and Banking Risk Management Policy of Best Efforts Bank PJSC, which establishes principles for organizing a risk management system and establishes common management standards.

29. Risk Management (continued)

In order to identify potential risks to which the Bank may be exposed and the risks inherent in the Bank's activities, the Bank regularly identifies risks that are significant to the Bank. Based on the results of risk identification, the Bank groups the identified risks by the degree of their materiality to the Bank's financial stability and, depending on this, sets up processes to manage significant risks at individual and aggregate level, as well as sets requirements to the capital to cover them.

In order to identify potential risks to which the Bank may be exposed and the risks inherent in the Bank's activities, the Bank regularly identifies risks that are significant to the Bank. Based on the results of risk identification, the Bank develops processes for managing significant risks at the individual and aggregated level, as well as sets requirements for the capital to cover them.

The Bank classifies financial risks as follows:

- Liquidity risk;
- Credit risk;
- Market risk;
- Interest rate risk;
- Operational risk;
- Concentration risk.

The Bank classifies non-financial risks as follows:

- Strategic risk;
- Regulatory risk;
- Legal risk;
- Reputation risk.

Financial and non-financial risks are directly related, the occurrence of one of them can be both a consequence and a cause of the other.

Segregation of duties and responsibilities in the process of banking risk management

As part of effective risk management, the Bank pays special attention to the distribution of powers and responsibilities between structural divisions (employees of the Bank) and the Bank's governing bodies for managing bank risks.

One of the principles of forming the organizational structure of the Bank is to ensure continuous monitoring of banking operations and the risk management process. Banking risk control is one of the areas of the Bank's internal control system.

The Bank's organisational structure includes the following three levels of risk management:

- Management of the Bank;
- Responsible Risk Management Unit;
- Structural units and officials.

The Board of Directors carries out strategic management of the Bank, determines the basic principles and approaches to organising a risk management and internal control system at the Bank, monitors the activities of executive bodies, and also implements other key functions in accordance with the Charter and internal documents of the Bank.

The Bank's Management Board is in charge of implementation of the strategy and policy in the field of risk and capital management approved by the Board of Directors of the Bank and other issues within the framework of the risk and capital management system.

29. Risk Management (continued)

The Management Board of the Bank may delegate risk management issues within its competence to the Collegial working bodies (Committees of the Bank) for consideration.

In order to implement the risk management process and implement the Bank's risk management principles, the following committees have been created:

- Credit Committee (CC).
- Asset and Liability Management Committee (ALMC).

The main objective of the Credit Committee is to develop recommendations on the Bank's credit policy and reduce credit risks.

The main objective of the Asset and Liability Management Committee is to determine the Bank's policy in the field of management and control of bank liquidity and reduction of bank risks.

To effectively carry out the organizational and control functions in the part of bank risk management by the Board of Directors, the Bank has created a structural unit - the Risk Management Department, which is responsible for coordinating bank risk management and fulfilling the functions assigned to it by internal regulatory documents.

The Bank's structural divisions are responsible for identifying risks arising in the course of operations that are core to the division. All structural divisions of the Bank exercise control over the level of banking risks arising in the process of fulfilling their goals and objectives. Control over the level of banking risks in the structural divisions of the Bank is aimed at limiting and minimising them, as well as at ensuring the procedure for the implementation of functions by the Bank's employees, subject to the requirements of the current legislation, Bank of Russia regulations, professional standards, business customs and internal regulatory documents.

Risk and capital management strategy

In 2020, the Bank implemented the Board of Directors' Strategy for Risk and Capital Management of Best Efforts Bank PJSC for 2019-2020.

Within the Strategy, the Bank has determined for itself the basic approaches and basic principles of risk management, based on the nature and scope of activities, as well as the structure and functions of the risk and capital management bodies of the Bank, and the organization of control by the Board of Directors.

Risk management procedures

In the framework of the adopted internal document, the processes of bank risk management and capital adequacy assessment and a set of interrelated measures and measures aimed at preventing and minimizing potential damage to the Bank in 2020 were as follows:

- identification of risks to which the Bank is exposed, determination of the causes, factors and sources;
- analysis and assessment of the level of possible losses due to the influence of risks;
- assessment of compliance of the overall risk level with the Bank's equity capital;
- response to risks (minimisation - reduction or limitation of risks using appropriate management methods to ensure that the overall risk level corresponds to the capital of the Bank);
- monitoring - continuous monitoring of the level of risk;
- preparation of risk reports.

Risk assessment procedures and their management are integrated into on-going operations.

These procedures are established by internal documents of the Bank and cover the following:

- all stages of decision-making, conducting, monitoring and analysis of operations, workflow and reporting;

29. Risk Management (continued)

- all types of risks arising in connection with operations, including those associated with structurally complex financial instruments (transactions) and / or with the simultaneous occurrence of several types of risk, ensuring the completeness and absence of duplication in accounting for risks;
- both regular operations of the Bank, and one-time transactions (operations) and work on the development and introduction of new banking products;
- all operations of the organization, both in a detailed separate analysis, and in the aggregate on the position of the Bank as a whole;
- monitoring and development of the risk management system with a view to its compliance with the Bank's development strategy, requirements of regulatory authorities with regard to risk management and reporting, approved best practices in the field of risk management, current market conditions, infrastructure and general business conditions;
- assessment of the effectiveness of risk management and staff actions in this area.

In relation to each of the significant risks, the Bank has determined a methodology for assessing this type of risk and determining capital requirements, including data sources used to measure risk; stress testing procedures and methodology; methods used to reduce risk and manage risk arising from the fact that the methods used by the Bank to reduce risk may not produce the expected effect.

The main methods of managing various types of risks of the Bank include:

- monitoring;
- limitation;
- hedging (compensation);
- diversification;

The maximum effectiveness of the Bank's risk management system is achieved by applying the described methods in aggregate.

For non-financial risks, the Bank uses a methodology that provides a qualitative assessment based on professional judgement based on the analysis of risk factors.

Composition and frequency of risk reporting

The Bank has developed a procedure for informing members of the Board of Directors, executive management bodies, and heads of relevant structural divisions in the context of risks taken by the Bank.

The Bank draws up management reports in accordance with the adopted "Risk and Capital Management Strategy of Best Efforts Bank PJSC for 2019-2020".

Reporting is generated by the Risk Management Service of Best Efforts Bank PJSC, independent of the units performing functions related to the adoption of risks.

Information about important types of risk

Country risk

The main activities of the Bank are related to operations in the Russian Federation.

As of 1 January 2021, 85.8% of assets and 90.0% of the Bank's liabilities are in the Russian Federation, 10.6% of assets and 0.04% of liabilities are in countries with developed economies (hereinafter referred to as the OECD), and other countries - 3.6% of assets and 10.0% of the Bank's liabilities.

As of 1 January 2020, 82.6% of assets and 87.0% of the Bank's liabilities are in the Russian Federation, 14.5% of assets and 1.6% of liabilities are in OECD countries, and in other countries - 2.9% of assets and 11.4% of the Bank's liabilities.

29. Risk Management (continued)

Credit risk

Credit risk is the risk of financial losses arising as a result of default by a borrower or counterparty of the Bank. The Bank manages credit risk through the application of approved policies and procedures, including the requirements for setting and observing credit risk concentration limits, as well as through the existing Credit Committee and ALMC, whose functions include making decisions on credit risk management and monitoring compliance with internal limits and standards.

The key elements of effective credit risk management were developed credit policies and procedures, portfolio management, and effective credit control.

When managing credit risk, the Bank is guided by the adopted "Credit policy of PJSC Best Efforts Bank for 2019-2020", within which the Bank:

- identifies credit risks inherent to the Bank's activities;
- identifies potential credit risks to which the Bank may be exposed;
- carries out an assessment of credit risks;
- controls the volumes of risks significant for the Bank (including credit);
- ensures compliance with the mandatory standards established by the Bank of Russia, as well as control over the level of credit risk.

The Credit Policy adopted by the Bank regulates the Bank's conduct of credit and other operations containing credit risk that are carried out with retail and corporate clients, including various types of short-term and long-term lending, the provision of guarantees, the opening of letters of credit, the adoption of guarantees to ensure the fulfilment of obligations of corporate clients, confirmation of letters of credit.

Credit risk management procedures are defined in the Bank's internal documents and include:

- the procedure for granting loans and making decisions on their issuance;
- methods for determining and the procedure for setting limits (risk limit per borrower (group of related borrowers), risk limit by type of economic activity of borrowers, other limits);
- a methodology for assessing the risk to the counterparty (that is, the risk of default of the counterparty before the settlement of the transaction), including a methodology for assessing the financial position of counterparties (borrowers), the quality of loans, determining the amount of claims on equity (capital);
- requirements for ensuring the fulfilment of obligations of counterparties (borrowers), and the methodology for its assessment.

The Bank uses the following credit risk management methods:

- analysis and assessment of credit risk for specific loan products;
- non-acceptance of credit risk, at the stage preceding operations that are exposed to credit risk;
- introduction of uniform risk assessment and identification processes;
- planning the level of credit risk by assessing the level of expected losses;
- limiting credit risk by setting limits and / or limiting risk, as well as limiting authority;
- formation of provisions to cover possible losses on loans;
- collateral management of loan products;
- work with bad debts;
- monitoring and control of credit risk.

The Bank constantly monitors the status of individual loans and regularly reassesses the solvency of its borrowers. Revaluation procedures are based on analysis of the financial statements of the borrower and other information provided by the borrower or received by the Bank in another way.

29. Risk Management (continued)

The Bank measures and recognizes expected credit losses on financial assets at fair value through other comprehensive income or at amortized cost. The amount of expected credit losses recognised as an allowance for credit losses depends on the degree of deterioration in credit quality since the initial recognition of a financial asset.

The key variables in assessing expected credit losses are the following variables:

- probability of default (PD);
- loss given default (LGD);
- exposure at default (EAD).

These parameters, for most of the Bank's assets, were obtained on the basis of internal statistical models and external credit ratings of agencies, the use of ratings of which is allowed by the Bank of Russia for the calculation of regulatory reserves.

PD ratings are calculated, among other things, on the basis of statistical rating models adapted to various categories of counterparties and credit requirements. These statistical models are based on internal and external data containing both quantitative and qualitative factors. Market data can also be used to obtain PD for large corporate counterparties, subject to the availability of such data. If the counterparty or credit requirement moves between the rating categories, this leads to a change in the rating of the corresponding PD. PD is valued against contractual maturities.

When evaluating PD for portfolios of grouped loans, the Bank determines the weighted value of the credit risk parameter PD for the retrospective period, taking into account the effective interest rate received.

LGD reflects the level of probable losses in the event of a default. The Bank estimates LGD parameters based on internal data on the level of default losses by default for assets by segments, as well as using external statistics of default losses on default segments with insufficient internal statistics.

In assessing LGD for grouped loan portfolios, the Bank determines the weighted value of the LGD credit risk parameter at the reporting date for the retrospective analysis period, taking into account the effective interest rate, the calculated PD value and the cash flow from the release of bad loan provisions.

EAD represents the expected amount of the credit requirement in the event of default. The Bank estimates the EAD based on the current amount of the loan requirement and possible changes in the current amount under the contract, including depreciation. The EAD of a financial asset is its gross carrying amount.

When evaluating the EAD for grouped loan portfolios, the Bank determines the weighted value of the EAD credit risk parameter for the retrospective period is determined by the ratio of the amount of loss from the written off bad loans to the book value of the written off bad loans.

The provision for ECL is calculated based on the expected credit losses for the entire life of the asset (CMB for the entire term), if there is no significant increase in credit risk from the moment of recognition; in the latter case, the provision is calculated based on the expected credit losses for 12 months (12-month ECL). 12-month ECL are part of the entire ECL, which are ECL arising from defaults on a financial instrument that are possible within 12 months of the reporting date. Full-time ECL and 12-month ECL are calculated on an individual or portfolio basis, depending on the nature of the underlying portfolio of financial instruments:

- The period until repayment of funds on correspondent, trading, and clearing accounts with credit organisations is assumed by the Bank to be 1 month or 1/12 year, as cash flow analysis in previous periods shows multiple cash turnover within one month.

29. Risk Management (continued)

- For receivables (including lease agreements), the Bank uses a simplified approach, i.e. it always determines the estimated provision in the amount equal to the expected credit losses for the entire life of the asset, and does not go over to the calculation of 12-month ECL in the absence of a significant increase in the credit risk of a financial instrument.

The estimated provision is assessed by the Bank at each reporting date of the financial statements.

The maximum level of credit risk is usually reflected in the carrying amount of financial assets in the statement of financial position and in the amount of unrecognised contractual obligations.

The maximum level of credit risk in relation to financial assets as of the reporting date can be represented as follows:

	31 December 2020	31 December 2019
ASSETS EXPOSED TO CREDIT RISK		
Cash and cash equivalents	3 120 691	360 159
Due from financial institutions	492 172	769 440
Financial assets at fair value through other comprehensive income	719 251	627 247
Financial assets pledged under repo agreements	31 597	69 747
Accounts receivable under repo agreements	2 207 096	3 292 522
Loans to customers	5 327	5 779
Other assets	102 525	14 618
Total assets exposed to credit risk	6 678 659	5 139 512

At the end of 31 December 2020 and throughout 2019, the Bank had no overdue loans in its loan portfolio.

At the end of 31 December 2020 and throughout 2019, there was not restructured debt.

The table below provides information on the gross carrying amount at the stages of credit risk as of 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	3 129 828	-	-	3 129 828
Due from financial institutions	504 856	-	68	504 924
Financial assets at fair value through other comprehensive income	719 251	-	-	719 251
Financial assets pledged under repo agreements	31 597	-	-	31 597
Accounts receivable under repo agreements	2 209 014	-	-	2 209 014
Loans to customers	5 355	-	-	5 355
Other assets	85 065	19 489	944	105 498
Total credit risk exposed assets	6 684 966	19 489	1 012	6 705 467
Provision for ECL	(23 778)	(2 018)	(1 012)	(26 808)
Total assets	6 661 188	17 471	-	6 678 659

The table below provides information on the gross carrying amount at the stages of credit risk as of 31 December 2019:

29. Risk Management (continued)

	Stage 1	Stage 2	Stage 3	Total
Cash and cash equivalents	360 192	-	-	360 192
Due from financial institutions	777 471	-	68	777 539
Financial assets at fair value through other comprehensive income	627 247	-	-	627 247
Financial assets pledged under repo agreements	69 747	-	-	69 747
Accounts receivable under repo agreements	3 292 542	-	-	3 292 542
Loans to customers	5 823	-	-	5 823
Other assets	3 783	11 306	599	15 688
Total credit risk exposed assets	5 136 805	11 306	667	5 148 778
Provision for ECL	(8 129)	(470)	(667)	(9 266)
Total assets	5 128 676	10 836	-	5 139 512

In order to assess whether the credit risk of a financial instrument has increased significantly since its initial recognition, the Bank focuses on changing the risk of a default occurring over the expected life of the financial instrument (not on changing the amount of expected credit losses).

The Bank defines a change in credit risk as significant if one or more of the following parameters change:

- Changes in external market indicators
- The spread of crisis events
- Changes in market conditions on similar contracts
- Changes in the Bank's approach to the issuer/borrower
- Deterioration of issuer's/borrower's operational results
- Contractual payments overdue for more than 30 days
- Change in legal, regulatory or technological business environment
- Change of internal or external credit rating
- Debt restructuring (occurred or expected)
- Obtaining information relating to overdue debts
- Obtaining information on collateral, guarantees or financial support, if these affect the probability of default
- Deterioration of covenants by the issuer/borrower

Signs of a significant increase in credit risk that require judgement are:

- Significant changes in external market indicators of credit risk (interest rates, exchange rates).
- Existing or forecasted adverse changes in technological, commercial, legal, financial or economic conditions that may affect the borrower (higher unemployment, higher interest rates, higher inflation, changes in tax legislation).
- Significant or anticipated changes in the borrower's operating results.
- Significant change in the value of the collateral provided.

In assessing the criteria for classifying credit risk changes as "significant", the Bank also assesses the relativity of the changes and their relationship to default.

The risk of default decreases as we approach the expiration of the instrument. Concerning this:

- The Bank considers a 10% change in PD for a long-term financial asset as a significant change in credit risk, a 2% - as insignificant.
- For a short-term financial asset, the change in PD by 2% is considered by the Bank as a significant change in credit risk.

29. Risk Management (continued)

The Bank considers collateral when assessing the significance of changes in credit risk:

- A significant change in PD for a financial asset if there is sufficient collateral, the Bank considers it to be a minor change in credit risk.
- A significant change in PD for a financial asset in the absence of collateral is considered by the Bank as a significant change in credit risk.

Given that the market for the main part of the securities portfolio is recognised as active and the initial data of the first hierarchy level are used to determine fair value, the credit risk for the securities portfolio is considered low, the expected credit losses are zero.

The Bank has recognized the portfolio of consumer loans granted as low risk, the expected credit loss is 0.53%. Portfolio risk assessment uses data:

- 1) The carrying amount of the portfolio at the reporting date;
- 2) Provisioning amount of the portfolio as at the reporting date;
- 3) Carrying value of loans added to the portfolio during the reporting period;
- 4) Carrying value of loans withdrawn from the portfolio during the reporting period;
- 5) Value of additional reserves for the reporting period;
- 6) Value of reversed reserves for the reporting period;
- 7) Book value of bad loans written off from the portfolio during the reporting period;
- 8) Amount of losses from writing-off of bad loans from the portfolio during the reporting period
- 9) Amount of recovery of losses on bad loans in the portfolio during the reporting period
- 10) Income earned on the portfolio during the reporting period.

Given that there were no defaults on the loans included in the portfolio during the calculation period (3 years), all loans are on market terms, including with interest accrued at market rates, the loan provisions are minimal, the bank recognised the portfolio risk as low.

The exposure to non-resident brokers, clearing houses and credit institutions is considered low, based on the high credit ratings and/or good financial standing of these categories of counterparties. The risk of current (not overdue) receivables is assessed as medium.

The risk of overdue receivables is assessed as high with estimated provisions for expected credit losses based on 100% of overdue claims.

In 2020, there were no significant changes in the assessment models, as well as significant assumptions.

There are no circumstances in which the Bank does not have reasonable and corroborated information that, without excessive costs or efforts, is available to estimate expected credit losses for the entire term for a particular instrument.

Market risk

Market risk is the risk that the Bank will incur financial losses due to changes in the current (fair) value of the Bank's trading portfolio financial instruments and derivative financial instruments, as well as foreign exchange rates and/or accounting prices of precious metals.

Market risk includes interest rate risk, equity risk, currency risk and commodity risk.

When managing market risk, the Bank addresses the following tasks

- organisation of control over diversification of trading portfolios;
- maintaining open positions at a level that does not threaten the Bank's financial position.

29. Risk Management (continued)

The methods of market risk management depend on the nature of the arising risks and are divided into general and special.

General market risk management techniques include:

- a system for collecting and analysing information on markets and counterparties;
- a system of limit setting and control;
- a system of ongoing monitoring of market price movements;
- a system of hedging;

Interest rate risk

Interest rate risk is the risk of deterioration of the Bank's financial position due to a decrease in the amount of capital, level of income, value of assets as a result of changes in interest rates on the market. Interest rate risk management is part of the Bank's risk and capital management system.

The interest rate risk management procedures include a list of assets (liabilities) sensitive to changes in interest rates.

Quantitative parameters of acceptable (acceptable) level of interest rate risk and other elements (components) of the interest rate risk management system are defined in the Bank's internal documents.

Compliance of actual data with quantitative parameters of acceptable level of interest rate risk accepted by the Bank is determined based on management reporting, based on GAP analysis data.

Identification of interest rate risk implies analysis of all conditions of the Bank's functioning for presence or possibility of risk factors, which may be performed at several levels:

- analysis of the effect of changes in interest rates on individual transactions;
- analysis of the effect of changes in interest rates on certain types of instruments (products);
- analysis of degree of correlation of the Bank's interest rates at different terms on active and passive balance sheet items (determination of GAP-gaps).

Below is the analysis of the Bank's interest rate risk at the end of 31 December 2020. The table presents assets and liabilities exposed to interest rate risk grouped at different time intervals by the contractual interest rate repricing date.

29. Risk Management (continued)

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
ASSETS EXPOSED TO INTEREST RATE RISK					
Derivative financial assets	557	-	-	-	557
Financial assets at fair value through other comprehensive income, including asstes pledged under repo agreements	4 318	69 391	325	676 814	750 848
Accounts receivable under repo agreements	2 207 096	-	-	-	2 207 096
Loans to customers	-	-	-	5 327	5 327
Total assets exposed to interest rate risk	2 211 971	69 391	325	682 141	2 963 828
Total accumulated assets exposed to interest rate risk	2 211 971	2 281 362	2 281 687	2 963 828	
LIABILITIES EXPOSED TO INTEREST RATE RISK					
Derivative financial liabilities and obligations to deliver securities	131 805	-	-	-	131 805
Accounts payable under repo agreements	75 899	-	-	-	75 899
Customer accounts	-	1 877	15 800	584	18 261
Subordinated deposit	-	-	-	505 342	505 342
Total liabilities exposed to interest rate risk	207 704	1 877	15 800	505 926	731 307
Total accumulated liabilities exposed to interest rate risk	207 704	209 581	225 381	731 307	
OFF-BALANCE SHEET ITEMS					
Securities received on operations performed on a return basis	(2 426 892)	-	-	-	(2 426 892)
Securities transferred on operations performed on a return basis	46 497	-	-	-	46 497
Absolute GAP	(376 128)	67 514	(15 475)	176 215	(147 874)
Interest rate sensitivity	(14 418)	1 688	(155)	7 049	(5 836)

The following table presents an analysis of the Bank's risk related to changes in interest rates at the end of 31 December 2019.

29. Risk Management (continued)

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
ASSETS					
Financial assets at fair value through other comprehensive income, including assets pledged under repo agreements	1 710	96 894	4 237	594 153	696 994
Accounts receivable under repo agreements	3 292 522	-	-	-	3 292 522
Loans to customers	-	-	56	5 723	5 779
Total assets	3 294 232	96 894	4 293	599 876	3 995 295
Accumulated total assets	3 294 232	3 391 126	3 395 419	3 995 295	
LIABILITIES					
Derivative financial liabilities and obligations to deliver securities	39 184	-	-	-	39 184
Accounts payable under repo agreements	2 025 395	-	-	-	2 025 395
Customer accounts	-	4 270	27 314	500 000	531 584
Total liabilities	2 064 579	4 270	27 314	500 000	2 596 163
Accumulated total liabilities	2 064 579	2 068 849	2 096 163	2 596 163	
OFF-BALANCE SHEET ITEMS					
Securities received on operations performed on a return basis	(3 641 191)	-	-	-	(3 641 191)
Securities transferred on operations performed on a return basis	2 091 651	-	-	-	2 091 651
Absolute GAP	(319 887)	92 624	(23 021)	99 876	(150 408)
Interest rate sensitivity	(12 262)	2 316	(230)	3 995	(6 181)

Currency risk

Currency risk is the risk of the Bank incurring losses due to an adverse change in the exchange rates of foreign currencies and / or precious metals at positions opened by the Bank in foreign currencies and / or precious metals.

The depreciation of the Russian ruble, as indicated in the following table, in relation to the following currencies as of the end of 31 December 2020 and the end of 31 December 2019 would cause an increase (decrease) in capital and profit / loss by the amount shown in the table.

This analysis is based on changes in exchange rates, which, from the Bank's point of view, are reasonably possible at the end of the reporting period.

The analysis assumes that all other variables, including interest rates, remain unchanged.

	<u>31 December 2020</u>	<u>31 December 2019</u>
USD		
10% increase	8 786	3 581
10% decrease	(8 786)	(3 581)
EUR		
10% increase	11	402
10% decrease	(11)	(402)

The appreciation of the RUB against the above currencies at the end of 31 December 2020 would have had the opposite effect, assuming that all other variables remain constant.

29. Risk Management (continued)

The table below presents a general analysis of the Bank's currency risk at the reporting date 31 December 2020:

	RUB	USD	EUR	Other currencies	Total
ASSETS					
Cash and cash equivalents	346 209	2 723 106	50 816	560	3 120 691
Mandatory cash balances with the Bank of Russia	46 893	-	-	-	46 893
Due from financial instruments	19 533	399 685	69 963	2 991	492 172
Derivative financial assets	557	-	-	-	557
Financial assets at fair value through other comprehensive income	506 497	181 713	62 638	-	750 848
Accounts receivable under repo agreements	2 134 858	72 238	-	-	2 207 096
Loans to customers	5 327	-	-	-	5 327
Deferred tax asset	12 524	-	-	-	12 524
Property, plant and equipment and assets in the form of right of use	63 447	-	-	-	63 447
Intangible assets	11 064	-	-	-	11 064
Other assets	18 530	83 989	6	-	102 525
Total assets	3 165 439	3 460 731	183 423	3 551	6 813 144
LIABILITIES					
Due to banks and other financial institutions	6 459	1 643 902	122 510	-	1 772 871
Derivative financial liabilities and obligations to deliver securities	313	131 492	-	-	131 805
Accounts payable under repo agreements	75 899	-	-	-	75 899
Customer accounts	1 088 637	1 849 431	69 835	3 243	3 011 146
Subordinated deposit	505 342	-	-	-	505 342
Current income tax payable	16 066	-	-	-	16 066
Other liabilities	32 231	138 329	34	-	170 594
Total liabilities	1 724 947	3 763 154	192 379	3 243	5 683 723
The effect of derivative financial instruments expressed in foreign currencies	(399 052)	390 287	9 070	-	305
Net balance sheet position	1 041 440	87 864	114	308	1 129 726

29. Risk Management (continued)

The table below provides general analysis of the Bank's currency risk as at the reporting date, 31 December 2019:

	RUB	USD	EUR	Other currencies	Total
Assets					
Cash and cash equivalents	62 546	57 986	237 142	2 485	360 159
Mandatory cash balances with the bank of Russia	24 424	-	-	-	24 424
Due from financial instruments	1 357	528 782	239 249	52	769 440
Derivative financial assets	509	-	-	-	509
Financial assets at fair value through other comprehensive income, including assets pledged under repo agreements	549 425	59 789	87 780	-	696 994
Accounts receivable under repo agreements	2 176 440	1 075 519	40 563	-	3 292 522
Loans to customers	5 779	-	-	-	5 779
Deferred tax asset	4 878	-	-	-	4 878
Property, plant and equipment and assets in the form of right of use	88 055	-	-	-	88 055
Intangible assets	14 271	-	-	-	14 271
Other assets	14 460	158	-	-	14 618
Total assets	2 942 144	1 722 234	604 734	2 537	5 271 649
Liabilities					
Derivative financial liabilities and obligations to deliver securities	39 184	-	-	-	39 184
Due to banks and other financial institutions	14 022	62	-	-	14 084
Accounts payable under repo agreements	1 148 663	869 625	7 107	-	2 025 395
Customer accounts	430 328	1 140 832	11 120	8 798	1 591 078
Subordinated deposit	502 705	-	-	-	502 705
Current income tax payable	11 028	-	-	-	11 028
Other liabilities	19 729	9 026	32	-	28 787
Total liabilities	2 165 659	2 019 545	18 259	8 798	4 212 261
The effect of derivative financial instruments expressed in foreign currency	249 171	333 120	(582 453)	-	(162)
Net balance sheet position	1 025 656	35 809	4 022	(6 261)	1 059 226

29. Risk Management (continued)

Liquidity Risk

Liquidity risk is the risk that a credit institution is unable to finance its activities, i.e. to ensure growth of assets and meet its obligations as they fall due without incurring losses in amounts that are unacceptable for financial stability.

The Bank maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due by maintaining a diversified and stable funding base comprising debt securities, long-term and short-term loans from other banks, core corporate and retail customer deposits, as well as a diversified portfolio of highly liquid assets, so that the Bank is able to respond quickly and without sudden

The main external factors that determine the Bank's liquidity include

- abrupt changes in the economic and political situation in the country;
- stability of the banking system;
- the situation on the money and securities market.

Internal factors affecting the Bank's liquidity include:

- mismatch between the values of assets and liabilities in terms of maturity;
- mismatch of income and expenses;
- high uncertainty of future payments;
- risk of borrowers' insolvency.

Procedures for managing liquidity risk, methods of liquidity assessment and management, procedures for reporting and exchange of information in the management process are set out in an internal document of the Bank.

The carrying amount of financial instruments broken down by expected maturity term as at 31 December 2020 is presented in the table below:

29. Risk Management (continued)

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	3 120 691	-	-	-	3 120 691
Mandatory cash balances with the Bank of Russia	46 893	-	-	-	46 893
Due from financial institutions	492 172	-	-	-	492 172
Financial assets at fair value through other comprehensive income	4 318	69 391	325	676 814	750 848
Derivative financial assets	557	-	-	-	557
Accounts receivable under repo agreements	2 207 096	-	-	-	2 207 096
Loans to customers	-	-	-	5 327	5 327
Deferred tax asset	-	-	-	12 524	12 524
Property, plant and equipment and assets in the form of right of use	-	-	-	63 447	63 447
Intangible assets	-	-	-	11 064	11 064
Other assets	-	-	-	102 525	102 525
Total assets	5 871 727	69 391	325	871 701	6 813 144
LIABILITIES					
Due to banks and other financial institutions	1 772 871	-	-	-	1 772 871
Derivative financial liabilities and obligations to deliver securities	131 805	-	-	-	131 805
Accounts payable under repo agreements	75 899	-	-	-	75 899
Customer accounts	2 992 885	1 877	15 800	584	3 011 146
Subordinated deposit	-	-	-	505 342	505 342
Current income tax payable	-	16 066	-	-	16 066
Other liabilities and provisions	170 594	-	-	-	170 594
Total liabilities	5 144 054	17 943	15 800	505 926	5 683 723
Net balance sheet item as at 31 December 2020	727 673	51 448	(15 475)	365 775	1 129 421
Net balance sheet item on accumulated basis as at 31 December 2020	727 673	779 121	763 646	1 129 421	

29. Risk Management (continued)

The carrying amount of financial instruments broken down by expected maturity term as at 31 December 2019 is presented in the table below:

	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	Over 1 year	Total
Assets					
Cash and cash equivalents	360 159	-	-	-	360 159
Mandatory cash balances with the Bank of Russia	24 424	-	-	-	24 424
Due from financial institutions	769 440	-	-	-	769 440
Financial assets at fair value through other comprehensive income	1 710	96 894	4 237	594 153	696 994
Claims to derivative financial assets	509	-	-	-	509
Accounts receivable under repo agreements	3 292 522	-	-	-	3 292 522
Loans to customers	-	-	56	5 723	5 779
Deferred tax asset	-	-	-	4 878	4 878
Property, plant and equipment and assets in the form of right of use	-	-	-	88 055	88 055
Intangible assets	-	-	-	14 271	14 271
Other assets	14 618	-	-	-	14 618
Total assets	4 463 382	96 894	4 293	707 080	5 271 649
LIABILITIES					
Due to banks and other financial institutions	14 084	-	-	-	14 084
Derivative financial liabilities and obligations to deliver securities	39 184	-	-	-	39 184
Accounts payable under repo agreements	2 025 395	-	-	-	2 025 395
Customer accounts	1 562 199	1 514	27 314	51	1 591 078
Subordinated deposit	-	-	-	502 705	502 705
Current income tax payable	-	11 028	-	-	11 028
Other liabilities and provisions	28 787	-	-	-	28 787
Total liabilities	3 669 649	12 542	27 314	502 756	4 212 261
Net balance sheet item as at 31 December 2020	793 733	84 352	(23 021)	204 324	1 059 388
Net balance sheet item on accumulated basis as at 31 December 2020	793 733	878 085	855 064	1 059 388	

As part of the analysis of liquidity for a different time horizon (short-term, current, long-term liquidity), the Bank evaluates liquidity using scenarios of negative developments due to changes in market parameters, financial position of counterparties (borrowers, lenders), and other circumstances that may provide impact on the liquidity of the Bank.

30. Capital Management

The Bank's capital management has the following objectives:

- 1) to comply with the regulatory capital requirements set by the Bank of Russia,
- 2) ensuring the Bank's ability to operate as a going concern.

The Bank also continuously monitors capital adequacy levels calculated in accordance with the requirements of the Bank of Russia in order to maintain a capital adequacy ratio of at least 8%.

During the periods ended 31 December 2020 and 31 December 2019, the Bank complied with the capital adequacy ratio set by the Bank of Russia.

The structure of the Bank's capital, calculated in accordance with the Basel Capital Accord, is presented below:

	31 December 2020	31 December 2019
<i>Equity</i>		
<i>Tier 1 capital</i>		
Share capital	702 762	702 762
Share premium	685 811	685 811
Revaluation reserve of assets at fair value through other comprehensive income	5 764	12 189
Retained earnings	(264 916)	(341 374)
<i>Tier 2 capital</i>		
<i>Components that reduce equity</i>		
Intangible assets	(11 064)	(14 271)
Total equity	1 118 357	1 045 117

31. Fair Value of Financial Instruments

Fair value is the amount of consideration given to a transaction in an asset or liability between knowledgeable, willing parties on an arm's length basis. The best evidence of fair value is the quoted market price of a financial instrument.

The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. Although the Russian Federation has been assigned investment grade ratings, the economy continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial Instruments at Fair Value

Securities, loans to customers, whose changes in fair value are recognised in profit or loss, including securities designated as financial assets pledged under repurchase agreements, derivative financial instruments and financial assets at fair value through other comprehensive income are accounted for in the balance sheet at fair value. Fair values are obtained from quoted market prices. Cash and cash equivalents are carried at amortised cost which approximates current fair value.

Due from Financial Institutions at Amortized Cost and at Fair Value Through Profit or Loss

In the opinion of Management, the fair value of due from financial institutions did not significantly differ from their carrying amount. It is explained by the existent practice when interest rate is restated in order to reflect current market conditions. Therefore, interest rate for balances is based on rates similar to market ones.

31. Fair Value of Financial Instruments (continued)*Loans to Customers at Amortized Cost or at Fair Value Through Profit or Loss*

The fair value of floating rate instruments usually equals their carrying amount. In case of significant changes of the market situation, interest rates on loans to customers and amounts due from other banks at fixed interest rates may be revised by the Bank. As a consequence, interest rates on loans issued before the reporting date do not differ significantly from current interest rates in the borrowing market for new instruments with similar credit risk and maturity. If the Bank estimates that the rates on previously issued loans differ significantly from the rates effective at the reporting date for similar instruments, the estimated fair value of such loans is determined. The estimate is based on discounted cash flow method using current interest rates in the debt market for new instruments with similar credit risk and maturity. Discount rates used depend on the currency, maturity of the instrument and credit risk of the counterparty.

Liabilities at Amortized Cost

The fair value of liabilities at amortised cost is based on the quoted market prices, if available. The estimated fair value of fixed rate instruments with a stated maturity, for which quoted market prices are not available, is based on expected cash flows discounted at interest rates for new instruments with similar credit risks and remaining maturities. The fair value of liabilities repayable on demand or after a notice period (demandable liabilities) is estimated as the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Derivative financial instruments

All derivative financial instruments are accounted for at fair value as assets if fair value of such instruments is positive or as liabilities if their fair value is negative.

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments depending on valuation techniques:

- Level 1: quoted (unadjusted) prices in active markets for identical assets and liabilities;
- Level 2: techniques in which all inputs that significantly affect fair value are directly or indirectly observable in the open market;
- Level 3: methodologies that use inputs that significantly affect fair value and are not based on observable market data.

The table below provides an analysis of assets carried at fair value in the context of assessment hierarchy at the end of 31 December 2020:

	Level 1	Level 2	Level 3	Total
Financial assets carried as fair value				
Derivative financial instruments	-	557	-	557
<i>Forwards and swaps</i>	-	16	-	16
<i>Securities contracts</i>	-	541	-	541
Financial assets at fair value through other comprehensive income	719 251	-	-	719 251
<i>Corporate bonds and Eurobonds</i>	401 170	-	-	401 170
<i>Bonds and Eurobonds of credit organizations</i>	184 701	-	-	184 701
<i>Bonds and Eurobonds of the Russian Federation</i>	74 412	-	-	74 412
<i>Eurobonds of foreign state and municipal organizations</i>	58 968	-	-	58 968
Financial assets pledged under repo agreements	31 597	-	-	31 597
<i>Bonds of the Russian Federation</i>	31 597	-	-	31 597
Total financial assets carried at fair value	750 848	557	-	751 405

31. Fair Value of Financial Instruments (continued)

The table below provides an analysis of assets carried at fair value in the context of assessment hierarchy at the end of 31 December 2019:

	Level 1	Level 2	Level 3	Total
Financial assets carried as fair value				
Derivative financial instruments	-	509	-	509
<i>Forwards and swaps</i>	-	435	-	435
<i>Securities contracts</i>	-	74	-	74
Financial assets at fair value through other comprehensive income	626 924	-	323	627 247
<i>Corporate bonds and Eurobonds</i>	389 774	-	323	390 097
<i>Bonds and Eurobonds of credit organisations</i>	188 523	-	-	188 523
<i>Bonds of the Russian Federation and the Bank of Russia</i>	48 627	-	-	48 627
Financial assets pledged under repo agreements	69 747	-	-	69 747
<i>Corporate Eurobonds</i>	3 103	-	-	3 103
<i>Bonds of credit organisations</i>	-	-	-	-
<i>Bonds of the Russian Federation</i>	66 644	-	-	66 644
Total financial assets carried at fair value	696 671	509	323	697 503

The table below provides information about transfers between Level 1 and Level 3 which happened in 2020:

	Transfers between Level 1 and Level 3	
	From 1 to 3	From 3 to 1
Financial assets		
Financial assets at fair value through other comprehensive income	1 197 279	1 039 118
Total transfers financial assets	1 197 279	1 039 118

Financial instruments are transferred from Level 2 and Level 3 to Level 1 if these instruments are traded in active market and fair value can be estimated based on quoted prices in active market.

Financial instruments are transferred from Level 1 to Level 3 if these instruments are no longer traded in an active market and the market for these instruments is not sufficiently liquid to use quoted prices to measure them and their fair value is determined using valuation techniques that are consistent with the Bank's internal documentation.

The table below provides an analysis of the fair value of financial assets for which fair value is disclosed separately, by level of assessment hierarchy at the end of 31 December 2020:

31. Fair Value of Financial Instruments (continued)

	Carrying value	Fair value			Fair value Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	3 120 691	36 808	3 083 883	-	3 120 691
Mandatory reserves in the Central Bank of the Russian Federation	46 893	-	46 893	-	46 893
Due from financial institutions	492 172	-	492 172	-	492 172
Accounts receivable under repo agreements	2 207 096	-	2 207 096	-	2 207 096
Loans to customers	5 327	-	-	5 327	5 327
Other assets	95 132	-	-	95 132	95 132
Total financial assets measured at amortized cost	5 967 311	36 808	5 830 044	100 459	5 967 311

The table below provides an analysis of the fair value of financial assets for which fair value is disclosed separately, by level of assessment hierarchy at the end of 31 December 2019:

	Carrying value	Fair value			Fair value Total
		Level 1	Level 2	Level 3	
Financial assets measured at amortized cost					
Cash and cash equivalents	360 159	37 566	322 593	-	360 159
Mandatory reserves in the Central Bank of the Russian Federation	24 424	-	24 424	-	24 424
Due from financial institutions	769 440	-	769 440	-	769 440
Accounts receivable under repo agreements	3 292 522	-	3 292 522	-	3 292 522
Loans to customers	5 779	-	-	5 779	5 779
Other assets	5 889	-	-	5 889	5 889
Total financial assets measured at amortized cost	4 458 213	37 566	4 408 979	11 668	4 458 213

31. Fair Value of Financial Instruments (continued)

The table below provides an analysis of financial liabilities carried at fair value in the context of assessment hierarchy at the end of 31 December 2020:

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Derivative financial liabilities and obligations to deliver securities	131 553	252	-	131 805
<i>Forwards and swaps</i>	-	252	-	252
<i>Securities obligations</i>	131 553	-	-	131 553
Total financial liabilities measured at fair value	131 553	252	-	131 805

The table below provides an analysis of financial liabilities carried at fair value in the context of assessment hierarchy at the end of 31 December 2019:

	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value				
Derivative financial liabilities and obligations to deliver securities	38 512	672	-	39 184
<i>Forwards and swaps</i>	-	672	-	672
<i>Securities obligations</i>	38 512	-	-	38 512
Total financial liabilities at fair value	38 512	672	-	39 184

The table below provides an analysis of the fair value of financial liabilities for which fair value is disclosed separately, by level of assessment hierarchy at the end of 31 December 2020:

	Carrying value	Level 1	Level 2	Level 3	Fair value Total
Financial liabilities measured at amortized cost					
Due to banks and other financial institutions	1 772 871	-	1 772 871	-	1 772 871
Accounts payable under repo agreements	75 899	-	75 899	-	75 899
Customer accounts	3 011 146	-	2 848 831	162 315	3 011 146
<i>Fixed-term deposits</i>	162 315	-	-	162 315	162 315
<i>Current and brokerage accounts</i>	2 848 831	-	2 848 831	-	2 848 831
Subordinated deposit	505 342	-	-	505 342	505 342
Other liabilities	144 115	-	-	144 115	144 115
Total financial liabilities measured at amortized cost	5 509 373	-	4 697 601	811 772	5 509 373

31. Fair Value of Financial Instruments (continued)

The table below provides an analysis of the fair value of financial liabilities for which fair value is disclosed separately, by level of assessment hierarchy at the end of 31 December 2019:

	Carrying value	Level 1	Level 2	Level 3	Fair value Total
Financial liabilities measured at amortized cost					
Due to banks and other financial institutions	14 084	-	14 084	-	14 084
Accounts payable under repo agreements	2 025 395	-	2 025 395	-	2 025 395
Customer accounts	1 591 078	-	1 557 386	33 692	1 591 078
<i>Fixed-term deposits</i>	33 692	-	-	33 692	33 692
<i>Current and brokerage accounts</i>	1 557 386	-	1 557 386	-	1 557 386
Subordinated deposit	502 705	-	-	502 705	502 705
Other liabilities	15 058	-	-	15 058	15 058
Total financial liabilities measured at amortised cost	4 148 320	-	3 596 865	551 455	4 148 320

32. Related Party Transactions

For the purposes of these financial statements, the parties are considered to be related if one party has the ability to control the other party or to exercise significant influence on the other party in making financial and operating decisions as stated in IAS 24 "Related Party Disclosures". When considering each possible related party relationship, attention is paid to the substance of such relationship, not merely its legal form.

The most significant (by the scope of transactions) related parties of the Bank are the principal shareholders and the key management personnel.

Below are the data on related party transactions grouped by item of the statement of financial position and by contingent liability as at 31 December 2020, by item of income and expenses for the period ended 31 December 2020

	Principal shareholders	Key management personnel	Other related parties
Assets			
Cash and cash equivalents	-	-	1 392 570
Due from financial institutions	-	-	1 850
Loans to customers	-	1 276	-
Property, plant and equipment and assets in the form of right of use	2 394	-	157
Other assets	264	-	6 639
Total assets	2 658	1 276	1 401 216
Liabilities			
Due to banks and other financial institutions	-	-	1 772 873
Customer accounts other than accounts of individuals	166 474	-	69 657
Individual accounts	-	1 182	-
Other liabilities	106	7 113	233
Subordinated deposit	505 342	-	-
Total liabilities	671 922	8 295	1 842 763

32. Related Party Transactions (continued)

	Principal shareholders	Key management personnel	Other related parties
Interest income	1	145	109
Interest expense	(35 090)	(6)	(4)
Income less expenses from transactions with financial assets and liabilities carried at fair value	-	-	22
Income less expenses from transactions with foreign currencies	749	-	(181 448)
Fee and commission income	101 395	12	61 215
Fee and commission expense	(51)	-	(863 481)
Other operating income	262	-	10
Operating expenses	(8 339)	(40 863)	(2 465)

Below are the data on related party transactions grouped by item of the statement of financial position and by contingent liability as at 31 December 2019, by item of income and expenses for the period ended 31 December 2019.

	Principal shareholders	Key management personnel	Other related parties
Assets			
Cash and cash equivalents	-	-	-
Due from financial institutions	-	-	156 988
Accounts receivable under repo agreements	-	-	25 539
Loans to customers	-	1 734	-
Property, plant and equipment and assets in the form of right of use	3 292	-	-
Other assets	31	-	3 919
Total assets	3 323	1 734	186 446
Liabilities			
Due to banks and other financial institutions	-	-	14 084
Accounts payable under repo agreements	-	-	3 141
Customer accounts other than individual accounts	4 124	-	313 179
Individual accounts	-	785	46
Other liabilities	3	4 450	97
Subordinated debt	502 705	-	-
Total liabilities	506 832	5 235	330 547

	Principal shareholders	Key management personnel	Other related parties
Interest income		970	54
Interest expense	(37 109)	(15)	(1 109)
Income less expenses from transactions with financial assets and liabilities carried at fair value	-	-	116 734
Income less expenses from transactions with foreign currencies	213	53	(167)
Fee and commission income	7 503	28	40 999
Fee and commission expense	-	-	(76 585)
Other operating income	260	-	5
Operating expenses	(8 048)	(29 097)	(1 034)

32. Related Party Transactions (continued)


The Bank's key management personnel consist of the members of the Board of Directors and Management Board of the Bank. Below is the information on the remuneration paid to the key management personnel for the period ended 31 December 2020 and for the period ended 31 December 2019.

	<u>2020</u>	<u>2019</u>
<i>Bank's key management personnel payments</i>	40 863	29 097

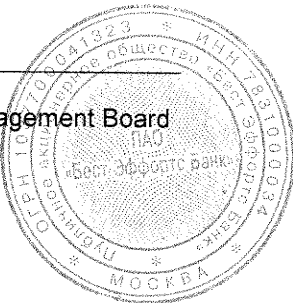
33. Events after the reporting date

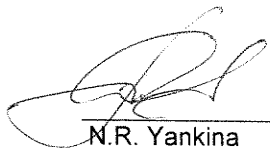
On 3 March 2021 the Extraordinary General Meeting of Shareholders decided to approve a new version of the Charter of Public Joint Stock Company Best Efforts Bank, excluding the indication that the company is public, to apply to the Bank of Russia for exemption from the obligation to disclose information and to apply to Best Efforts Bank PJSC to delist all ordinary registered uncertified shares of Best Efforts Bank PJSC.

Signed on 27 April 2021



I. B. Ionova
Chairman of the Management Board





N.R. Yankina
Chief Accountant