Tatneft Group

IFRS CONSOLIDATED FINANCIAL STATEMENTS AND INDEPENDENT AUDITOR'S REPORT

31 DECEMBER 2020

Contents

Independent Auditor's Report

To the Shareholders and Board of Directors of PJSC Tatneft:

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of PJSC Tatneft and its subsidiaries (together – the "Group") as at 31 December 2020, and the Group's consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

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

Basis for opinion

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

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

Independence

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

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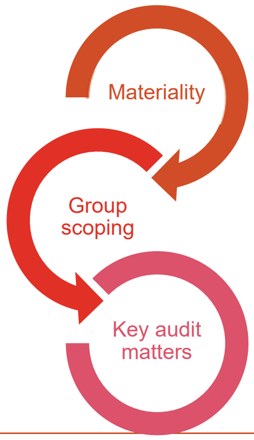
Our audit approach

Overview



Overall Group materiality: Russian Roubles ("RUB") 6,800 million, which represents 5% of profit before tax.

- We conducted audit work at 4 significant reporting entities.
- The Group engagement team visited Group's operations in Almetievsk, Nizhnekamsk and Moscow.
- Our audit scope addressed 95% of the Group's revenues and 93% of the Group's absolute value of underlying profit before tax.

- Impairment of assets

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the consolidated financial statements as a whole.

Overall Group materiality	RUB 6,800 million
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is consistent with quantitative materiality thresholds used for profit-oriented companies in this industry sector and previous year approach.

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Impairment of assets *Refer to Note 12 to the consolidated financial statements* Due to continued volatility in crude oil and oil products prices and uncertainty regarding further economic growth, caused by the pandemic of the coronavirus infection COVID-19 the Group performed impairment tests for property, plant and equipment. Due to changes in the mineral extraction tax legislation and in the Federal Law "On the customs tariff" in terms of the cancellation of a number of benefits, including superviscous oil production incentive benefits, the Group performed additional impairment tests for assets related to exploration and production of superviscous oil. As a result of the impairment assessment performed, the Group recognised impairment losses in the amount of RR 6,871 million presented in the line “Impairment losses on property, plant and equipment and other non-financial assets net of reversal” of the consolidated statement of profit or loss and other comprehensive income. We focused on this matter due to the materiality of carrying value of assets tested for impairment and the significance of estimates and judgements involved in the calculations.	We performed the following audit procedures to assess the appropriateness of the valuation methods and calculations used to identify recoverable values of cash generating units determined as value in use: • examination of the models and calculations used for the assessment of impairment losses; • analysis of key assumptions used by the Group’s management when estimating the recoverable values; • comparison of the crude oil volumes used for the impairment test with the volumes estimated by the independent engineering firm; • analysis of the macroeconomic assumptions used by the Group's management, including forecasts for crude oil and oil products prices and comparing them with consensus estimates from investment banks and analytical agencies; • verification of the mathematical accuracy of discounted cash flow models (if applicable); • assessment of compliance with IFRS of the disclosures in the consolidated financial statements. We used PwC valuation specialists to assess the appropriateness of the valuation models prepared by the Group management.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed at reporting units by us, as the group engagement team, or component teams operating under our instruction. Where the work was performed by the component team of ZENIT Banking Group, we determined the level of involvement we needed to have in the audit work at this reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group's consolidated financial statements as a whole.

We identified the following significant reporting units where we performed full-scope audit procedures: PJSC Tatneft (parent holding company, located in Almetievsk), JSC TANECO (oil refinery subsidiary, located in Nizhnekamsk), PJSC Nizhnekamskshina (tires producing subsidiary, located in Nizhnekamsk) and ZENIT Banking Group (banking subsidiaries, holding company is located in Moscow). In addition, we performed specified audit procedures over selected financial statements line items at a number of less significant reporting units in order to increase the level of audit comfort.

Other information

Management is responsible for the other information. The other information comprises "Management's discussion and analysis of financial condition and results of operations for the three months ended 31 December and 30 September 2020 and years ended 31 December 2020 and 2019" (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and PJSC Tatneft Annual Report 2020 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2021, which is expected to be made available to us after that date.

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

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read PJSC Tatneft Annual Report 2020 and Quarterly Report of the Equity Securities Issuer for the 1st quarter 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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

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

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

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

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

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated 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 Group to cease to continue as a going concern.

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance 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 those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

The certified auditor responsible for the audit resulting in this independent auditor's report is Maxim E. Timchenko.

AO PricewaterhouseCoopers Audit

31 March 2021

Moscow, Russian Federation

M.E. Timchenko, certified auditor (licence No. 01-000267), AO PricewaterhouseCoopers Audit

Audited entity: PJSC Tatneft

Record made in the Unified State Register of Legal Entities on 18 July 2002 under State Registration Number 1021601623702

Taxpayer Identification Number 1644003838

423450, Russian Federation, Republic of Tatarstan, Almetievsk, Lenina str., 75

Independent auditor: AO PricewaterhouseCoopers Audit

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

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

Taxpayer Identification Number 7705051102

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

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

TATNEFT
Consolidated Statement of Financial Position
(In million of Russian Rubles)

	Note	31 December 2020	31 December 2019 (restated)*
Assets			
Cash and cash equivalents	6	40,105	25,157
Banking: Mandatory reserve deposits with the Bank of Russia		1,528	1,572
Short-term accounts receivable, net	7	83,734	84,706
Banking: Loans to customers	8	22,492	33,880
Other short-term financial assets	9	44,314	27,713
Inventories	10	44,988	53,379
Prepaid expenses and other current assets	11	20,075	20,770
Prepaid income tax		995	4,838
Banking: Non-current assets held for sale		764	1,112
Total current assets		**258,995**	**253,127**
Long-term accounts receivable, net	7	1,484	7,861
Banking: Loans to customers	8	79,163	102,572
Other long-term financial assets	9	70,605	80,578
Investments in associates and joint ventures		2,122	774
Property, plant and equipment, net	12	826,569	768,897
Right-of-use assets	13	12,185	13,658
Deferred income tax assets	14	2,218	2,712
Other long-term assets		10,100	10,164
Total non-current assets		**1,004,446**	**987,216**
Total assets		**1,263,441**	**1,240,343**
Liabilities and shareholders' equity			
Short-term debt and current portion of long-term debt	15	10,961	19,592
Accounts payable and accrued liabilities	16	83,893	60,289
Dividends payable	20	823	55,865
Banking: Other financial liabilities at fair value through profit and loss		1,764	4,451
Banking: Due to banks and the Bank of Russia	17	13,659	20,293
Banking: Customer accounts	18	146,753	158,671
Taxes payable	14	30,401	37,465
Income tax payable		2,905	598
Other short-term liabilities		352	869
Total current liabilities		**291,511**	**358,093**
Long-term debt, net of current portion	15	23,652	21,657
Banking: Due to banks and the Bank of Russia	17	1,551	2,522
Banking: Customer accounts	18	1,872	1,381
Decommissioning provision, net of current portion	12	55,372	50,347
Lease liabilities, net of current portion	13	10,679	11,578
Deferred income tax liability	14	33,343	35,123
Other long-term liabilities	19	13,871	7,512
Total non-current liabilities		**140,340**	**130,120**
Total liabilities		**431,851**	**488,213**
Shareholders' equity			
Preferred shares (authorised and issued at 31 December 2020 and at 31 December 2019 – 147,508,500 shares; nominal value at 31 December 2020 and at 31 December 2019 – RR 1.00)	20	746	746
Ordinary shares (authorised and issued at 31 December 2020 and at 31 December 2019 – 2,178,690,700 shares; nominal value at 31 December 2020 and at 31 December 2019 – RR 1.00)	20	11,021	11,021
Additional paid-in capital		84,437	84,437
Accumulated other comprehensive income		2,186	1,073
Retained earnings		739,641	658,614
Less: Ordinary shares held in treasury, at cost (75,636,735 shares at 31 December 2020 and 2019)		(10,359)	(10,359)
Total Group shareholders' equity		**827,672**	**745,532**
Non-controlling interest		**3,918**	**6,598**
Total shareholders' equity		**831,590**	**752,130**
Total liabilities and equity		**1,263,441**	**1,240,343**

* Certain amounts have been restated to reflect the finalized fair value measurement of the assets and liabilities of the acquired entities (Note 28).

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

CEO Maganov N.U.

Chief Accountant Matveev O.M.

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

TATNEFT
Consolidated Statement of Profit or Loss and Other Comprehensive Income
(In million of Russian Rubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Sales and other operating revenues on non-banking activities, net	24	**720,677**	**932,296**
Costs and other deductions on non-banking activities			
Operating expenses		(146,088)	(140,040)
Purchased crude oil and refined products		(89,340)	(58,112)
Exploration		(2,515)	(1,006)
Transportation		(35,453)	(37,356)
Selling, general and administrative		(60,066)	(52,637)
Depreciation, depletion and amortization	12,13,24	(40,865)	(35,165)
Impairment losses on financial assets net of reversal	7,9	(756)	(6,737)
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	12	(6,677)	(30,875)
Taxes other than income taxes	14	(185,539)	(307,654)
Maintenance of social infrastructure and transfer of social assets	12	(10,890)	(9,340)
Total costs and other deductions on non-banking activities		**(578,189)**	**(678,922)**
Loss on disposals of interests in subsidiaries and associates, net		(54)	(41)
Fair value losses from financial assets at fair value through profit or loss	9	(5,180)	(210)
Other operating income, net		836	1,203
Operating profit on non-banking activities		**138,090**	**254,326**
Net interest, fee and commission and other operating income/(expenses) and gains/(losses) on banking activities			
Interest, fee and commission income	23,24	18,086	22,584
Interest, fee and commission expense	23	(9,611)	(12,118)
Net expense on creating provision for credit losses associated with debt financial assets	8	(3,629)	(462)
Operating expenses		(8,438)	(9,871)
Gain arising from dealing in foreign currencies, net		96	70
Other operating income, net		68	2,099
Total net interest, fee and commission and other operating (expenses)/ income and (losses)/gains on banking activities		**(3,428)**	**2,302**
Other income/(expenses)			
Foreign exchange gain/(loss), net	29	5,597	(207)
Interest income on non-banking activities	22	4,428	1,201
Interest expense on non-banking activities, net of amounts capitalised	22	(7,384)	(5,407)
Share of results of associates and joint ventures, net		(258)	127
Total other income/(expense), net		**2,383**	**(4,286)**
Profit before income tax		**137,045**	**252,342**
Income tax			
Current income tax expense		(35,820)	(57,626)
Deferred income tax benefit/(expense)		1,348	(1,898)
Total income tax expense	14	**(34,472)**	**(59,524)**
Profit for the period		**102,573**	**192,818**

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Other comprehensive income/(loss) net of income tax:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation adjustments		2,099	(509)
(Loss)/gain on debt financial assets at fair value through other comprehensive income, net		(224)	170
Items that will not be reclassified to profit or loss:			
(Loss)/gain on equity financial assets at fair value through other comprehensive income, net		(247)	1,225
Actuarial loss on employee benefit plans		(597)	(377)
Other comprehensive income		**1,031**	**509**
Total comprehensive income for the period		**103,604**	**193,327**
Profit/(loss) attributable to:			
- Group shareholders		103,490	192,260
- Non-controlling interest		(917)	558
		102,573	**192,818**
Total comprehensive income/(loss) attributable to:			
- Group shareholders		104,603	192,343
- Non-controlling interest		(999)	984
		103,604	**193,327**
Basic and diluted earnings per share (RR)			
Ordinary	20	45.92	85.43
Preferred		46.92	85.43
Weighted average shares outstanding (millions of shares)			
Ordinary	20	2,103	2,103
Preferred		148	148

Consolidated Statement of Changes in Equity

(In million of Russian Rubles)

	Attributable to Group shareholders									Non-con-trolling interest	Total equity
	Number of shares (thousands)	Share capital	Additional paid-in capital	Treasury shares	Actuarial loss on employee benefit plans	Foreign currency translation adjustments	Gain/(loss) on financial assets at fair value through other compre-hensive income, net	Retained earnings	Total shareholders' equity		
Balance at 1 January 2019	**2,250,716**	**11,767**	**84,437**	**(10,251)**	**(1,537)**	**1,601**	**1,740**	**683,508**	**771,265**	**5,516**	**776,781**
Profit for the year	-	-	-	-	-	-	-	192,260	192,260	558	192,818
Other comprehensive (loss)/income for the year	-	-	-	-	(377)	(509)	969	-	83	426	509
Total comprehensive (loss)/income for the year	**-**	**-**	**-**	**-**	**(377)**	**(509)**	**969**	**192,260**	**192,343**	**984**	**193,327**
Treasury shares	(154)	-	-	(108)	-	-	-	-	(108)	-	(108)
- Additions	(156)	-	-	(109)	-	-	-	-	(109)	-	(109)
- Disposals	2	-	-	1	-	-		-	1	-	1
Disposal of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	113	113
Acquisition of non-controlling interest in subsidiaries	-	-	-	-	-	-	-	-	-	(14)	(14)
Dividends declared (Note 20)	-	-	-	-	-	-	-	(217,968)	(217,968)	(1)	(217,969)
Disposal of equity financial assets at fair value through other comprehensive income	-	-	-	-	-	-	(814)	814	-	-	-
Balance at 31 December 2019	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(1,914)**	**1,092**	**1,895**	**658,614**	**745,532**	**6,598**	**752,130**
Balance at 1 January 2020	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(1,914)**	**1,092**	**1,895**	**658,614**	**745,532**	**6,598**	**752,130**
Profit/(loss) for the year	-	-	-	-	-	-	-	103,490	103,490	(917)	102,573
Other comprehensive (loss)/income for the year	-	-	-	-	(597)	2,099	(389)	-	1,113	(82)	1,031
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**-**	**(597)**	**2,099**	**(389)**	**103,490**	**104,603**	**(999)**	**103,604**
Disposal of non-controlling interests in subsidiaries	-	-	-	-	-	-	-	-	-	(56)	(56)
Dividends declared (Note 20)	-	-	-	-	-	-	-	(22,518)	(22,518)	(1)	(22,519)
Subsidiary's shares requested for the redemption (Note 16)	-	-	-	-	-	-	-	55	55	(1,624)	(1,569)
Balance at 31 December 2020	**2,250,562**	**11,767**	**84,437**	**(10,359)**	**(2,511)**	**3,191**	**1,506**	**739,641**	**827,672**	**3,918**	**831,590**

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

(In million of Russian Rubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Operating activities			
Profit for the year		102,573	192,818
Adjustments:			
Net interest, fee and commission and other operating expenses/(income) and losses/(gains) on banking activities		3,428	(2,302)
Depreciation, depletion and amortization	12,13,24	40,865	35,165
Income tax expense	14	34,472	59,524
Impairment losses on financial assets net of reversal	7,9	756	6,737
Impairment losses on property, plant and equipment and other non-financial assets net of reversal	12	6,677	30,875
Loss on disposals of interests in subsidiaries and associates, net		54	41
Expenses from changes in the fair value of financial assets measured at fair value through profit or loss	9	5,180	210
Effects of foreign exchange		989	23
Share of results of associates and joint ventures, net		258	(127)
Interest income on non-banking activities	22	(4,428)	(1,201)
Interest expense on non-banking activities, net of amounts capitalised	22	7,384	5,407
Other		3,139	(1,168)
Changes in operational working capital related to operating activities, excluding cash:			
Accounts receivable		(26)	(7,252)
Inventories		8,302	(1,462)
Prepaid expenses and other current assets		695	1,901
Securities at fair value through profit or loss		2	-
Accounts payable and accrued liabilities		22,462	10,648
Taxes payable		(7,064)	(1,603)
Net cash provided by non-banking operating activities before income tax and interest		**225,718**	**328,234**
Net interest, fee and commission and other operating (expenses)/income and (losses)/gains on banking activities		(3,428)	2,302
Adjustments:			
Net expense on creating provision for credit losses associated with debt financial assets	8	3,629	462
Provision/(reversal of provision) for losses on credit related commitments		100	(84)
Change in fair value of debt financial assets through profit or loss		201	(1,148)
Other		4,664	(1,737)
Changes in operational working capital on banking activities, excluding cash:			
Mandatory reserve deposits with the Bank of Russia		44	303
Due from banks		5,180	(6,393)
Banking loans to customers		21,713	5,542
Due to banks and the Bank of Russia		(9,866)	5,094
Banking customers accounts		(17,038)	(17,408)
Debt securities issued		(333)	(186)
Securities at fair value through profit or loss		1,178	(3,948)
Other financial liabilities at fair value through profit and loss		(2,687)	3,261
Net cash provided/(used) by banking operating activities before income tax		**3,357**	**(13,940)**
Income taxes paid		(29,670)	(64,268)
Interest paid on non-banking activities		(3,348)	(2,222)
Interest received on non-banking activities		4,309	1,002
Net cash provided by operating activities		**200,366**	**248,806**

(In million of Russian Rubles)

	Note	Year ended 31 December 2020	Year ended 31 December 2019
Investing activities			
Additions to property, plant and equipment		(104,668)	(95,994)
Proceeds from disposal of property, plant and equipment		767	1,678
Acquisition and increase of interest in associate		(1,940)	-
Net cash flow from acquisitions of subsidiaries	28	-	(20,438)
Disposals of subsidiaries and associates, less cash disposed of in them		-	(10)
Purchase of securities at fair value through other comprehensive income		(39,938)	(48,186)
Purchase of securities at amortised cost		(14,752)	(1,263)
Proceeds from disposal of securities at fair value through other comprehensive income		39,072	48,724
Proceeds from redemption of securities at amortised cost		5,819	9,087
Proceeds from sale of non-current assets held for sale		242	1,118
Proceeds from investments in associates and joint ventures		1	-
Proceeds from redemption of bank deposits		674	27,198
Placement of bank deposits		(10,016)	(27,936)
Proceeds from redemption of loans and notes receivable	9	21,211	3,981
Issuance of loans and notes receivable	9	(1,270)	(642)
Purchase from sale of other non-current assets		(489)	(1,209)
Net cash used in investing activities		**(105,287)**	**(103,892)**
Financing activities			
Proceeds from issuance of debt from non-banking activities	29	218,758	115,346
Repayment of debt from non-banking activities	29	(225,083)	(107,212)
Repayment of principal portion of lease liabilities		(1,419)	(1,352)
Issuance of bonds	29	3,198	21,790
Redemption of bonds	29	(3,029)	(1,053)
Repayment of subordinated debt		(1,545)	(2,140)
Dividends paid to shareholders	20	(77,560)	(212,814)
Dividends paid to non-controlling shareholders	20	(1)	(1)
Proceeds from government grants	19	5,090	3,231
Net cash used in financing activities		**(81,591)**	**(184,205)**
Net change in cash and cash equivalents		**13,488**	**(39,291)**
Effect of foreign exchange on cash and cash equivalents		1,460	(1,041)
Cash and cash equivalents at the beginning of the year	6	25,157	65,489
Cash and cash equivalents at the end of the period	6	**40,105**	**25,157**

Note 1: Organisation

PJSC Tatneft (the "Company") and its controlled subsidiaries (jointly referred to as the "Group") are engaged in crude oil exploration, development and production principally in the Republic of Tatarstan ("Tatarstan"), a republic within the Russian Federation. The Group also engages in refining of crude oil and associated petroleum gas processing, marketing of crude oil and refined products as well as production and marketing of petrochemicals and banking activities (Note 27).

The Company was incorporated as an open joint stock company (now referred to as a public joint stock company) effective 1 January 1994 (the "privatization date") pursuant to the approval of the State Property Management Committee of the Republic of Tatarstan. All assets and liabilities previously managed by the production association Tatneft, Bugulminsky Mechanical Plant, Menzelinsky Exploratory Drilling Department and Bavlinsky Drilling Department were transferred to the Company at their book value at the privatization date in accordance with Decree of the President of the Russian Federation No. 1403 on Privatization and Restructuring of Enterprises and Corporations into Joint-Stock Companies. Such transfers were considered transfers between entities under common control at the privatization date, and were recorded at book value.

The Company does not have an ultimate controlling party.

As at 31 December 2020 and 2019 the government of Tatarstan controls about 36% of the Company's voting stock. Tatarstan also holds a "Golden Share", a special governmental right, in the Company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and one representative to the Revision Committee of the Company as well as to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization of the Company and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Group's suppliers and contractors.

The Company is domiciled in the Russian Federation. The address of its registered office is Lenina St., 75, Almetyevsk, Republic of Tatarstan, Russian Federation.

Note 2: Basis of preparation

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

These consolidated financial statements have been prepared on a historical cost basis, except for initial recognition of financial instruments based on fair value, revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI").

The entities of the Group maintain their accounting records and prepare their statutory financial statements principally in accordance with the Regulations on Accounting and Reporting of the Russian Federation ("RAR"), and applicable accounting and reporting standards of countries outside the Russian Federation. A number of entities of the Group prepare their financial statements in accordance with IFRS. The accompanying consolidated financial statements have been prepared from these accounting records and adjusted as necessary to comply with IFRS. The principal differences between RAR and IFRS relate to: (1) valuation (including indexation for the effect of hyperinflation in the Russian Federation through 2002) and depreciation of property, plant and equipment; (2) foreign currency translation; (3) deferred income taxes; (4) valuation allowances for unrecoverable assets; (5) consolidation; (6) accounting for oil and gas properties and fixed assets related to oil refining ; (7) recognition and disclosure of guarantees, contingencies and commitments; (8) accounting for decommissioning provision; (9) pensions and other post-retirement benefits; (10) business combinations and goodwill and (11) lease liabilities and right-of-use assets recognition.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Note 3: Summary of significant accounting policies

The key accounting policies used in preparing these consolidated financial statements are presented below. These principles have been applied consistently to all periods presented in the statements.

Note 3: Summary of significant accounting policies (continued)

Functional and presentation currency. The presentation currency of the Group is the Russian Ruble.

Management has determined the functional currency for the Company and each consolidated subsidiary of the Group, except for subsidiaries located outside of the Russian Federation, is the Russian Ruble because the majority of Group revenues, costs, property and equipment purchased, debt and trade liabilities are either priced, incurred, payable or otherwise measured in Russian Rubles. Accordingly, transactions and balances not measured in Russian Rubles (primarily US Dollars) have been re-measured into Russian Rubles in accordance with the relevant provisions of IAS 21 "The Effects of Changes in Foreign Exchange Rates".

For operations of major subsidiaries located outside of the Russian Federation, that primarily use US Dollar as the functional currency, adjustments resulting from translating foreign functional currency assets and liabilities into Russian Rubles are recorded in other comprehensive income. Revenues, expenses and cash flows are translated at average exchange rates of the relevant period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).

The official rates of exchange, as published by the Central Bank of the Russian Federation ("the Bank of Russia"), of the Russian Ruble ("RR") to the US Dollar ("US $") at 31 December 2020 and 31 December 2019 were RR 73.88 and RR 61.91 to US $, respectively. Average rates of exchange for the years ended 31 December 2020 and 31 December 2019 were RR 72.15 and RR 64.74 per US $, respectively.

Consolidation. Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group has the power to direct relevant activities of the investee that significantly affect their returns, exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable acquired assets and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis at the non-controlling interest's proportionate share of the acquiree's net assets or at fair value.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded within other non-current assets as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary, the difference is recognised directly in the profit or loss for the year.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered.

Associates and joint ventures. Associates and joint ventures are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates and joint ventures are accounted for using the equity method of accounting and are initially recognised at cost. Dividends received from associates and joint ventures reduce the carrying value of the investment in associates and joint ventures. Other post-acquisition changes in Group's share of net assets of an associate and joint ventures are recognised as follows: (i) the Group's share of profits or losses of associates or joint ventures is recorded in the consolidated profit or loss for the year as share of result of associates or joint ventures, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii) all other changes in the Group's share of the carrying value of net assets of associates or joint ventures are recognised in profit or loss within the share of result of associates or joint ventures.

However, when the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

Note 3: Summary of significant accounting policies (continued)

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the associates and joint ventures; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group reviews equity method investments for impairment on an annual basis, and records impairment when circumstances indicate that the carrying value exceeds the recoverable amount.

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

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available.

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 29.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses ("ECL"). Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the consolidated statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.

The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.

Financial instruments – initial recognition. Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI, resulting in an immediate accounting loss.

Note 3: Summary of significant accounting policies (continued)

All purchases and sales of financial assets that require delivery within the time frame established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date on which the Group commits to deliver a financial asset. All other purchases are recognised when the entity becomes a party to the contractual provisions of the instrument.

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

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Group manages the assets in order to generate cash flows – whether the Group's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Group in determining the business model include the purpose and composition of a portfolio, past experience on how the cash flows for the respective assets were collected, how risks are assessed and managed, how the assets' performance is assessed and how managers are compensated. Refer to Note 4 for critical judgements applied by the Group in determining the business models for its financial assets.

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed. Refer to Note 4 for critical judgements applied by the Group in performing the SPPI test for its financial assets.

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Group did not change its business model during the current and comparative period and did not make any reclassifications.

Financial assets impairment – credit loss allowance for ECL. The Group assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts, for contract assets. The Group measures ECL and recognises Net impairment losses on financial and contract assets at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC and contract assets are presented in the consolidated statement of financial position net of the allowance for ECL. For loan commitments and financial guarantees, a separate provision for ECL is recognised as a liability in the consolidated statement of financial position. For debt instruments at FVOCI, changes in amortised cost, net of allowance for ECL, are recognised in profit or loss and other changes in carrying value are recognised in OCI as gains less losses on debt instruments at FVOCI.

Note 3: Summary of significant accounting policies (continued)

The Group applies a three stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL"). If the Group identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL"). Refer to Note 29 for a description of how the Group determines when a SICR has occurred. If the Group determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a Lifetime ECL. The Group's definition of credit impaired assets and definition of default is explained in Note 29. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL. Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

The Group applies the IFRS 9 simplified approach for measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Group calculates expected credit losses on trade receivables based on historical data assuming reasonable approximation of current losses rates adjusted on forward-looking information.

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

Financial assets – derecognition. The Group derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (b) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control.

Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

Financial assets – modification. The Group sometimes renegotiates or otherwise modifies the contractual terms of the financial assets. The Group assesses whether the modification of contractual cash flows is substantial considering, among other, the following factors: any new contractual terms that substantially affect the risk profile of the asset (e.g. profit share or equity-based return), significant change in interest rate, change in the currency denomination, new collateral or credit enhancement that significantly affects the credit risk associated with the asset or a significant extension of a loan when the borrower is not in financial difficulties.

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Group derecognises the original financial asset and recognises a new asset at its fair value. The date of renegotiation is considered to be the date of initial recognition for subsequent impairment calculation purposes, including determining whether a SICR has occurred. The Group also assesses whether the new loan or debt instrument meets the SPPI criterion. Any difference between the carrying amount of the original asset derecognised and fair value of the new substantially modified asset is recognised in profit or loss, unless the substance of the difference is attributed to a capital transaction with owners.

In a situation where the renegotiation was driven by financial difficulties of the counterparty and inability to make the originally agreed payments, the Group compares the original and revised expected cash flows to assets whether the risks and rewards of the asset are substantially different as a result of the contractual modification. If the risks and rewards do not change, the modified asset is not substantially different from the original asset and the modification does not result in derecognition. The Group recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets), and recognises a modification gain or loss in profit or loss.

Financial liabilities – measurement categories. Financial liabilities are classified as subsequently measured at AC, except for (i) financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities), contingent consideration recognised by an acquirer in a business combination and other financial liabilities designated as such at initial recognition and (ii) financial guarantee contracts and loan commitments.

Note 3: Summary of significant accounting policies (continued)

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

An exchange between the Group and its original lenders of debt instruments with substantially different terms, as well as substantial modifications of the terms and conditions of existing financial liabilities, are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. The terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10% different from the discounted present value of the remaining cash flows of the original financial liability. In addition, other qualitative factors, such as the currency that the instrument is denominated in, changes in the type of interest rate, new conversion features attached to the instrument and change in loan covenants are also considered. If an exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. If the exchange or modification is not accounted for as an extinguishment, any costs or fees incurred adjust the carrying amount of the liability and are amortised over the remaining term of the modified liability.

Modifications of liabilities that do not result in extinguishment are accounted for as a change in estimate using a cumulative catch up method, with any gain or loss recognised in profit or loss, unless the economic substance of the difference in carrying values is attributed to a capital transaction with owners.

Financial liabilities designated at FVTPL. The Group may designate certain liabilities at FVTPL at initial recognition. Gains and losses on such liabilities are presented in profit or loss except for the amount of change in the fair value that is attributable to changes in the credit risk of that liability (determined as the amount that is not attributable to changes in market conditions that give rise to market risk), which is recorded in OCI and is not subsequently reclassified to profit or loss. This is unless such a presentation would create, or enlarge, an accounting mismatch, in which case the gains and losses attributable to changes in credit risk of the liability are also presented in profit or loss.

Offsetting financial instruments. Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Cash and cash equivalents. Cash represents cash on hand and in bank accounts and the Bank of Russia, other than mandatory reserves deposits with the Bank of Russia, which can be effectively withdrawn at any time without prior notice. Cash equivalents include highly liquid short-term investments that can be converted to a certain cash amount and mature within three months or less from the date of purchase. Cash and cash equivalents are carried at AC because: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Features mandated solely by legislation, such as the bail-in legislation in certain countries, do not have an impact on the SPPI test, unless they are included in contractual terms such that the feature would apply even if the legislation is subsequently changed.

Mandatory reserve deposits with the Bank of Russia. Mandatory cash balances with the Bank of Russia are carried at AC and represent non-interest bearing mandatory reserve deposits, which are not available to finance the Group’s day to day operations, and hence are not considered as part of cash and cash equivalents for the purposes of the consolidated statement of cash flows.

Due from banks. Amounts due from banks other than those that are part of the Group are recorded when the Group advances money to counterparty banks due on fixed or determinable dates. Amounts due from other banks are carried at AC when: (i) they are held for the purposes of collecting contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL. Due from banks that mature within three months or less from the date of placement are included in cash and cash equivalents.

Investments in debt securities. Based on the business model and the cash flow characteristics, the Group classifies investments in debt securities as carried at AC, FVOCI or FVTPL. Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch. Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL.

Note 3: Summary of significant accounting policies (continued)

Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Group may also irrevocably designate investments in debt securities at FVTPL on initial recognition if applying this option significantly reduces an accounting mismatch between financial assets and liabilities being recognised or measured on different accounting bases.

Investments in equity securities. Financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Group. Investments in equity securities are measured at FVTPL, except where the Group elects at initial recognition to irrevocably designate an equity investments at FVOCI. The Group's policy is to designate equity investments as FVOCI when those investments are held for strategic purposes other than solely to generate investment returns. When the FVOCI election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to profit or loss, including on disposal. Impairment losses and their reversals, if any, are not measured separately from other changes in fair value. Dividends continue to be recognised in profit or loss when the Group's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Loans and advances to customers. Loans and advances to customers are recorded when the Group advances money to purchase or originate a loan due from a customer. Based on the business model and the cash flow characteristics, the Group classifies loans and advances to customers into one of the following measurement categories: (i) AC: loans that are held for collection of contractual cash flows and those cash flows represent SPPI and loans that are not voluntarily designated at FVTPL, and (ii) FVTPL: loans that do not meet the SPPI test or other criteria for AC or FVOCI are measured at FVTPL.

Note 29 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

Loan commitments. The Group issues commitments to provide loans in the course of its banking activities. These commitments are irrevocable or revocable only in response to a material adverse change. Such commitments are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the commitment, except for commitments to originate loans if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination; such loan commitment fees are deferred and included in the carrying value of the loan on initial recognition. At the end of each reporting period, the commitments are measured at (i) the remaining unamortised balance of the amount at initial recognition, plus (ii) the amount of the loss allowance determined based on the expected credit loss model, unless the commitment is to provide a loan at a below market interest rate, in which case the measurement is at the higher of these two amounts.

The carrying amount of the loan commitments represents a liability. For contracts that include both a loan and an undrawn commitment and where the Group cannot separately distinguish the ECL on the undrawn loan component from the loan component, the ECL on the undrawn commitment is recognised together with the loss allowance for the loan. To the extent that the combined ECLs exceed the gross carrying amount of the loan, they are recognised as a liability.

Financial guarantees. Financial guarantees require the Group in the course of its banking activities to make specified payments to reimburse the holder of the guarantee for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantees are initially recognised at their fair value, which is normally evidenced by the amount of fees received. This amount is amortised on a straight line basis over the life of the guarantee. At the end of each reporting period, the guarantees are measured at the higher of (i) the amount of the loss allowance for the guaranteed exposure determined based on the expected loss model and (ii) the remaining unamortised balance of the amount at initial recognition. In addition, an ECL loss allowance is recognised for fees receivable that are recognised in the statement of financial position as an asset.

Note 3: Summary of significant accounting policies (continued)

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. Securities sold under repo agreements are presented as other financial assets carried at FVTPL, FVOCI, AC. The corresponding liability is presented within amounts "Due to other banks and the Bank of Russia" or "Customer accounts".

Securities purchased under agreements to resell ("reverse repo agreements"), which effectively provide a lender's return to the Group, are recorded as "Due from other banks" or "Banking loans to customers", as appropriate. The difference between the sale and repurchase price, adjusted by interest and dividend income collected by the counterparty, is treated as interest income and accrued over the life of repo agreements using the effective interest method.

Notes receivable. Notes receivable are included in "Other financial assets" and are carried at AC if: (i) they are held for collection of contractual cash flows and those cash flows represent SPPI, and (ii) they are not designated at FVTPL.

Trade and other receivables. Trade and other receivables are recognised initially at fair value and are subsequently carried at AC using the effective interest method.

Trade and other payables. Trade payables are accrued when the counterparty performs its obligations under the contract and are recognised initially at fair value and subsequently carried at AC using the effective interest method.

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

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

Subordinated debt. Subordinated debt can only be paid in the event of a liquidation after the claims of other higher priority creditors have been met. Subordinated debt is carried at AC.

Debt securities and bonds issued. Debt securities issued include promissory notes and certificates of deposit issued by the Group to its customers in the course of its banking activities. Bonds issued represent securities issued by the Bank that are traded and quoted in the open market. Promissory notes carry a fixed date of repayment. These may be issued against cash deposits or as a payment instrument, which the customer can sell at a discount in the over-the-counter market. Debt securities and bonds issued are carried at AC. If the Group purchases its own debt, it is removed from the consolidated statement of financial position and the difference between the carrying amount and the amount paid is recognised as a gain or loss on redemption of debt.

Non-current assets classified as held for sale. Non-current assets are classified in the statement of financial position as "Non-current assets held for sale" if their carrying amount will be recovered principally through a sale transaction within twelve months after the end of the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for sale at a reasonable price; (d) the sale is expected within one year and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn. Non-current assets classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs of disposal. If the fair value less costs of disposal of an asset held for sale is lower than its carrying amount, an impairment loss is recognised in the consolidated statement of profit or loss and other comprehensive income as other operating income/expense. Any subsequent increase in an asset's fair value less costs of disposal is recognised to the extent of the cumulative impairment loss that was previously recognised in relation to that specific asset.

Precious metals. The Group has a practice of taking delivery of precious metals and selling them within a short period after delivery, for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. Precious metals are carried at purchase price from the Bank of Russia and are subsequently measured at fair value based on London precious metals exchange.

Note 3: Summary of significant accounting policies (continued)

Inventories. Inventories of crude oil, refined oil products, materials and supplies, finished goods and other inventories are valued at the lower of cost or net realizable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and selling expenses. The Group uses the weighted-average-cost method. Costs include both direct and indirect expenditures incurred in bringing an item or product to its existing condition and location.

Prepaid expenses. Prepaid expenses include advances for purchases of products and services, insurance fees, prepayments for export duties, VAT and other taxes. Prepayments are carried at cost less provision for impairment.

Prepayments to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Prepayments for services such as insurance, transportation and others are written off to profit or loss when the goods or services relating to the prepayments are received.

If there is an indication that the assets, goods or services relating to a prepayment will not be received, the carrying value of the prepayment is written down accordingly and a corresponding impairment loss is recognised in the profit or loss for the year.

Mineral extraction tax. The base rate of mineral extraction tax (MET) relating to oil production, established for 2020 at RR 919 per tonne (2019: RR 919 per tonne), adjusted depending on the average world market prices of the Urals blend and the RR/US $ average exchange rate.

From 1 January 2017 an additional coefficient was introduced into the calculating the MET, which increases the amount of tax in 2020 equal to RR 428 per tonne (2019: RR 428 per tonne).

Since 2019, additional coefficients have been added to the MET calculation in connection with the introduction of a "reverse excise" on crude oil and with a reduction in export customs duties as part of the completion of the tax maneuvere.

In 2019-2020 for some fields and reserves, the Group applies coefficients that reduce the generally established MET tax rate on the basis of the Tax Code of the Russian Federation:

- for fields whose depletion rate exceeds more than 80%;
- for fields with initial recoverable reserves less than 5 million tons;
- for superviscous oil with viscosity in the range from 200 to 10,000 Megapascal second (in reservoir conditions);
- for superviscous crude oil (with viscosity of 10,000 Megapascal second in reservoir conditions);
- for oil produced from domanic productive sediments.

In October 2020, amendments were made to the Tax Code of the Russian Federation and the Law "On the Customs Tariff", as a result of which, starting from 1 January 2021, the tax incentives for MET for the extraction of superviscous oil are canceled and the possibility of establishing special formulas for calculating the rates of export duties in relation to superviscous oil is excluded. At the same time, for the production of superviscous oil in subsoil areas located fully or partially within the borders of the Republic of Tatarstan, subject to certain conditions, a tax deduction for MET is established, which is applied from 1 January 2021 until the tax period in which the deduction amount for the first time will be more than RR 36 billion. In addition, incentive coefficients in the mineral extraction tax calculation formula have been canceled for oil production from depleted subsoil areas, while the right to switch to the calculation of tax on additional income has been granted.

MET is recorded within taxes other than income tax in the consolidated statements of profit or loss and other comprehensive income.

Reverse excise on crude oil refined and negative excise on gasoline and diesel fuel sold on domestic market. In the consolidated statement of profit or loss and other comprehensive income reverse (“negative”) excise on crude oil refined and negative excise on gasoline and diesel fuel is recognised as a reduction (additional expense, if reverse excise payable) in excise tax expense deducted from sales and other operating revenues on non-banking activities and is presented in prepaid expenses and other current assets line in the statement of consolidated financial position.

Value added tax. Value added tax (VAT) at a standard rate of 20% is payable on the difference between output VAT on sales of goods and services and recoverable input VAT charged by suppliers. Output VAT is charged on the earliest of the dates: either the date of the shipment of goods (works, services) or the date of advance payment by the buyer. Input VAT can be recovered when purchased goods (works, services) are accounted for and other necessary requirements provided by the tax legislation are met. Where provision has been made for the ECL of receivables, the impairment loss is recorded for the gross amount of the debtor, including VAT.

Note 3: Summary of significant accounting policies (continued)

Export of goods and rendering certain services related to exported goods are subject to 0% VAT rate upon the submission of confirmation documents to the tax authorities.

VAT related to sales and purchases is recognised in the Consolidated Statements of Financial Position on a gross basis and disclosed separately within Prepaid expenses and other current assets and Taxes payable.

Oil and gas exploration and development cost. Oil and gas exploration and development activities are accounted for using the successful efforts method whereby costs of acquiring unproved and proved oil and gas property as well as costs of drilling and equipping productive wells and related production facilities are capitalised.

Other exploration expenses, including geological and geophysical expenses and the costs of carrying and retaining undeveloped properties, are expensed as incurred. The costs of exploratory wells that find oil and gas reserves are capitalised as exploration and evaluation assets on a "field by field" basis pending determination of whether proved reserves have been found.

Exploration and evaluation assets are subject to technical, commercial and management review as well as review for impairment at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When indicators of impairment are present, resulting impairment loss is measured.

If subsequently commercial reserves are discovered, the carrying value, less losses from impairment of respective exploration and evaluation assets, is classified as development assets. However, if no commercial reserves are discovered, such costs are expensed after exploration and evaluation activities have been completed.

Property, plant and equipment. Property, plant and equipment are carried at historical cost of acquisition or construction less accumulated depreciation, depletion, amortization and impairment.

Proved oil and gas properties include the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. The cost of maintenance, repairs and replacement of minor items of property are expensed when incurred within operating expenses; renewals and improvements of assets are capitalised and depreciated during the remaining useful life. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Advances made on construction of property, plant and equipment are accounted for within Construction in progress.

Non-current assets, including proved oil and gas properties at a field level, are assessed for possible impairment in accordance with IAS 36 Impairment of assets, which requires non-current assets with recorded values that are not expected to be recovered through future cash flows to be written down to their recoverable amount which is the higher of fair value less costs of disposal and value-in-use.

Individual assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets - generally on a field-by-field basis for exploration and production assets, at an entire complex level for refining assets or at a site level for petrol stations. Impairment losses are recognised in the profit or loss for the year.

Impairments are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed. The reversal of impairment would be limited to the original carrying value less depreciation which would have been otherwise charged had the impairment not been recorded.

Non-current assets committed by management for disposal within one year, and meet the other criteria for held for sale assets, are accounted for at the lower of amortised cost or fair value, less cost of disposal. Costs of unproved oil and gas properties are evaluated periodically and any impairment assessed is charged to expense.

The Group calculates depreciation expense for oil and gas proved properties using the units-of-production method for each field based upon proved developed oil and gas reserves, except in the case of significant asset components whose useful life differs from the lifetime of the field, in which case the straight-line method is applied.

Oil and gas licenses for exploration of unproved reserves are capitalised within property, plant and equipment; they are depreciated on the straight-line basis over the period of each license validity.

Depreciation of all other property, plant and equipment is determined on the straight-line method based on estimated useful lives which are as follows:

	Years
Buildings and constructions	30-50
Machinery and equipment	10-35

Note 3: Summary of significant accounting policies (continued)

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds, if any, with the carrying amount. Gains and losses are recorded in impairment losses and losses on disposal on property, plant and equipment and other non-financial assets net of reversal in the consolidated statement of profit or loss and other comprehensive income.

Leases. At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An asset is identified by being explicitly specified in a contract, or implicitly specified at the time that the asset is made available for use by the customer. The Group does not have the right to use an identified asset if the supplier has the substantive right to substitute the asset throughout the period of use.

To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assessed whether both of the following met:

- The Group has the right to obtain substantially all of the economic benefits from use of the identified asset, and
- The Group has the right to direct the use of the identified asset.

The Group leases service equipment used in oil extraction, land plots, railway tanks and other assets. Some of service agreements include lease component for a heavy and special vehicles used in oil production, drilling rigs, pipeline. The lease payments on heavy and special vehicles, drilling rigs, pipelines, land plots and railway tanks comprise of variable payments that are not based on an index or rate and therefore are recognised in profit or loss in the period in which those payments occur. Service equipment lease contracts are typically made for fixed periods from 1 to 3 years, but have extension options as described below.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used. Generally, the Group determines its incremental borrowing rate as possible borrowing rate offered by banks for the funds, necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

The right-of-use asset is initially measured at cost, which comprises the amount of the initial measurement of lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The term used to measure a liability and an asset in the form of a right of use is defined as the period during which the Group has sufficient confidence that it will lease the asset. Any option for renewal or termination is taken into account when estimating the term. Extension options are included in a number of equipment leases across the Group. The majority of extension options held are exercisable only by the Group and not by the respective lessor. The Group considers monetary and non-monetary aspects to determine the lease term of the contract, such as business plans, past practices and economic incentives to extend or terminate the contract (the presence of inseparable improvements, integration to the production process, potentially high consequential termination costs, etc.) and other factors that may affect management's judgment on the lease term. Extension options and termination options are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Potential future cash outflows that have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated) are not significant.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Note 3: Summary of significant accounting policies (continued)

The Group presents right-of-use assets and lease liabilities in the separate lines in the Consolidated Statement of Financial Position.

Debt. Debt is recognised initially at fair value, net of transaction costs incurred and is subsequently carried at AC using the effective interest method.

Interest income on non-banking activities. Interest income on non-banking activities is recognised on a time-proportion basis using the effective interest method. This method defers, as part of interest income, all fee received between the parties to the contract that are an integral part of the effective interest rate, all other premiums.

Fees integral to the effective interest rate include origination fees received by the Group relating to the creation or acquisition of a financial asset.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit-adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Employee benefits, post-employment and other long-term benefits. Wages, salaries, contributions to the social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits (such as health services and kindergarten services) are accrued in the year in which the associated services are rendered by the employees of the Group. The Group has various pension plans covering substantially all eligible employees and members of management. The pension liabilities are measured at the present value of the estimated future cash outflows using interest rates of government securities, which have the same currency and terms to maturity approximating the terms of the related liability. Pension costs are recognised using the projected unit credit method.

The cost of providing pensions is accrued and charged to staff expense within operating expenses in the Consolidated Statement of Profit or Loss and Other Comprehensive Income reflecting the cost of benefits as they are earned over the service lives of employees.

Remeasurements of the net defined benefit liability arising as the actuarial gains or losses from changes in assumptions and from experience adjustments with regard to post employment benefit plans are recognised immediately in other comprehensive income. Actuarial gains and losses related to other long-term benefits are recognised immediately in the profit or loss for the year.

Past service costs are recognised as an expense for the year immediately.

Plan assets are measured at fair value and are subject to certain limitations. Fair value of plan assets is based on market prices. When no market price is available the fair value of plan assets is estimated by different valuation techniques, including discounted expected future cash flow using a discount rate that reflects both the risk associated with the plan assets and maturity or expected disposal date of these assets.

In the normal course of business the Group contributes to the Russian Federation State Pension Fund on behalf of its employees. Mandatory contributions to the Fund are expensed when incurred and are included within staff costs in operating expenses.

Share-based payments. The Group operates a cash-settled share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options or shares) of the Company.

Services, including employee services received in exchange for cash-settled share-based payments, are recognised at the fair value of the liability incurred and are expensed when consumed. Until the liability is settled, the Group remeasures the fair value of the liability at the end of each reporting period and at the date of settlement, with any changes in fair value recognised in profit or loss for the period. Market conditions, such as increase of share prices upon which vesting (or exercisability) is conditioned, as well as non-vesting conditions, are taken into account when estimating the fair value of the cash-settled share-based payment granted and when remeasuring the fair value at the end of each reporting period and at the date of settlement. Vesting conditions, other than market conditions, are not taken into account when estimating the fair value of the cash-settled share-based payment at the measurement date, however are taken into account by adjusting the number of awards included in the measurement of the liability arising from the transaction. The amount recognised for the services received during the vesting period is based on the best available estimate of the number of awards that are expected to vest. The Group revises that estimate, if necessary, if subsequent information indicates that the number of awards that are expected to vest differs from previous estimates.

Note 3: Summary of significant accounting policies (continued)

On the vesting date, the Group revises the estimate to equal the number of awards that ultimately vested. The cumulative amount ultimately recognised for services received as consideration for the cash-settled share-based payment is equal to the cash that is paid. The terms of share-based compensation plan, initial data, assumptions and models used in measurement of cash-settled share-based compensation plan are presented in Note 19.

Decommissioning provisions. The Group recognises a liability for the present value of legally required or constructive decommissioning provisions associated with non-current assets in the period in which the retirement obligations are incurred. The Group has numerous asset removal obligations that it is required to perform under law or contract once an asset is permanently taken out of service. The Group's field exploration, development, and production activities include assets related to: well bores and related equipment and operating sites, gathering and oil processing systems, oil storage facilities and gathering pipelines. Generally, the Group's licenses and other operating permits require certain actions to be taken by the Group in the abandonment of these operations. Such actions include well abandonment activities, equipment dismantlement and other reclamation activities. The Group's estimates of future abandonment costs consider present regulatory or license requirements, as well as actual dismantling and other related costs. These liabilities are measured by the Group using the present value of the estimated future costs of decommissioning of these assets. The discount rate is reviewed at each reporting date and reflects current market assessments of the time value of money and the risks specific to the liability. Most of these costs are not expected to be incurred until several years, or decades, in the future and will be funded from general Group resources at the time of removal.

The Group capitalises the associated decommissioning costs as part of the carrying amount of the non-current assets. Changes in obligation, reassessed regularly, related to new circumstances or changes in law or technology, or in the estimated amount of the obligation, or in the pre-tax discount rates, are recognised as an increase or decrease of the cost of the relevant asset.

The Group's petrochemical, refining and marketing and distribution operations are carried out at large manufacturing facilities and fuel outlets. The nature of these operations is such that the ultimate date of decommissioning of any sites or facilities is unclear. Current regulatory and licensing rules do not provide for liabilities related to the liquidation of such manufacturing facilities or of retail fuel outlets. Management therefore believes that there are no legal or contractual obligations related to decommissioning or other disposal of these assets.

Income Taxes. Effective 1 January 2012, the Company has established the Consolidated Taxpayer Group which currently includes 5 companies of the Group. Income taxes have been provided for in the consolidated financial statements in accordance with legislation enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax and is recognised in profit or loss for the year, except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

Current tax is the amount expected to be paid to, or recovered from, the taxation authorities in respect of taxable profits or losses for the current and prior periods.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the initial recognition exemption, deferred taxes are not recorded for temporary differences on initial recognition of an asset or a liability in a transaction other than a business combination if the transaction, when initially recorded, affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised.

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

Deferred tax balances are measured at tax rates enacted or substantively enacted at the end of the reporting period, which are expected to apply to the period when the temporary differences will reverse or the tax loss carry forwards will be utilised. Deferred tax assets and liabilities are netted only within the Consolidated Taxpayer Group or individual companies of the Group outside the Consolidated Taxpayer Group.

Income tax penalties expense and income tax penalties payable are included in Taxes other than income tax in the consolidated statement of profit or loss and other comprehensive income and taxes payable in the consolidated statement of financial position, respectively. Income tax interest expense and payable are included in interest expense in the consolidated statements of profit or loss and other comprehensive income and other accounts payable and accrued expenses in the consolidated statement of financial position, respectively.

Note 3: Summary of significant accounting policies (continued)

Share capital. Ordinary shares and non-redeemable preference shares with discretionary dividends are both classified as equity.

Dividends paid to shareholders are determined by the Board of directors and approved at the annual or extraordinary shareholders' meeting. Dividends are recorded as a liability and deducted from equity in the period in which they are declared and approved.

Treasury shares. Common shares of the Company owned by the Group at the reporting date are designated as treasury shares and are recorded at cost using the weighted-average method. Gains on resale of treasury shares are credited to additional paid-in capital whereas losses are charged to additional paid-in capital to the extent that previous net gains from resale are included therein or otherwise to retained earnings.

Earnings per share. Preference shares are not redeemable and are considered to be participating shares.

Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary and preference share holders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributed to equity holders is reduced by the amount of dividends declared in the current period for each class of shares. The remaining profit or loss is allocated to ordinary and preferred shares to the extent that each class may share in earnings if all the earnings for the period had been distributed. Treasury shares are excluded from calculations. The total earnings allocated to each class of shares are determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.

Revenue from Contracts with Customers. Revenue is income arising in the course of the Group's ordinary activities. Revenue is recognised in the amount of transaction price. Transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring control over promised goods or services to a customer, excluding the amounts collected on behalf of third parties. Revenue is recognised net of discounts, value added taxes, export duties and excise tax.

The Group's business activities include sales of crude oil and refined products, sales of tires and petrochemical raw materials. Revenues are recognised at a point in time when control over such products has transferred to a customer, which refers to ability to direct the use of, and obtain substantially all of the remaining benefits from the products. Transfer occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

The Group considers indicators that customer has obtained control of an asset, which include, but are not limited to the following: the Group has a present right to payment for the products; the Group has transferred physical possession of the products; the customer has legal title to the products; the customer has the significant risks and rewards of ownership of the products; the customer has accepted the products. Not all of the indicators need to be met for management to conclude that control has transferred and revenue could be recognised. Management uses judgement to determine whether factors collectively indicate that the customer has obtained control.

If the contract includes variable consideration, revenue is recognised only to the extent that it is highly probable that there will be no significant reversal of such revenue.

The Group operates a chain of own petrol (gas) stations selling refined products. Revenue from the sale of products is recognised when a group entity sells a product to the customer. Payment of the transaction price is due immediately when the customer purchases the fuel. Since no right of return, no refund liability is recognised.

Revenues from providing services are recognised in the period in which the services are rendered.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. No significant element of financing is deemed present as the sales are made with short-term credit terms consistent with market practice. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Recognition of interest, fee and commission income and expense on banking activities. Interest income and expense are recognised on an accrual basis calculated using the effective interest method. This method defers, as part of interest income or expense, all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability, for example fees for evaluating creditworthiness, evaluating and recording guarantees or collateral, negotiating the terms of the instrument and for processing transaction documents.

Note 3: Summary of significant accounting policies (continued)

Commitment fees received by the Group to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Group will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Group does not designate loan commitments as financial liabilities at FVTPL.

For financial assets that are originated or purchased credit-impaired, the effective interest rate is the rate that discounts the expected cash flows (including the initial expected credit losses) to the fair value on initial recognition (normally represented by the purchase price). As a result, the effective interest is credit risk adjusted.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for (i) financial assets that have become credit impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC, net of the ECL provision, and (ii) financial assets that are purchased or originated credit impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

Fee and commission income is recognised over time on a straight line basis as the services are rendered, when the customer simultaneously receives and consumes the benefits provided by the Group's performance. Such income includes recurring fees for account maintenance, account servicing fees, account subscription fees, premium service package fees, portfolio and other asset management advisory and service fees, wealth management and financial planning services, or fees for servicing loans on behalf of third parties, etc. Variable fees are recognised only to the extent that management determines that it is highly probable that a significant reversal will not occur.

Other fee and commission income is recognised at a point in time when the Group satisfies its performance obligation, usually upon execution of the underlying transaction. The amount of fee or commission received or receivable represents the transaction price for the services identified as distinct performance obligations. Such income includes fees for arranging a sale or purchase of foreign currencies on behalf of a customer, fees for processing payment transactions, fees for cash settlements, collection or cash disbursements, as well as, commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as the acquisition of loans, shares or other securities or the purchase or sale of businesses.

Transportation expenses. Transportation expenses recognised in the consolidated statements of profit or loss and other comprehensive income represent all expenses incurred by the Group to transport crude oil and refined products to end customers (they may include pipeline tariffs and any additional railroad costs, handling costs, port fees, sea freight and other costs). Compounding fees are included in selling, general and administrative expenses.

Government grants. Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight line basis over the expected lives of the related assets.

Note 4: Critical accounting estimates and judgements in applying accounting policies

The Group makes estimates and assumptions that affect the amounts recognised in the consolidated financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Management of the Group also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the consolidated financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

- Estimation of oil and gas reserves;
- Useful life of property, plant and equipment;
- Decommissioning provisions;
- Impairment of property, plant and equipment;
- Accounting of investments in JSC "National Non-State Pension Fund";
- Presentation of Revenue net of excise tax, including reverse excise;
- Sale and purchase of oil under contracts for counter oil deliveries;
- Financial assets impairment;
- Financial assets classification;
- Financial instruments fair value estimation.

(In million of Russian Rubles)

Note 4: Critical accounting estimates and judgements in applying accounting policies (continued)

Estimation of oil and gas reserves. Oil and gas development and production assets are depreciated on a unit-of-production (UOP) basis for each field or group of fields with similar characteristics at a rate calculated by reference of proved developed reserves. Estimates of proved reserves are also used in the determination of whether impairments have arisen or should be reversed. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of oil and gas reserves are inherently imprecise, require the application of judgment and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans. The Group estimates its oil and gas reserves in accordance with rules promulgated by the Oil and Gas Reserves Committee of the Society of Petroleum Engineers (SPE) for proved reserves.

Changes to the Group's estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortization charged and, consequently, the carrying amounts of oil and gas properties. It is expected, however, that in the normal course of business the diversity of the Group's portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being written off in the profit and loss for the year.

Useful life of property, plant and equipment. Based on the terms included in the licenses and past experience, management believes hydrocarbon production licenses will be extended past their current expiration dates at insignificant additional costs. As a result of the anticipated license extensions, the assets are depreciated over their useful lives beyond the end of the current license term.

Management assesses the useful life of an asset by considering the expected usage, estimated technical obsolescence, residual value, physical wear and tear and the operating environment in which the asset is located. Differences between such estimates and actual results may have a material impact on the amount of the carrying values of the property, plant and equipment and may result in adjustments to future depreciation rates and expenses for the period.

Management reviews the appropriateness of the assets' useful economic lives and residual values at the end of each reporting period. The review is based on the current condition of the assets, the estimated period during which they will continue to bring economic benefit to the Group and the estimated residual value.

Decommissioning provisions. Management makes provision for the future costs of decommissioning oil and gas production facilities, wells, pipelines, and related support equipment and for site restoration based on the best estimates of future costs and economic lives of the oil and gas assets. Estimating future decommissioning provisions is complex and requires management to make estimates and judgments with respect to removal obligations that will occur many years in the future.

Changes in the measurement of existing obligations can result from changes in estimated timing, future costs or discount rates used in valuation.

The amount recognised as a provision is the best estimate of the expenditures required to settle the present obligation at the reporting date based on current legislation in each jurisdiction where the Group's operating assets are located, and is also subject to change because of revisions and changes in laws and regulations and their interpretation. As a result of the subjectivity of these provisions there is uncertainty regarding both the amount and estimated timing of such costs.

Sensitivity analysis for changes in discount rate:

		Impact on decommissioning provision	
	Change in	**At 31 December 2020**	**At 31 December 2019**
Discount rate	100 bp increase	(11,931)	(11,243)
	100 bp decrease	15,745	14,954

Information about decommissioning provision is presented in Note 12.

Note 4: Critical accounting estimates and judgements in applying accounting policies (continued)

Impairment of property, plant and equipment.

At 31 March 2020 management assessed whether there is any indication of impairment of non-current assets. Based on the result of analysis, a decision was made to test the assets for impairment. As at 31 December 2020, due to changes in the legislation on mineral extraction tax, as well as the law "On customs tariff" in terms of the cancellation of a number of benefits, including incentives aimed at stimulating the production of superviscous oil, additional testing was carried out for impairment of assets related to exploration and production of superviscous oil. (Note 12).

Accounting of investments in JSC "National Non-State Pension Fund"

As at 31 December 2020 and 2019 the Group has 74.46% of shares of JSC "National Non-Governmental Pension Fund". The Group does not exercise either control or significant influence over JSC "National Non-Governmental Pension Fund" based on corporate governance and pension legislation. These investments are presented within financial assets carried at FVOCI as at 31 December 2020 and 2019 (refer to Note 9).

Presentation of Revenue net of excise tax, including reverse (negative) excise

For the years ended 31 December 2020 and 2019 the Group's revenue is presented net of excise taxes, including reverse (negative) excise on crude oil refined, gasoline and diesel fuel. For the years ended 31 December 2020 and 2019 excise on refinery products amounted to RR 42,878 million and RR 38,900 million respectively, reverse (negative) excise on crude oil refined, gasoline and diesel fuel amounted to RR 7,285 million payable in 2020 and RR 23,307 million recoverable in 2019 respectively.

Operations for the sale and purchase of oil under contracts for counter oil deliveries. During the year ended 31 December 2020 sales of crude oil under counter-delivery contracts in the amount of RR 90,296 million are presented net in the consolidated statement of profit or loss and other comprehensive income of the Group in accordance with the IFRS 15 requirements for exchange of products of similar quality. In 2019 no similar operations were carried out.

Financial assets impairment

ECL measurement. Calculation and measurement of ECLs is an area of significant judgement, and implies methodology, models and data inputs. The following components of ECL calculation have the major impact on credit loss allowance for ECLs: default definition, significant increase in credit risk (SICR), probability of default (PD), exposure at default (EAD), loss given default (LGD), macromodels and scenario analysis for credit impaired loans. The Group regularly reviews and validates models and inputs to the models to reduce any differences between expected credit loss estimates and actual credit loss experience. Refer to Note 29.

Significant increase in credit risk (SICR). In order to determine whether there has been a significant increase in credit risk, the Group compares the risk of a default occurring over the life of a financial instrument at the end of the reporting date with the risk of default at the date of initial recognition. The assessment considers relative increase in credit risk rather than achieving a specific level of credit risk at the end of the reporting period. The Group considers all reasonable and supportable forward looking information available without undue cost and effort, which includes a range of factors, including behavioural aspects of particular customer portfolios. The Group identifies behavioural indicators of increases in credit risk prior to delinquency and incorporated appropriate forward looking information into the credit risk assessment, either at an individual instrument, or on a portfolio level. Refer to Note 29.

Financial assets classification

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

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

Note 4: Critical accounting estimates and judgements in applying accounting policies (continued)

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

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

The time value of money element may be modified, for example, if a contractual interest rate is periodically reset but the frequency of that reset does not match the tenor of the debt instrument's underlying base interest rate, for example a loan pays three months interbank rate but the rate is reset every month. The effect of the modified time value of money was assessed by comparing relevant instrument's cash flows against a benchmark debt instrument with SPPI cash flows, in each period and cumulatively over the life of the instrument. The assessment was done for all reasonably possible scenarios, including reasonably possible financial stress situation that can occur in financial markets.

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

The Group's loans, primarily to real estate developers, have cash flows that highly depend on performance of the underlying assets. The loans are carried at FVTPL where management determined that such loans are in substance non-recourse.

The instruments that failed the SPPI test are measured at FVTPL are described in Note 8 and 9.

Financial instruments fair value estimation. Financial instruments carried at FVTPL or FVOCI and all derivatives are stated at fair value. If a quoted market price is available for an instrument, the fair value is calculated based on the market price. When valuation parameters are not observable in the market or cannot be derived from observable market prices, the fair value is derived through analysis of other observable market data appropriate for each product and pricing models which use a mathematical methodology based on accepted financial theories. Pricing models take into account the contract terms of the securities as well as market-based valuation parameters, such as interest rates, volatility, exchange rates and the credit rating of the counterparty. Where market-based valuation parameters are missed, management will make a judgment as to its best estimate of that parameter in order to determine a reasonable reflection of how the market would be expected to price the instrument, in exercising this judgment, a variety of tools are used including proxy observable data, historical data, and extrapolation techniques. The best evidence of fair value of a financial instrument at initial recognition is the transaction price unless the instrument is evidenced by comparison with data from observable markets.

Any difference between the transaction price and the value based on a valuation technique is not recognised in the consolidated statement of profit or loss and other comprehensive income on initial recognition unless the value is based on valuation technique that uses only data from observable markets. Subsequent gains or losses are only recognised to the extent that they arise from a change in a factor that market participants would consider in setting a price.

Information on fair value of financial instruments where estimate is based on assumptions that do not utilize observable market prices is presented in Note 29.

(In million of Russian Rubles)

Note 5: Adoption of new or revised standards and interpretations

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

- 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 materiality – 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).

The following other new standards and interpretations are not expected to have any material impact on the Group's consolidated financial statements when adopted:

- COVID-19-Related Rent Concessions Amendment to IFRS 16 issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Amendments to IFRS 10 and IAS 28 (issued on 11 September 2014 and effective for annual periods beginning on or after a date to be determined by the IASB).
- IFRS 17 "Insurance Contracts" (issued on 18 May 2017 and effective for annual periods beginning on or after 1 January 2023). IFRS 17 replaces IFRS 4, which has given companies dispensation to carry on accounting for insurance contracts using existing practices. As a consequence, it was difficult for investors to compare and contrast the financial performance of otherwise similar insurance companies. IFRS 17 is a single principle-based standard to account for all types of insurance contracts, including reinsurance contracts that an insurer holds.
- Amendments to IFRS 17 and an amendment to IFRS 4 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments include a number of clarifications intended to ease implementation of IFRS 17, simplify some requirements of the standard and transition. The amendments relate to eight areas of IFRS 17, and they are not intended to change the fundamental principles of the standard.
- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022).
- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023).
- Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (issued on 14 May 2020 and effective for annual periods beginning on or after 1 January 2022).
- Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021).
- Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).
- Amendments to IAS 8: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023).

Note 6: Cash and cash equivalents

Cash and cash equivalents comprise the following:

	At 31 December 2020	At 31 December 2019
Cash on hand and in banks	30,735	24,730
Term deposits with original maturity of less than three months	7,242	350
Due from banks	2,128	77
Total cash and cash equivalents	**40,105**	**25,157**

Term deposits with original maturity of less than three months represent deposits placed in banks in the course of non-banking activities. Due from banks represent deposits with original maturities of less than three months placed in the course of banking activities in banks other than those that are part of the Group. The fair value and credit quality analysis of cash and cash equivalents is presented in Note 29.

(In million of Russian Rubles)

Note 7: Accounts receivable

Short-term and long-term accounts receivable comprise the following:

	At 31 December 2020	At 31 December 2019
Short-term accounts receivable:		
Trade receivables	84,254	81,950
Other financial receivables	9,241	9,516
Other non-financial receivables	163	161
Less credit loss allowance	(9,924)	(6,921)
Total short-term accounts receivable	**83,734**	**84,706**
Long-term accounts receivable:		
Trade receivables	1,080	333
Other financial receivables	861	10,301
Less credit loss allowance	(457)	(2,773)
Total long-term accounts receivable	**1,484**	**7,861**
Total trade and other receivables	**85,218**	**92,567**

The estimated fair value of short-term and long-term accounts receivable approximates their carrying value (Note 29).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables.

The credit loss allowance for trade and other receivables is determined according to provision matrix presented in the table below. The provision matrix is based on the number of days that an asset is past due, with a distribution to portfolios of receivables, homogeneous in terms of credit risk. In addition to the number of days that an asset is past due, types of products sold, geographical specificity of distributional channels and other factors were taken into account.

Analysis by credit quality of trade and other receivables is as follows:

	At 31 December 2020			At 31 December 2019		
	Loss rate	Gross carrying amount	Lifetime ECL	Loss rate	Gross carrying amount	Lifetime ECL
Trade receivables						
- current	0.046%	78,800	(36)	0.065%	75,614	(49)
- less than 90 days overdue	1.33%	905	(12)	0.92%	2,946	(27)
- 91 to 180 days overdue	4.44%	135	(6)	3.51%	969	(34)
- over 180 days overdue	98.43%	5,494	(5,408)	88.93%	2,754	(2,449)
Total trade receivables (gross carrying amount)		**85,334**			**82,283**	
Credit loss allowance		(5,462)			(2,559)	
Total trade receivables (carrying amount)		**79,872**			**79,724**	
Other receivables						
- current	0.158%	5,060	(8)	0.254%	12,617	(32)
- less than 90 days overdue	100%	17	(17)	100%	12	(12)
- 91 to 180 days overdue	100%	4	(4)	100%	1	(1)
- over 180 days overdue	97.39%	5,021	(4,890)	98.65%	7,187	(7,090)
Total other receivables (gross carrying amount)		**10,102**			**19,817**	
Credit loss allowance		(4,919)			(7,135)	
Total other receivables (carrying amount)		**5,183**			**12,682**	

(In million of Russian Rubles)

Note 7: Accounts receivable (continued)

The following table explains the changes in the credit loss allowance for trade and other receivables under simplified ECL model between the beginning and the end of the annual period, ended 31 December 2020 and 2019:

	2020		2019	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Expected credit loss allowance at 1 January	**(2,559)**	**(7,135)**	**(2,240)**	**(6,082)**
(New originated or purchased)/reversed	(2,899)	1,449	(319)	(1,095)
Other movements	(4)	149	-	53
Total credit loss allowance charge in profit or loss for the period	**(2,903)**	**1,598**	**(319)**	**(1,042)**
Write-offs	-	618	-	(11)
Expected credit loss allowance at 31 December	**(5,462)**	**(4,919)**	**(2,559)**	**(7,135)**

Analysis by credit quality of trade and other receivables is as follows:

	At 31 December 2020		At 31 December 2019	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Not past due				
- International traders of crude oil, oil products and petrochemicals	17,676	-	23,349	-
- Russian crude oil and oil products traders	13,591	-	1,501	-
- Russian oil and petrochemicals refineries	20,855	-	22,603	-
- Central and Eastern Europe refineries	12,308	-	15,249	-
- Russian tire dealers and automotive manufacturers	5,048	-	3,430	-
- Natural monopoly entity	-	-	1,634	-
- Russian construction companies	8	-	327	-
- unrated	9,314	5,060	7,521	12,617
including related parties	*1,373*	*192*	*1,003*	*435*
Not past due	**78,800**	**5,060**	**75,614**	**12,617**
Past due but not individually assessed for credit loss allowance				
- less than 90 days overdue	905	17	2,946	-
- 91 to 180 days overdue	135	4	969	-
- over 180 days overdue	-	82	305	65
Total past due but not individually assessed for credit loss allowance	**1,040**	**103**	**4,220**	**65**
Individually assessed for credit loss allowance (gross)				
- less than 90 days overdue	-	-	-	12
- 91 to 180 days overdue	-	-	-	1
- over 180 days overdue	5,494	4,939	2,449	7,122
Total individually assessed for credit loss allowance	**5,494**	**4,939**	**2,449**	**7,135**
Less credit loss allowance	(5,462)	(4,919)	(2,559)	(7,135)
Total	**79,872**	**5,183**	**79,724**	**12,682**

(In million of Russian Rubles)

Note 8: Banking: Loans to customers

	At 31 December 2020	At 31 December 2019
Loans to legal entities	27,488	38,201
Loans to individuals	1,755	1,617
Short term loans to customers measured at amortised cost before credit loss allowance	**29,243**	**39,818**
Credit loss allowance	(8,580)	(6,145)
Total short term loans to customers measured at amortised cost	**20,663**	**33,673**
Short term loans to legal entities measured at fair value through profit or loss	1,829	207
Total short term loans to customers	**22,492**	**33,880**

	At 31 December 2020	At 31 December 2019
Loans to legal entities	37,986	53,946
Loans to individuals	45,607	40,219
Long term loans to customers measured at amortised cost before credit loss allowance	**83,593**	**94,165**
Credit loss allowance	(4,645)	(4,333)
Total long term loans to customers measured at amortised cost	**78,948**	**89,832**
Long term loans to legal entities measured at fair value through profit or loss	215	12,740
Total long term loans to customers	**79,163**	**102,572**

As at 31 December 2020 and 2019 the Bank ZENIT granted loans to 13 and 19 customers totalling RR 37,808 million and RR 57,435 million respectively, which individually exceeded 5% of the Bank ZENIT equity.

The Group holds a portfolio of loans to customers that does not meet the SPPI requirement for measured at amortised cost classification under IFRS 9. Dominant features that failed SPPI test were the following: the amount of net operating cash flows according to business-plan is not sufficient to fully repay of loans within the period specified in loan contract; the time value of money is not compensated to the Group, interest payments will be performed in the end of loan contract; amount of collateral is not sufficient for repayment of loan. As a result, these loans were measured at fair value through profit or loss from the date of initial recognition.

Loans to customers measured at fair value through profit or loss are measured taking into account the credit risk. The carrying amount presented in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk arising from loans to customers.

The fair value of loans to customers, including a breakdown by fair value hierarchy level, is disclosed in Note 29. Information on related party balances is disclosed in Note 25.

(In million of Russian Rubles)

Note 8: Banking: Loans to customers (continued)

Movements in the credit loss allowance during the year ended at 31 December 2020 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2020	**(7,791)**	**(2,687)**	**(10,478)**
Net provision for credit loss allowance during the period	(2,507)	(1,122)	(3,629)
Reclassification to the credit loss allowance for other long-term loans	645	-	645
Other changes	226	11	237
Credit loss allowance as at 31 December 2020	**(9,427)**	**(3,798)**	**(13,225)**

Movements in the credit loss allowance during the year ended at 31 December 2019 are as follows:

	Loans to legal entities	Loans to individuals	Total
Credit loss allowance as at 1 January 2019	**(11,533)**	**(1,536)**	**(13,069)**
Net reversal of provision/(provision) for credit loss allowance during the period	698	(1,160)	(462)
Reclassification to the credit loss allowance for other long-term loans	2,780	-	2,780
Other changes	264	9	273
Credit loss allowance as at 31 December 2019	**(7,791)**	**(2,687)**	**(10,478)**

Risk concentrations by customer industry within the customer loan portfolio are as follows:

	At 31 December 2020		**At 31 December 2019**	
	Gross book value	**Share in customer loan portfolio, %**	**Gross book value**	**Share in customer loan portfolio, %**
Trade	9,092	7.91%	19,485	13.26%
Manufacturing	24,287	21.14%	29,191	19.87%
Construction	4,984	4.34%	15,908	10.83%
Services	11,361	9.89%	17,895	12.18%
Food	508	0.44%	633	0.43%
Finance	3,638	3.17%	10,173	6.92%
Agriculture	1,008	0.88%	1,041	0.71%
Oil and gas	5,415	4.71%	5,013	3.41%
Individuals, including:	47,362	41.23%	41,836	28.47%
mortgage loans	23,939	20.84%	22,843	15.55%
consumer loans	13,207	11.50%	14,202	9.67%
car loans	9,667	8.41%	4,178	2.84%
plastic cards overdrafts	504	0.44%	572	0.39%
other	45	0.04%	41	0.02%
Other	7,225	6.29%	5,755	3.92%
Total loans to customers before credit loss allowance	**114,880**	**100%**	**146,930**	**100%**

(In million of Russian Rubles)

Note 9: Other financial assets

Other short-term financial assets comprise the following:

	At 31 December 2020	At 31 December 2019
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 240 million as at 31 December 2019 respectively)	-	112
Other loans (net of credit loss allowance of RR 3,667 million and of RR 3,615 million as at 31 December 2020 and 31 December 2019 respectively)	5,946	227
Bank deposits (net of credit loss allowance of RR 5,547 million as at 31 December 2020 and 31 December 2019 respectively)	10,000	659
Due from banks	2,391	1,222
REPO with banks	1,551	4,081
Securities held by the Group (net of credit loss allowance of RR 27 million and of RR 9 million as at 31 December and 31 December 2019 respectively):	9,577	1,562
Russian government and municipal debt securities	12	30
Corporate debt securities	9,565	1,532
Securities pledged under sale and repurchase agreements (net of credit loss allowance of RR 9 million and of RR 22 million as at 31 December 2020 and 31 December 2019 respectively):	4,517	9,044
Russian government and municipal debt securities	-	2,609
Corporate debt securities	4,517	6,435
Financial assets measured at fair value through profit or loss		
Due from banks	-	1,238
Securities held by the Group:	5,744	7,658
Russian government and municipal debt securities	1,518	460
Corporate debt securities	3,995	6,865
Corporate shares	-	165
Derivatives	231	168
Securities pledged under sale and repurchase agreements:	17	-
Russian government and municipal debt securities	17	-
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	1,441	1,910
Russian government and municipal debt securities	227	695
Corporate debt securities	1,012	1,000
Corporate shares	202	215
Securities pledged under sale and repurchase agreements:	3,130	-
Russian government and municipal debt securities	959	-
Corporate debt securities	2,171	-
Total short-term financial assets	**44,314**	**27,713**

(In million of Russian Rubles)

Note 9: Other financial assets (continued)

Other long-term financial assets comprise the following:

	At 31 December 2020	At 31 December 2019
Financial assets measured at amortised cost		
Notes receivable (net of credit loss allowance of RR 318 million as at 31 December 2020 and 31 December 2019 respectively)	-	-
Loans to employees (net of credit loss allowance of RR 1,717 million and of RR 1,804 million as at 31 December 2020 and 31 December 2019 respectively)	981	928
Other loans (net of credit loss allowance of RR 20,896 million and of RR 22,392 million as at 31 December 2020 and 31 December 2019 respectively)	2,618	21,281
Due from banks	-	2,027
Securities held by the Group (net of credit loss allowance of RR 92 million and of RR 31 million as at 31 December 2020 and 31 December 2019):	19,814	13,132
Russian government and municipal debt securities	1,272	1,272
Corporate debt securities	18,542	11,860
Financial assets measured at fair value through profit or loss		
Other loans	5,079	-
Securities held by the Group:	342	293
Corporate debt securities	245	293
Corporate share	97	-
Financial assets measured at fair value through other comprehensive income		
Securities held by the Group:	41,771	42,917
Russian government and municipal debt securities	11,627	15,236
Corporate shares	12,400	12,440
Corporate debt securities	4,764	2,176
Investment fund units	12,980	13,065
Total long-term financial assets	**70,605**	**80,578**

The fair value of financial assets and valuation techniques used are disclosed in Note 29.

The Group holds a portfolio of other loans that does not meet the SPPI requirement for measured at amortised cost classification under IFRS 9. Dominant features that failed SPPI test were the following: the amount of net operating cash flows according to business-plan is not sufficient to fully repay of loans within the period specified in loan contract; the time value of money is not compensated to the Group, interest payments will be performed in the end of loan contract; amount of collateral is not sufficient for repayment of loan. As a result, these other loans were measured at fair value through profit or loss from the date of initial recognition.

Other loans measured at fair value through profit or loss are measured taking into account the credit risk. The carrying amount presented in the consolidated statement of financial position best represents the Group's maximum exposure to credit risk arising from other loans.

For the years ended 31 December 2020 and 2019 the Group recognised fair value losses from loans at fair value through profit or loss in the amount of RR 5,180 million and RR 210 million respectively.

Corporate bonds consist of Russian Ruble and US Dollar denominated bonds and Eurobonds issued by Russian banks and companies.

Federal loan bonds consist of Russian Ruble denominated government securities issued by the Ministry of Finance of the Russian Federation, which are commonly referred to as “OFZ”, Russian Federation Eurobonds and Bank of Russia bonds.

Municipal bonds consist of Russian Ruble denominated bonds issued by regional and municipal authorities of the Russian Federation.

Corporate shares measured at fair value through profit or loss include quoted and unquoted shares of Russian companies and banks. As at 31 December 2020 and 31 December 2019 unquoted securities measured at fair value through other comprehensive income include investment in AK BARS Bank ordinary shares (17.24%) in the amount of RR 7,300 million.

(In million of Russian Rubles)

Note 9: Other financial assets (continued)

Investment fund units are solely presented with investment in closed mutual investment rental fund AK BARS – Gorizont (45.45% of the total amount a shares). The main assets of this fund are the land plots located in Tatarstan Republic. The Group does not exercise significant influence over this investment and therefore accounts for it as a financial asset measured at fair value through other comprehensive income.

In 2020 the Group recognised an impairment losses on financial assets net of reversal in the amount of RR 756 million (in 2019 amount of RR 6,737 million). These losses consist of expected credit loss allowance for accounts receivable in the amount of RR 1,305 million (in 2019 amount of RR 1,361 million), other financial assets in the amount of RR 310 million (in 2019 amount of RR 156 million) income from reversal of impairment on loans issued in the amount of RR 859 million (in 2019 impairment loss in the amount of RR 5,220 million).

The following tables disclose the changes in the credit loss allowance and gross carrying amount for other loans measured at amortised cost.

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Other loans								
At 31 December 2019	**-**	**(241)**	**(25,766)**	**(26,007)**	**73**	**1,531**	**45,911**	**47,515**
Movements with impact on credit loss allowance charge for 2020:								
Transfers:								
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	149	(149)	-	-	(208)	208	-
Net remeasurement of credit loss allowance within the same stage	-	-	(106)	(106)	-	-	-	-
Loans repaid or derecognised (excluding write-offs)	-	-	1,046	1,046	-	(46)	(20,713)	(20,759)
New originated or purchased	-	-	(81)	(81)	-	38	873	911
Total movements with impact on credit loss allowance charge for 2020	**-**	**149**	**710**	**859**	**-**	**(216)**	**(19,632)**	**(19,848)**
Movements without impact on credit loss allowance charge for 2020:								
Write-off	-	-	1,171	1,171	-	-	(1,224)	(1,224)
Reclassification from other financial assets	-	-	(645)	(645)	-	-	6,655	6,655
Other changes	-	-	59	59	-	-	29	29
At 31 December 2020	**-**	**(92)**	**(24,471)**	**(24,563)**	**73**	**1,315**	**31,739**	**33,127**

(In million of Russian Rubles)

Note 9: Other financial assets (continued)

	Credit loss allowance				Gross carrying amount			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**Total**
Other loans								
At 31 December 2018	**-**	**(543)**	**(17,464)**	**(18,007)**	**83**	**26,217**	**20,377**	**46,677**
Movements with impact on credit loss allowance charge for 2019:								
Transfers:								
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	302	(302)	-	-	(23,021)	23,021	-
Net remeasurement of credit loss allowance within the same stage	-	-	(6,608)	(6,608)	-	-	-	-
Loans repaid or derecognised (excluding write-offs)	-	-	1,388	1,388	(10)	(1,849)	(1,756)	(3,615)
New originated or purchased	-	-	-	-	-	184	439	623
Total movements with impact on credit loss allowance charge for 2019	**-**	**302**	**(5,522)**	**(5,220)**	**(10)**	**(24,686)**	**21,704**	**(2,992)**
Movements without impact on credit loss allowance charge for 2019:								
Reclassification from other financial assets	-	-	(2,780)	(2,780)	-	-	3,830	3,830
At 31 December 2019	**-**	**(241)**	**(25,766)**	**(26,007)**	**73**	**1,531**	**45,911**	**47,515**

In December 2018 the Group entered into a transaction to acquire from a number of Russian government-controlled banks their rights of claim under the credit facilities with NEFIS Group, a leading Russian household chemicals, oil and fats manufacturer. Total rights in the amount of RR 5,355 million and RR 19,861 million were accounted as other loans in other short-term financial assets carried at amortised cost at 31 December 2020 and other long-term financial assets carried at amortised cost at 31 December 2019 respectively.

(In million of Russian Rubles)

Note 10: Inventories

	At 31 December 2020	At 31 December 2019
Materials and supplies	15,361	14,743
Crude oil	5,597	9,905
Refined oil products	14,370	13,197
Petrochemical supplies and finished products	7,226	10,798
Other finished products and goods	2,434	4,736
Total inventories	**44,988**	**53,379**

Note 11: Prepaid expenses and other current assets

Prepaid expenses and other current assets are as follows:

	At 31 December 2020	At 31 December 2019
Prepaid export duties	1,807	2,233
VAT recoverable	4,117	6,006
Advances	5,977	6,176
Prepaid transportation expenses	2,367	1,465
Excise	697	1,942
Other	5,110	2,948
Prepaid expenses and other current assets	**20,075**	**20,770**

(In million of Russian Rubles)

Note 12: Property, plant and equipment

	Oil and gas properties	Buildings and constructions	Machinery and equipment	Construc-tion in progress	Total
Cost					
As at 31 December 2018	**397,390**	**220,862**	**157,529**	**219,916**	**995,697**
Additions	415	-	-	99,735	100,150
Disposals	(6,266)	(1,506)	(3,369)	(1,353)	(12,494)
Changes in Group structure (Note 28)	-	9,298	9,235	1,206	19,739
Transfers	46,157	39,944	43,137	(129,238)	-
Changes in decommissioning provision	13,072	-	-	-	13,072
As at 31 December 2019	**450,768**	**268,598**	**206,532**	**190,266**	**1,116,164**
Depreciation, depletion and amortisation, impairment					
As at 31 December 2018	**179,359**	**43,576**	**70,840**	**-**	**293,775**
Depreciation charge	17,296	6,441	9,394	-	33,131
Impairment	759	4,090	-	24,391	29,240
Disposals	(5,764)	(683)	(2,386)	-	(8,833)
Changes in Group structure	-	2	(48)	-	(46)
Transfers	(2,090)	280	1,810	-	-
As at 31 December 2019	**189,560**	**53,706**	**79,610**	**24,391**	**347,267**
Net book value					
As at 31 December 2018	**218,031**	**177,286**	**86,689**	**219,916**	**701,922**
As at 31 December 2019	**261,208**	**214,892**	**126,922**	**165,875**	**768,897**
Cost					
As at 31 December 2019	**450,768**	**268,598**	**206,532**	**190,266**	**1,116,164**
Additions	-	-	-	105,087	105,087
Disposals	(453)	(649)	(1,664)	(1,678)	(4,444)
Changes in Group structure	-	213	-	-	213
Transfers	22,824	26,194	15,241	(64,259)	-
Changes in decommissioning provision	973	-	-	-	973
As at 31 December 2020	**474,112**	**294,356**	**220,109**	**229,416**	**1,217,993**
Depreciation, depletion and amortisation, impairment					
As at 31 December 2019	**189,560**	**53,706**	**79,610**	**24,391**	**347,267**
Depreciation charge	19,647	7,919	11,645	-	39,211
Impairment	1,364	1,572	1,325	2,610	6,871
Disposals	(361)	(428)	(1,136)	-	(1,925)
Transfers	38	1,193	(1,231)	-	-
As at 31 December 2020	**210,248**	**63,962**	**90,213**	**27,001**	**391,424**
Net book value					
As at 31 December 2019	**261,208**	**214,892**	**126,922**	**165,875**	**768,897**
As at 31 December 2020	**263,864**	**230,394**	**129,896**	**202,415**	**826,569**

Additions for years 2020 and 2019 years include construction of TANECO refinery complex and superviscous oil fields facilities.

Within construction in progress there are advances for construction of RR 25,531 million and RR 14,862 million at 31 December 2020 and 2019, respectively.

As stated in Note 3, the Group calculates depreciation, depletion and amortization for oil and gas properties using the units-of-production method over proved developed oil and gas reserves. The proved developed reserves used in the units-of-production method assume the extension of the Group's production license beyond their current expiration dates until the end of the economic lives of the fields as discussed below in further detail.

(In million of Russian Rubles)

Note 12: Property, plant and equipment (continued)

The Group's oil and gas fields are located principally on the territory of Tatarstan. The Group obtains licenses from the governmental authorities to explore and produce oil and gas from these fields. The Group's existing production licenses for its major fields expire, after their recent extension, between 2038 and 2090, with other production licenses expiring between 2024 and 2105. The economic lives of several of the Group's licensed fields extend beyond the dates of licenses expiration. Under Russian law, the Group is entitled to renew the licenses to the end of the economic lives of the fields, provided certain conditions are met.

Management is reasonably certain that the Group will be allowed to produce oil from the Group's reserves after the expiration of existing production licenses and until the end of the economic lives of the fields. "Reasonable certainty" is the applicable standard for defining proved reserves under the SEC's Regulation S-X, Rule 4-10.

Changes in the net book value of exploration and evaluation assets are presented below:

At 1 January 2019	**16,718**
Additions	3,194
Charged to expense	(17,818)
At 31 December 2019	**2,094**
Additions	2,671
Charged to expense	(978)
At 31 December 2020	**3,787**

Due to indications of possible impairment as at 31 March 2020 the Group conducted impairment testing for the main groups of assets. As at 31 December 2020 impairment testing for superviscous oil production assets were updated due to changes in the legislation on mineral extraction tax, as well as the law "On customs tariff". According to the accounting policy, individual assets are grouped for impairment purposes to the cash generating units (CGU) at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets:

- field-by-field basis for exploration and production assets;
- entire complex level for refining assets;
- individual petrol station level;
- entire factory level for tire production assets;

The macroeconomic factors, including but not limited to the reduction in oil production, crude oil and oil products prices fall, the volatility of the Russian Ruble to the US dollar and a decrease in the level of business activity were taken into account when preparing models, which are the main source of information for measuring the value in use of non-current assets, including forecasts of oil production and refining volumes, oil and oil products price dynamics, petrochemical production forecast, as well as when determining the discount rate.

In assessing impairment, the recorded value of assets was compared with the estimated value in use of the CGUs. The value in use is determined as the discounted net cash flows based on the forecasts of Revenue, production costs and changes in working capital based on confirmed long-term strategic plans of the Group, taking into account the impact of the pandemic and accepted restrictions on the uncertainty in the period of recovery in demand and profitability The forecasting period for determining the value in use is in line with the management assumptions used for long-term strategy and does not exceed the useful life of assets included in the CGUs.

For the year ended 31 December 2020 the Group recognised impairment of the following assets:

- assets used in the production of tire products of the Petrochemicals segment in the amount of RR 3,976 million;
- exploration assets related to the superviscous oil fields, in the amounts of RR 1,364 million;
- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 978 million, due to adverse conditions in the oil market affecting the current assessment of respective projects;
- other assets, including social assets, in the total amount of RR 553 million, which are not providing future economic benefits.

For the year ended 31 December 2019 the Group recognised impairment of the following assets:

- exploration and evaluation assets related to the oilfields located outside the Republic of Tatarstan in the amount of RR 17,818 million, due to adverse conditions in the oil market affecting the current assessment of respective projects;
- other assets, including social assets, in the total amount of RR 11,422 million, which are not providing future economic benefits.

Note 12: Property, plant and equipment (continued)

An impairment loss is included in the corresponding line of the consolidated statement of profit or loss and other comprehensive income.

Key assumptions applied to the calculation of value in use are follows:

- oil prices, refined product spreads and US dollar / Russian ruble exchange rates are based on available forecasts from globally recognized research institutions;
- estimated production and refining volumes were based on detailed information for the production and refining plans approved by management as part of the long-term strategy, considering the decrease in business activity as a result of the COVID-19 pandemic and the OPEC + agreement terms.

The discount rate calculated based on the Company's weighted average cost of capital adjusted for asset specific risks. The Group applied the following nominal pre-tax discount rates for impairment testing purposes:

from 15.91 to 16.2% for oil fields;

from 13.42 to 14.45% for refining complexes:

from 13.6 to 14.0% for petrol stations;

from 15.5 to 15.6% for tire production factories.

The recoverable amounts of oil field in the amount of RR 76,282 million which were tested and impaired on RR 1,364 million were determined as value in use equal to the present value of the expected cash flows.

The following Brent price assumptions have been used: $46.8 per barrel in 2021, $55.9 per barrel in 2022, $57.6 per barrel in 2023, $59.4 per barrel in 2024 and $62.7 per barrel in 2025 with further growth in subsequent years according to forecasts.

In addition, for the purposes of calculating the recoverable amount of assets related to the production of superviscous oil, the assumption on the receiving of the full amount of tax deduction was made. Tax deduction will be provided for the production of superviscous oil in subsoil areas located fully or partially within the borders of the Republic of Tatarstan subject to certain conditions stipulated by the Tax Code. In the absence of these tax deductions, the impairment loss for the superviscous oil fields would be RR 23,171 million, taking into discounted cash flows.

A reasonably justified change in key assumptions, taken into account by management for the purpose of preparing models as at the reporting date, does not necessitate the recognition of an additional impairment other than the above.

Social assets. During the years ended 31 December 2020 and 2019 the Group transferred social assets with a net book value of RR 34 million and RR 345 million, respectively, to local authorities. At 31 December 2020 and 2019 the Group held social assets with a net book value net of impairment provision of RR 5,148 million and RR 6,378 million, respectively.

The social assets comprise mainly dormitories, hotels, gyms and other facilities. The Group may transfer some of these social assets to local authorities in the future, but does not expect these to be significant. For the year ended 31 December 2020 and 2019 the Group incurred social infrastructure expenses of RR 10,856 (including an impairment loss on costs of construction and acquisition of social assets not providing future economic benefits, in the amount of RR 2,298 million) and RR 8,995 million respectively. For the year ended 31 December 2019 the Group recognised an impairment loss on costs of construction and acquisition of social assets not providing future economic benefits, in the amount of RR 7,208 million.

In 2020 the Group recognised an impairment losses and losses on disposal on property, plant and equipment and other non-financial assets net of reversal in the amount of RR 6,677 million (in 2019 in the amount of RR 30,875 million). These losses consist of impairment losses on property, plant and equipment in the amount of RR 6,871 milllion (in 2019 in the amount of RR 29,240 milllion) income from reversal of impairment on other long-term assets in the amount of RR 1,058 (in 2019 in the amount of RR 365 million), losses on creation of provision for impairment of inventories in the amount of RR 88 million (in 2019 in the amount of RR 320 million) and losses on disposal of property, plant and equipment in the amount of RR 776 million (in 2019 in the amount of RR 950 million).

(In million of Russian Rubles)

Note 12: Property, plant and equipment (continued)

Decommissioning provisions

The following table summarizes changes in the Group's decommissioning provision for the year:

	2020	2019
Balance at the beginning of period	**50,474**	**34,457**
Unwinding of discount	3,377	3 015
New obligations	2,077	1 349
Expenses on current obligations	(30)	(70)
Changes in estimates	(525)	11 723
Balance at the end of period	**55,373**	**50 474**
Less: current portion of decommissioning provisions (Note 16)	(1)	(127)
Long-term balance at the end of period	**55,372**	**50 347**

In 2020 and 2019 the Group recorded the change in estimate for oil and gas properties decommissioning due to the changes in discount rate and estimated future costs of decommissioning.

Key assumptions used for evaluation of decommissioning provision were as follows:

	At 31 December 2020	At 31 December 2019
Discount rate	6.46%	6.69%
Discount rate for superviscous oil	5.92%	6.69%
Inflation rate	4.00%	4.00%

Note 13: Right-of-use assets and lease liabilities

Starting from January 1, 2019, a lease is recognised as a right-of-use assets and a lease liabilities on the date the asset becomes available for use by the Group.

Right-of-use assets comprise the following:

	Service equipment	Other assets	Total
As at 1 January 2019	**13,654**	**2,414**	**16,068**
Additions	78	1,648	1,726
Disposals	(293)	(632)	(925)
Depreciation	(1,784)	(316)	(2,100)
Revaluation and modification	(896)	(215)	(1,111)
As at 31 December 2019	**10,759**	**2,899**	**13,658**

	Service equipment	Other assets	Total
As at 31 December 2019	**10,759**	**2,899**	**13,658**
Additions	526	613	1,139
Disposals	(2)	(365)	(367)
Depreciation	(1,516)	(619)	(2,135)
Revaluation and modification	(53)	(57)	(110)
As at 31 December 2020	**9,714**	**2,471**	**12,185**

(In million of Russian Rubles)

Note 13: Right-of-use assets and lease liabilities (continued)

The reconciliation between undiscounted lease liabilities and their present value presented in the table below:

	At 31 December 2020	At 31 December 2019
Lease liabilities		
Less than one year	2,891	3,024
Between one and five years	8,482	9,443
More than five years	9,738	11,078
Total undiscounted lease liabilities	**21,111**	**23,545**
Lease liabilities	**13,219**	**14,191**
Of which are:		
Current lease liabilities, presented in Accounts payable and accrued liabilities (Note 16)	2,540	2,613
Non-current lease liabilities	10,679	11,578

Note 14: Taxes

Presented below is reconciliation between the provision for income taxes and taxes determined by applying the statutory tax rate 20% to income before income taxes:

	Year ended 31 December 2020	Year ended 31 December 2019
Profit before income tax	137,045	252,342
Theoretical income tax expense at statutory rate	(27,409)	(50,468)
(Increase)/decrease due to:		
Non-deductible expenses, net	(6,160)	(8,408)
Income tax withheld at source on dividends for treasury shares	(907)	(733)
Other	4	85
Income tax expense	**(34,472)**	**(59,524)**

At 31 December 2020 no deferred tax liabilities have been recognised for taxable temporary differences of RR 45,781 million (2019: RR 68,729 million) on undistributed earnings of certain subsidiaries. These earnings have been and will continue to be reinvested. These earnings, except for undistributed earnings of subsidiaries operating in a tax free jurisdictions, could become subject to additional tax of approximately RR 1,404 million (2019: RR 1,203 million) if they were remitted as dividends.

Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognised for financial reporting purposes and such amounts recognised for statutory tax purposes. Deferred tax assets (liabilities) are comprised of the following:

	At 31 December 2020	At 31 December 2019
Tax loss carry forward	3,202	3,057
Decommissioning provision	7,808	7,318
Prepaid expenses and other current assets	195	189
Accounts receivable	-	425
Long-term loans and certificates of deposits	1,343	1,773
Long-term investments	457	366
Other	234	94
Deferred income tax assets	**13,239**	**13,222**
Property, plant and equipment	(43,131)	(43,612)
Inventories	(1,070)	(2,021)
Accounts receivable	(163)	-
Deferred income tax liabilities	**(44,364)**	**(45,633)**
Net deferred tax liability	**(31,125)**	**(32,411)**

(In million of Russian Rubles)

Note 14: Taxes (continued)

Deferred income taxes are reflected in the consolidated statement of financial position as follows:

	At 31 December 2020	At 31 December 2019
Deferred income tax asset	2,218	2,712
Deferred income tax liability	(33,343)	(35,123)
Net deferred tax liability	**(31,125)**	**(32,411)**

Deferred tax assets are recognised for the carry-forward of unused tax losses and unused tax credits to the extent that it is probable that taxable profits will be available against which the unused tax losses/credits can be utilised.

Tax losses carry forward. At 31 December 2020, the Group had recognised deferred income tax assets of RR 3,202 million (RR 3,057 million at 31 December 2019) in respect of unused tax loss carry forwards of RR 16,010 million (RR 15,285 million at 31 December 2019). Starting from 1 January 2017 the amendments to the Russian tax legislation became effective in respect of tax loss carry forwards. The amendments affect tax losses incurred and accumulated since 2007 that have not been utilised. The ten year expiry period for tax loss carry-forwards no longer applies. The amendments also set limitation on utilisation of tax loss carry forwards that will apply during the period from 2017 to 2021. The amount of losses that can be utilised each year during that period is limited to 50% of annual taxable profit. In determining future taxable profits and the amount of tax benefits that are probable in the future management makes judgments including expectations regarding the Group's ability to generate sufficient future taxable income and the projected time period over which deferred tax benefits will be realised.

The Group does not have any unrecognised potential deferred tax assets in respect of deductible temporary differences.

The Group is subject to a number of taxes other than income taxes, which are detailed as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Mineral extraction tax	175,636	298,592
Property tax	7,742	7,320
Other	2,161	1,742
Total taxes other than income taxes	**185,539**	**307,654**

For the year ended 31 December 2020 actual expenses on MET per tonne of oil produced amounted to RR 6,585 per tonne (in 2019: RR 10,003 per tonne), which is RR 2,135 per tonne (in 2019: RR 3,035 per tonne) below the average rate established by law. This deviation is due to the application of the coefficients stipulated by the tax legislation to the generally established MET rate for oil.

Taxes other than income taxes exclude the export duties paid on the sale of crude oil and refined products as the Group sales and other operating revenues are presented net of such export duties.

Taxes payable were as follows:

	At 31 December 2020	At 31 December 2019
Mineral extraction tax	17,500	21,172
Value Added Tax	4,983	8,369
Excise	3,198	2,863
Export duties	245	425
Property tax	1,826	1,975
Other	2,649	2,661
Total taxes payable	**30,401**	**37,465**

(In million of Russian Rubles)

Note 15: Debt

	At 31 December 2020	At 31 December 2019
Short-term debt		
Bonds issued	3,881	1,850
Subordinated debt	21	21
Debt securities issued	500	884
US $75 million 2011 credit facility	-	816
US $144.5 million 2011 credit facility	-	2,090
EUR 55 million 2013 credit facility	-	1,652
Russian Rubles credit facility	1,300	10,142
Other debt	2,286	938
Total short-term debt	**7,988**	**18,393**
Current portion of long-term debt	2,973	1,199
Total short-term debt, including current portion of long-term debt	**10,961**	**19,592**
Long-term debt		
Bonds issued	18,198	20,007
Subordinated debt	-	1,266
Debt securities issued	112	39
US $75 million 2011 credit facility	495	-
US $144.5 million 2011 credit facility	1,871	-
EUR 55 million 2013 credit facility	1,441	-
EUR 39.2 million 2020 credit tranche	2,848	-
Other debt	1,660	1,544
Total long-term debt	**26,625**	**22,856**
Less: current portion	(2,973)	(1,199)
Total long-term debt, net of current portion	**23,652**	**21,657**

Fair value of debt is presented in Note 29. Maturity and currency analysis of debt is presented in Note 29. Debt issued to related parties is presented in Note 25.

Credit facilities. In November 2011, TANECO entered into a US $75 million credit facility with equal semi-annual repayments during ten years. The loan was arranged by Nordea Bank AB (Publ), Société Générale and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.1% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In November 2011, TANECO entered into a US $144.5 million credit facility with equal semi-annual repayments during ten years with the first repayment date on 15 May 2014. The loan was arranged by Société Générale, Sumitomo Mitsui Banking Corporation Europe Limited and the Bank of Tokyo-Mitsubishi UFJ LTD. The loan bears interest at LIBOR plus 1.25% per annum. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

In May 2013, TANECO entered into a Euro 55 million credit facility with equal semi-annual repayment during ten years. The loan was arranged by The Royal Bank of Scotland plc and Sumitomo Mitsui Banking Corporation Europe Limited. The loan bears interest at LIBOR plus 1.5% per annum. In accordance with credit facility terms repayment of the debt is performed in USD. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios. In May 2016 this credit facility was assigned to Citibank Europe plc, UK Branch with credit facility details remaining.

In March 2020, the Group obtained the waiver from requirement of early repayment according to which the credit facilities of TANECO were recorded as long-term debt as at 31 December 2020.

In November 2020, OOO "NZGSh" entered into a two-tranche syndicated loan: RR 5,400 million and EUR 49 million (RR 4,320 million and EUR 39.2 million excluding intercompany amount) with quarterly repayments during ten years with the first repayment date on 28 March 2022. The loan was arranged by Bank ZENIT, Bank VBRR and Credit Bank of Moscow. Contract interest rate is preferential and for the tranche in rubles is key interest rate minus 4.5% per annum, for the tranche in Euro is EURIBOR per annum. The government subsidises the rate of 4.5% per annum if the borrower meets the conditions for the subsidy granting. The loan agreement requires compliance with certain financial covenants including, but not limited to, minimum levels of consolidated tangible net worth and interest coverage ratios.

Note 15: Debt (continued)

During 2020 the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 210,150 million at rates ranging from 4.39% to 6.74%, most of which were repaid earlier. The debt at 31 December 2020 amounted to RR 1,300 million and was repaid in January 2021.

During 2019, the Group received short-term loans under the credit facilities with the Russian banks in total amount of RR 113,200 million at rates ranging from 6.33% to 8.54%, most of which were repaid earlier. The debt at 31 December 2019 amounted to RR 10,142 million and was repaid in January 2020.

Bonds issued. In December 2019 the Company issued Russian Ruble denominated bonds in the amount of RR 15,000 million with the maturity in 3 years at a rate of 6.45% per annum.

At 31 December 2020 and at 31 December 2019 bonds issued include bonds denominated in Russian Rubles issued by Bank ZENIT amounted RR 7,079 million and RR 6,857 million respectively, that mature between 2022 and 2025. At 31 December 2020 and at 31 December 2019 the annual coupon rates on these securities range from 6.65% to 7.65% and 7% to 8.85% respectively (excluding bonds issued on emission BO-13 at amount RR 1 million and coupon rate 0.1%). The majority of bonds, issued by Bank ZENIT, allow early repurchase at the request of the bond holder as set in the respective offering documents.

Subordinated debt. At 31 December 2019 subordinated debt is presented by one subordinated loan raised by Bank ZENIT (excluding subordinated debt under the direct repurchase agreement with Deposit Insurance Agency (DIA) at the rate 8.9% and matures in 2024. The loan was repaid earlier in fourth quarter 2020.

Information on subordinated loans received Bank ZENIT from the DIA within the Russian Federation Government programme for additional capitalisation of Russian banks presented in Note 29.

Debt securities issued. At 31 December 2020 debt securities are promissory notes issued by Bank ZENIT at a discount to nominal value and interest bearing promissory notes denominated in Russian Rubles (at 31 December 2019: in Russian Rubles and US Dollars). Maturity dates of these promissory notes vary from 2021 to 2028 (at 31 December 2019: from 2020 to 2028).

At 31 December 2020 and at 31 December 2019 non-interest-bearing promissory notes of the aggregate nominal value of RR 101 million and of RR 641 million respectively were issued by Bank ZENIT for settlement purposes and mature primarily on demand.

(In million of Russian Rubles)

Note 16: Accounts payable and accrued liabilities

	At 31 December 2020	At 31 December 2019
Trade payables	55,028	36,150
Current portion of lease liabilities (Note 13)	2,540	2,613
Other payables	2,623	1,809
Total financial liabilities within trade and other payables	**60,191**	**40,572**
Salaries and wages payable	8,414	8,267
Advances received from customers	11,175	7,828
Current portion of decommissioning provisions (Note 12)	1	127
Other accounts payable and accrued liabilities	4,112	3,495
Total non-financial liabilities	**23,702**	**19,717**
Accounts payable and accrued liabilities	**83,893**	**60,289**

For the current reporting period revenue of RR 7,828 million was recognised in respect of contract obligations as of 1 January 2020 related to advances received.

For the previous reporting period revenue of RR 6,197 million was recognised in respect of contract obligations as of 1 January 2019 related to advances received.

The increase in contract obligations as at 31 December 2020 is due to the sales under contracts with customers with agreed prepayment terms.

The fair value of each class of financial liabilities included in short-term trade and other payables is presented in Note 29.

As at 31 December 2020 other financial payables include an obligation to repurchase of 2,179,347,288 shares of Bank ZENIT at a price of RR 0.75 per share, requested for the redemption by minority shareholders and not paid by the Bank. The discounted amount of the liability is RR 1,618 million (as at 31 December 2019: not applicable). Disposal of the carrying value of the non-controlling interest (in the amount of RR 1,624 million) and the difference between the accrued liability and the disposed non-controlling interest (in the amount of RR 55 million) recognised as a result of the transaction are reflected in the line “Subsidiary's shares requested for the redemption” of the consolidated statement of changes in equity.

Note 17: Banking: Due to banks and the Bank of Russia

	At 31 December 2020	At 31 December 2019
Term deposits from other banks	3,110	5,364
Term deposits from the Bank of Russia	2,121	2,630
REPO	9,704	13,259
Correspondent accounts and other banks’ overnight deposits	275	1,562
Total due to banks and the Bank of Russia	**15,210**	**22,815**
Less: long term due to banks and the Bank of Russia	(1,551)	(2,522)
Total short term of due to banks and the Bank of Russia	**13,659**	**20,293**

Within due to banks and the Bank of Russia at 31 December 2020 and 2019 there are RR 13,526 million and RR 18,778 million respectively of correspondent accounts and term deposits, borrowed from the Bank of Russia and from three Russian banks, which individually exceeded 5% of the Bank ZENIT equity.

As at 31 December 2020 and 31 December 2019 financial liabilities which are subject to offsetting include RR 9,704 million and RR 13,260 million of due to banks collateralised by securities, fair value of which is RR 10,657 million and RR 14,446 million respectively.

(In million of Russian Rubles)

Note 18: Banking: Customer accounts

	At 31 December 2020	At 31 December 2019
State and public organizations		
Current / settlement accounts	1,276	1,014
Term deposits	95	90
Other legal entities		
Current / settlement accounts	24,674	16,986
Term deposits	19,240	22,653
Individuals		
Current / settlement accounts	22,891	14,265
Term deposits	80,449	105,044
Total customer accounts	**148,625**	**160,052**
Less: long-term customer accounts	(1,872)	(1,381)
Total short-term customer accounts	**146,753**	**158,671**

Within customer accounts at 31 December 2020 and 2019 there are RR 58,607 million and RR 38,557 million of current/settlement accounts and term deposits from 23 and 12 customers respectively, which individually exceeded 5% of the Bank ZENIT equity.

Risk concentrations by customer industry within customer accounts are as follows:

	At 31 December 2020		At 31 December 2019	
	Carrying value	Share in customer loan portfolio, %	Carrying value	Share in customer loan portfolio, %
Individuals	103,340	69.53%	119,309	74.54%
Finance	11,812	7.95%	9,292	5.81%
Oil and gas	3,261	2.19%	2,195	1.37%
Trade	6,142	4.13%	4,798	3.00%
Services	14,922	10.04%	12,331	7.70%
Manufacturing	2,067	1.39%	4,306	2.69%
Construction	3,422	2.30%	3,620	2.26%
Other	3,659	2.47%	4,201	2.63%
Total customer accounts	**148,625**	**100%**	**160,052**	**100%**

(In million of Russian Rubles)

Note 19: Other long-term liabilities

Other long-term liabilities are as follows:

	At 31 December 2020	At 31 December 2019
Pension liability	4,335	4,062
Government grants	8,327	3,231
Share based compensation	976	-
Other long-term liabilities	233	219
Total other long-term liabilities	**13,871**	**7,512**

Pension liabilities

The Group has various pension plans covering substantially all eligible employees and members of management. The amount of contributions, frequency of benefit payments and other conditions of these plans are regulated by the "Statement of Organization of Non-Governmental Pension Benefits for JSC Tatneft Employees" and the contracts concluded between the Company or its subsidiaries, management, and the JSC "National Non-Governmental Pension Fund". In accordance with these contracts the Group is committed to make certain contributions on behalf of all employees and guarantees a minimum benefit upon retirement. Contributions or benefits are generally based upon grade and years of service upon reaching official retirement age (according to the Law 350-FZ on amending the appointment and payment of pensions), and for management are based upon employment contract terms. In accordance with the provisions of collective agreements concluded on an annual basis between the Company or its subsidiaries and their employees, the Group is obliged to pay other certain post-employment benefits, the amounts of which are generally based on salary grade and years of service at the time of retirement.

Government grants. During 2020 and 2019, the Group received grants from the Republic of Tatarstan for the creation, modernization and reconstruction of energy facilities and infrastructure.

Share based compensation. The Company has approved the Tatneft Group long-term employee incentives program. The program provides for employees benefits based on the change in the share price during a five-year cycle. In accordance with the terms of the program, 11.7 million shares were "conditionally" assigned to the management and directors of the Company, based on which, at the end of the cycle, remuneration is paid on the amount of the positive difference in the average annual price of an ordinary share of PJSC Tatneft for the fifth year of the five-year cycle and the year adopted as a base. Payments are made in cash.

The fair value of the Program was calculated at the reporting date by applying the option pricing model, taking into account the conditions for the increase in the value of shares and the volume of services provided by employees before the end of the reporting period. The fair value of the Program estimated as RR 120 per share was determined in accordance with the Black-Scholes option pricing model at the reporting date and is subject to further review until it is redeemed. The fair value was calculated using the spot price of the Company's shares at the reporting date in the amount of RR 514.4, the exercise price of the option in the amount of RR 400.27, an expected dividend yield of 7.77% per annum, the risk-free interest rate equal to 4.36 % per annum, the term until the maturity of the program, and the volatility of the return on the underlying asset equal to 34.7%. The expected volatility was determined based on the historical volatility of the Company's shares. Receiving payments depends on the completion of the required period of service provision, certain performance indicators and an increase in the value of shares. The Group plans to recognize the costs of the Program on a straight-line basis over the period of its validity.

Note 20: Shareholders' equity

Authorised share capital. At 31 December 2020 and 2019 the authorised, issued and paid share capital of PJSC Tatneft consists of 2,178,690,700 voting common shares and 147,508,500 non-voting preferred shares; both classes of shares have a nominal value of RR 1.00 per share. The nominal value of authorised share capital differs from its carrying value due to effect of the hyperinflation on capital contributions made before 2003.

Golden share. Tatarstan holds a "Golden Share" – a special governmental right – in the PJSC Tatneft company. The exercise of its powers under the Golden Share enables the Tatarstan government to appoint one representative to the Board of Directors and Revision Commission of the Company and to veto certain major decisions, including those relating to changes in the share capital, amendments to the Charter, liquidation or reorganization and "major" and "interested party" transactions as defined under Russian law. The Golden Share currently has an indefinite term. The Tatarstan government also controls or exercises significant influence over a number of the Company's suppliers, contractors and customers (see also Note 1).

Rights attributable to preferred shares. Unless a different amount is approved at the annual shareholders meeting, preferred shares earn dividends equal to their nominal value. The amount of a dividend for a preferred share may not be less than the amount of a dividend for a common share. Preferred shareholders may vote at meetings only on the following decisions:

- the amendment of the dividends payable per preferred share;
- the issuance of additional shares with rights greater than the current rights of preferred shareholders; and
- the liquidation or reorganization of the Company.

The decisions listed above can be made only if approved by 75% of preferred shareholders.

Holders of preferred shares acquire the same voting rights as holders of common shares in the event that preferred dividends are either not declared, or declared but not paid. On liquidation, the shareholders are entitled to receive a distribution of net assets. Under Russian Joint Stock Companies Law and the Company's charter in case of liquidation, preferred shareholders have priority over shareholders holding common shares to be paid declared but unpaid dividends on preferred shares and the liquidation value of preferred shares, if any.

Amounts available for distribution to shareholders. The source of payment of dividends is the Company's net profit for the reporting period, determined are based on the Company's non-consolidated statutory accounts prepared in accordance with RAS, which differ significantly from IFRS (see Note 2). According to the Company's financial statements prepared in accordance with RAS, for the years ended 31 December 2020 and 2019, the Company had a statutory current year profit of RR 81,665 million and RR 156,474 million, respectively.

When determining the dividend amount (per share) recommended to the General Meeting of Shareholders, the decision of PJSC TATNEFT's Board of Directors is based on the amount of net profit under RAS or IFRS, depending on the availability of published financial statements for the relevant period, and assuming that the target level the total funds allocated for dividends payment accounts for least 50% of the net profit amount determined by RAS or IFRS, whichever is greater.

In September 2020, the shareholders of the Company approved interim dividends for the six months ended 30 June 2020 in the amount of RR 9.94 per preference and ordinary share. Dividends were paid in the fourth quarter of 2020.

In June 2020, the shareholders of the Company approved dividends for the year ended 31 December 2019 in the amount of RR 1 per each preferred share, excluding the previously approved interim dividends for the six and nine months of 2019 in the amount of RR 64.47 per one preferred share. Dividends were paid in the third quarter of 2020.

In December 2019, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2019, in the amount of RR 64.47 per preference and ordinary share (the "9 months 2019 Dividends"), including previously paid interim dividends for the six months ended 30 June 2019, in the amount of RR 40.11 per preference and ordinary share. The 9 months 2019 Dividends are reported as dividends payable as at 31 December 2019 and were paid in the beginning of 2020.

In September 2019, the shareholders of the Company approved interim dividends for the six months ended 30 June 2019 in the amount of RR 40.11 per each preference and ordinary share. The dividends were paid in the fourth quarter of 2019.

In June 2019, the shareholders of the Company approved dividends for the year ended 31 December 2018 in the amount of RR 84.91 per each preference and ordinary share with the consideration of earlier paid interim dividends for the nine months ended 30 September 2018 in the amount of RR 52.53 per each preference and ordinary share. The dividends were paid in the third quarter of 2019.

In December 2018, the shareholders of the Company approved the payment of interim dividends for the nine months ended 30 September 2018 in the amount of RR 52.53 per each preference and ordinary share including previously paid interim dividends for the six months ended 30 June 2018 in the amount of RR 30.27 per each preference and ordinary share. Dividends were paid in the beginning of 2019.

Note 20: Shareholders' equity (continued)

Earnings per share. Preference shares are not redeemable and are considered to be participating shares. Basic and diluted earnings per share are calculated by dividing profit or loss attributable to ordinary and preference shareholders by the weighted average number of ordinary and preferred shares outstanding during the period. Profit or loss attributed to equity holders is reduced by the amount of dividends declared in the current period for each class of shares.

The remaining profit or loss is allocated ordinary and preferred shares to the extent that each class may have share in earnings if all the earnings for the period had been distributed. Treasury shares are excluded from calculations. The total earnings allocated to each class of shares are determined by adding together the amount allocated for dividends and the amount allocated for a participation feature.

	Year ended 31 December 2020	Year ended 31 December 2019
Profit attributable to Group shareholders	103,490	192,260
Ordinary share dividends	(20,904)	(203,682)
Preferred share dividends	(1,614)	(14,286)
Income available to ordinary and preferred shareholders, net of dividends	**80,972**	**(25,708)**
Basic and diluted:		
Weighted average number of shares outstanding (millions of shares):		
Ordinary	2,103	2,103
Preferred	148	148
Combined weighted average number of ordinary and preferred shares outstanding	2,251	2,251
Basic and diluted earnings per share (RR)		
Ordinary	45.92	85.43
Preferred	46.92	85.43

Non-controlling interest. Non-controlling interest is adjusted by dividends declared and paid by the Group's subsidiaries amounting to RR 1 million at 31 December 2020 and 2019.

Note 21: Employee benefit expenses

	Year ended 31 December 2020	Year ended 31 December 2019
Wages and salaries	45,239	41,045
Statutory insurance contributions	12,657	11,474
Share based compensations (Note 19)	976	-
Pension costs – defined benefit plans	263	736
Other employee benefits	1,545	1,801
Total employee benefit expense	**60,680**	**55,056**

Employee benefit expenses are included in operating expenses, selling, general and administrative expenses and maintenance of social infrastructure and transfer of social assets, other expenses and operating expenses on banking activities in the consolidated statement of profit or loss and other comprehensive income.

(In million of Russian Rubles)

Note 22: Interest income and interest expense on non-banking activities

Interest income on non-banking activities comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Interest income from financial assets measured at amortised cost	4,368	1,128
Unwinding of the present value discount of long-term financial assets	60	73
Total interest income on non-banking activities	**4,428**	**1,201**

Interest expense on non-banking activities comprises the following:

	Year ended 31 December 2020	Year ended 31 December 2019
Bank loans	(1,033)	(736)
Bonds issued	(970)	(19)
Unwinding of the present value discount of decommissioning provision	(3,377)	(3,015)
Interest expense on lease liabilities	(1,374)	(1,571)
Unwinding of the present value discount of long-term financial liabilities	(17)	(66)
Discount of long-term financial liabilities	(613)	-
Total interest expenses on non-banking activities	**(7,384)**	**(5,407)**

Note 23: Interest and commission income and expense on banking activities

	Year ended 31 December:	
	2020	**2019**
Interest income	14,262	18,157
Loans to customers	11,136	14,216
Other	3,126	3,941
Fee and commission income	3,824	4,427
Settlement transactions	2,429	2,664
Other	1,395	1,763
Total interest and commission income on banking activity	**18,086**	**22,584**
Interest expense	(7,964)	(10,491)
Term deposits	(5,988)	(8,159)
Other	(1,976)	(2,332)
Fee and commission expense	(1,647)	(1,627)
Settlement transactions	(1,558)	(1,352)
Other	(89)	(275)
Total interest and commission expense on banking activity	**(9,611)**	**(12,118)**

Note 24: Segment information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the Board of Directors and the Management Committee and for which discrete financial information is available.

Segments whose revenue, result or assets are 10% or more of all the segments are reported separately.

The Group's business activities are conducted predominantly through four main operating segments:

- Exploration and production consists of exploration, development, extraction and sale of own crude oil. Intersegment sales consist of transfer of crude oil to refinery and other goods and services provided to other operating segments;
- Refining and marketing comprises purchases and sales of crude oil and refined products from third parties, own refining activities and retailing operations;
- Petrochemical products include production and sales of tires, technical carbon;
- Banking segment includes operations of Banking Group ZENIT.

Other sales include revenues from ancillary services provided by the specialised subdivisions and subsidiaries of the Group, such as sales of oilfield equipment, revenues from the sale of auxiliary petrochemical related services and materials as well as other business activities, which do not constitute reportable business segments.

The Group evaluates performance of its reportable operating segments and allocates resources based on segment earnings, defined as profit before income tax not including interest income, expense on non-banking activities, and gains from equity investments, other income (expenses) and foreign exchange loss or gain. Intersegment sales are at prices that approximate market. Effective the current reporting period, the Group uses an export netback calculated based on average Urals quotes less export duty, freight and transportation costs to calculate the cost of its own oil for refining. The calculation based on the export netback, used by the Group to make operational decisions, meets the criteria of relevant and reliable information, changes made are disclosed retrospectively in the consolidated financial statements. Group financing (including interest expense and interest income on non-banking activities) and income taxes are managed on a Group basis and are not allocated to operating segments.

For the year ended 31 December 2020, revenues of RR 96,663 million or 13% of the Group's total sales and operating revenues are derived from one external customer.

For the year ended 31 December 2019, revenues of RR 104,506 million or 11% of the Group's total sales and operating revenues are derived from one external customer.

These revenues represent sales of crude oil and are attributable to the exploration and production segment.

Management does not believe the Group is dependent on any particular customer.

(In million of Russian Rubles)

Note 24: Segment information (continued)

Segment sales and other operating revenues. Reportable operating segment sales and other operating revenues are stated in the following table:

	Year ended 31 December 2020	Year ended 31 December 2019
Exploration and production		
Domestic own crude oil	119,095	175,402
CIS own crude oil	16,264	26,818
Non-CIS own crude oil	153,574	255,602
Other	4,224	3,151
Intersegment sales	150,367	219,021
Total exploration and production	**443,524**	**679,994**
Refining and marketing		
Domestic sales	-	-
Refined products	206,618	225,137
Total Domestic sales	206,618	225,137
CIS sales		
Refined products	14,604	14,866
Total CIS sales[(1)]	14,604	14,866
Non-CIS sales		
Crude oil purchased for resale	6,049	8,900
Refined products	101,454	138,496
Total non-CIS sales[(2)]	107,503	147,396
Other	9,114	11,426
Intersegment sales	2,489	1,461
Total refining and marketing	**340,328**	**400,286**
Petrochemicals		
Tires – domestic sales	34,953	29,336
Tires – CIS sales	11,087	11,466
Tires – non-CIS sales	4,364	4,124
Other	3,660	3,647
Intersegment sales	491	1,028
Total petrochemicals	**54,555**	**49,601**
Banking		
Interest income	14,262	18,157
Fee and commission income	3,824	4,427
Total banking	**18,086**	**22,584**
Total segment sales	**856,493**	**1,152,465**
Corporate and other sales	35,617	23,925
Elimination of intersegment sales	(153,347)	(221,510)
Total sales and other operating revenues	**738,763**	**954,880**

[(1)] - CIS is an abbreviation for Commonwealth of Independent States (excluding the Russian Federation).
[(2)] - Non-CIS sales of crude oil and refined products are mainly made to Germany, Switzerland, Netherlands and United Kingdom based traders and Poland based refineries.

(In million of Russian Rubles)

Note 24: Segment information (continued)

Segment earnings

	Year ended 31 December 2020	Year ended 31 December 2019
Segment earnings		
Exploration and production	161,879	252,026
Refining and marketing	16,796	49,272
Petrochemicals	1,830	1,345
Banking	(3,964)	1,279
Total segment earnings	**176,541**	**303,922**
Corporate and other	(41,879)	(47,294)
Other (expenses)/income	2,383	(4,286)
Profit before income tax	**137,045**	**252,342**

"Corporate and other" line includes Head Office administrative expenses, impairment losses on financial assets net of reversal, impairment losses and losses on disposal on property, plant and equipment and other non-financial assets, charity expenses, maintenance of social infrastructure and transfer of social assets, fair value losses from financial assets at fair value through profit or loss.

Segment assets

	At 31 December 2020	At 31 December 2019
Assets		
Exploration and production	364,843	384,022
Refining and marketing	507,860	451,167
Petrochemicals	35,230	34,324
Banking	209,273	232,101
Corporate and other	146,235	138,729
Total assets	**1,263,441**	**1,240,343**

As at 31 December 2020 corporate and other includes RR 63,495 million of property, plant and equipment, RR 24,389 million of securities measured at fair value through other comprehensive income, RR 3,091 million of securities measured at amortised cost, RR 12,453 million loans receivable, RR 16,027 million of bank deposits measured at amortised cost, RR 181 million of cash.

As at 31 December 2019 corporate and other includes RR 50,102 million of property, plant and equipment, RR 24,413 million of securities measured at fair value through other comprehensive income, RR 20,626 million loans receivable, RR 331 million of bank deposits measured at amortised cost, RR 3,277 million of cash.

The Group’s assets and operations are primarily located and conducted in the Russian Federation.

(In million of Russian Rubles)

Note 24: Segment information (continued)

Segment depreciation, depletion and amortisation and additions to property, plant and equipment

	Year ended 31 December 2020	Year ended 31 December 2019
Depreciation, depletion and amortization		
Exploration and production	24,483	22,037
Refining and marketing	11,727	9,885
Petrochemicals	1,152	1,538
Banking	359	349
Corporate and other	3,144	1,356
Total depreciation, depletion and amortization	**40,865**	**35,165**
Additions to property, plant and equipment		
Exploration and production	26,670	44,636
Refining and marketing	63,366	48,609
Petrochemicals	7,567	2,264
Banking	175	665
Corporate and other	7,522	23,715
Total additions to property, plant and equipment	**105,300**	**119,889**

Additions to property, plant and equipment of exploration and production segment are presented net of changes in estimated decommissioning provisions. For the year ended 31 December 2019 additions to property, plant and equipment of refining and marketing segment and corporate and other assets took into account changes in Group structure (Note 28).

Note 25: Related party transactions

Parties are generally considered to be related if the parties are under common control or if one party has the ability to control the other party or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Transactions are entered into in the normal course of business with associates, joint ventures, government related companies, key management personnel and other related parties. These transactions include sales and purchases of refined products, purchases of electricity, transportation services and banking transactions. The Group enters into transactions with related parties based on market or regulated prices.

Associates, joint ventures and other related parties

The amounts of transactions for each period with associates, joint ventures and other related parties are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Revenues and income		
Sales of refined products	28	21
Other sales	84	122
Interest income	26	57
Costs and expenses		
Other services	852	844
Other purchases	400	501

(In million of Russian Rubles)

Note 25: Related party transactions (continued)

The outstanding balances with associates, joint ventures and other related parties were as follows:

	At 31 December 2020	At 31 December 2019
Assets		
Accounts receivable, net	132	231
Banking: Loans to customers	73	293
Other financial assets		
Securities measured at fair value through profit or loss	29	42
Other loans receivable	357	51
Prepaid expenses and other current assets	204	268
Due from related parties short-term	**795**	**885**
Long-term accounts receivable	71	198
Banking: Loans to customers	-	50
Other financial assets		
Securities measured at fair value through other comprehensive income	3,890	4,070
Other loans receivable	1,002	978
Due from related parties long-term	**4,963**	**5,296**
Liabilities		
Accounts payable and accrued liabilities	(69)	(37)
Banking: Customer accounts	(779)	(910)
Due to related parties short-term	**(848)**	**(947)**

Government related companies

The amounts of transactions for each period with Government related companies are as follows:

	Year ended 31 December 2020	Year ended 31 December 2019
Sales of refined products	18,060	30,662
Other sales	4,764	5,302
Interest income	2,804	2,852
Interest expense	656	764
Purchases of refined products	24,661	20,715
Purchases of electricity	16,014	18,479
Purchases of transportation and compounding services	21,934	26,987
Other services	4,994	5,830
Other purchases	686	2,366

(In million of Russian Rubles)

Note 25: Related party transactions (continued)

The outstanding balances with Government related companies were as follows

	At 31 December 2020	At 31 December 2019
Assets		
Cash and cash equivalents	14,007	10,044
Banking: Mandatory reserve deposits with the Bank of Russia	1,528	1,572
Accounts receivable	2,102	4,416
Banking: Loans to customers	-	6,563
Other financial assets		
Notes receivable	-	4
Bank deposits	-	310
Securities measured at fair value through other comprehensive income	3,023	505
Securities measured at amortised cost	7,480	3,325
Securities measured at fair value through profit or loss	4,095	3,915
Other loans measured at amortised cost	41	41
Prepaid expenses and other current assets	4,441	3,185
Due from related parties short-term	**36,717**	**33,880**
Banking: Loans to customers	5,228	4,994
Other financial assets		
Securities measured at fair value through other comprehensive income	22,294	24,193
Securities measured at amortised cost	8,803	7,898
Other loans measured at amortised cost	104	148
Advances for construction	16	14
Due from related parties long-term	**36,445**	**37,247**
Liabilities		
Accounts payable and accrued liabilities	(1,744)	(1,519)
Banking: Due to banks and the Bank of Russia	(570)	(2,445)
Banking: Customer accounts	(161)	(2,959)
Debt		
RR credit facilities	-	(10,142)
Debt securities issued	(46)	(404)
Other debt	(1,835)	(477)
Due to related parties short-term	**(4,356)**	**(17,946)**
Banking: Due to banks and the Bank of Russia	(1,551)	(2,763)
Other debt	(102)	-
Government grants (Note 19)	(8,327)	(3,231)
Due to related parties long-term	**(9,980)**	**(5,994)**

Note 25: Related party transactions (continued)

Key management personnel

The key management personnel of the Group includes members of the Board of Directors and the Management Board of PJSC Tatneft.

For the years ended 31 December 2020 and 2019 total remuneration, including pension cost, for key management personnel was RR 1,084 million and RR 988 million, respectively.

At 31 December 2020 and 2019 key management personnel customer accounts in Bank ZENIT amounted to RR 29,328 million and RR 31,738 million, respectively.

As at 31 December 2020 the liability for the services provided was recognized in respect of the key management personnel of the Group in accordance with the long-term incentive program for executive employees in the amount of RR 387 million. Information about the program is presented in Note 19.

Note 26: Contingencies and commitments

Operating Environment of the Group

The economy of the Russian Federation displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices and subject to significant negative impact of continuous decrease in crude oil prices.

In March 2020 the World Health Organization announced a pandemic due to the rapid spread of COVID-19. The measures taken around the world to combat the spread of COVID-19 resulted in limitation of business activity, which caused significant decrease in world demand for energy resources. The expiration of prior arrangement of OPEC+ on April 1, 2020 raised the risks of substantial oversupply of crude oil and refined products in the market. These events led to significant drop in stock markets, fall in crude oil prices, the Russian Ruble weakened against the US dollar and the Euro. In April 2020, the OPEC + countries reached a new agreement, under which the Russian Federation assumed obligations to reduce oil production in the period from May 1, 2020 to April 30, 2022. In accordance with the agreements reached, the Group began to fulfill its obligations to reduce oil production. Despite the new production restrictions agreed by OPEC+, the recovery in oil prices may take a long time and may be accompanied by a significant reduction in oil production. These events can have a significant impact on the operations, financial position and financial results of the Group in the future, the consequences of which are difficult to predict. Management created provisions for impairment considering the economic situation and prospects at the end of the reporting period (Note 12).

Tax, currency and customs legislation are sometimes subject to varying interpretations and contributes to the challenges faced by companies operating in the Russian Federation. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. The future economic development of the Russian Federation depends on external factors and internal measures taken by the government and changes in the tax, legal and regulatory framework.

Continued uncertainty regarding further economic growth, volatility in the financial markets, lower global oil prices, reduced oil production, as well as other risks, could have a significant negative impact on the financial and corporate sectors of the Russian economy in the future. Management believes it is taking all necessary measures to support the sustainability and development of the Group's business in the current business and economic environment. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected.

Capital commitments. As at 31 December 2020 and at 31 December 2019 the Group has approximate outstanding capital commitments of RR 71,829 million and RR 46,804 million, respectively, mainly for the construction of the TANECO refinery complex, drilling and construction of wells, superviscous oil fields facilities construction and tire business development project. These commitments are expected to be paid between 2021 and 2025.

Management believes the Group's current and long-term capital expenditures program can be funded through cash flows generated from existing operations as well as lines of credit available to the Company. The TANECO refinery project has been funded from the Company's cash flow with the support of the bank facilities (Note 15).

Management believes the Company has the ability to obtain syndicated loans and other financings as needed to continue funding the own projects, refinance any maturing debts as well as finance business acquisitions and other transactions that may arise in the future.

(In million of Russian Rubles)

Note 26: Contingencies and commitments (continued)

Credit related commitments. The credit related commitments comprise loan commitments, letters of credit and guarantees. The contractual commitments represent the value at risk should the contract be fully drawn upon, the client defaults, and the value of any existing collateral becomes worthless. In general, certain part of Group's import letters of credit are collateralised with cash deposits or collateral pledged to the Group and accordingly the Group normally assumes minimal risk.

Outstanding credit related commitments are as follows:

	At 31 December 2020	At 31 December 2019
Undrawn credit lines that are irrevocable or are revocable only in response to a material adverse change	34,249	28,973
Guarantees issued	12,928	12,739
Import letters of credit	185	129
Less: allowance for credit related commitment	(406)	(324)
Less: commitments collateralised by cash deposits under guarantees issued	(6)	(19)
Less: commitments collateralised by cash deposits under import letters of credit	(182)	(130)
Total credit related commitments	**46,768**	**41,368**

Taxation. The Russian tax legislation is subject to varying interpretations and changes which can occur frequently. Management’s interpretation of the legislation, as applied to the transactions and activities, may be challenged by the tax authorities.

The tax authorities may take a different position in their interpretation of the legislation, and it is possible that transactions and activities that have not been challenged in the past may be challenged.

In 2019 the tax authorities completed audits of the Company and its subsidiaries for the years ended 31 December 2015, 2016 and 2017. The available results of audits, in particular, of the income tax of the consolidated group of taxpayers of PJSC Tatneft, did not have a significant impact on the financial results and cash flows of the Group.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), with certain specific features. This legislation allows tax authorities to assess additional taxes for controllable transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's length basis.

Tax liabilities arising from intercompany transactions are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such prices could be challenged. Management believes that its pricing policy is arm’s length and it has implemented internal processes to be in compliance with the new transfer pricing legislation. The Group believes that its interpretation of the new legislation is appropriate and the Group’s tax position will be sustained.

Environmental contingencies. The Group, through its predecessor entities, has operated in Tatarstan for many years without developed environmental laws, regulations and the Group’s policies. Environmental regulations and their enforcement are currently being considered in the Russian Federation and the Group is monitoring its potential obligations related thereto. The outcome of environmental liabilities under proposed or any future environmental legislation cannot reasonably be estimated at present, but could be material. Under existing legislation, however, management believes that there are no probable liabilities, which would have a material adverse effect on the operating results or financial position of the Group. In addition, the Group is introducing and applying best health, safety and environmental protection practices and standards which might go beyond any existing and potential legal requirements in the Russian Federation.

Legal contingencies. The Group is subject to various lawsuits and claims arising in the ordinary course of business. The outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present. In the case of all known contingencies the Group accrues a liability when the loss is probable and the amount is reasonably estimable. Based on currently available information, management believes that it is remote that future costs related to known contingent liability exposures would have a material adverse impact on the Group’s consolidated financial statements.

(In million of Russian Rubles)

Note 26: Contingencies and commitments (continued)

Social commitments. The Group contributes significantly to the maintenance of local infrastructure and the welfare of its employees within Tatarstan, which includes contributions towards the construction, development and maintenance of housing, hospitals and transport services, recreation and other social needs. Such funding is periodically determined by the Board of Directors after consultation with governmental authorities and recorded as expenditures when incurred.

Transportation of crude oil. The Group transports substantially all of the crude oil that it sells in export and local markets through trunk pipelines in Russia that are controlled by PJSC Transneft, the state-owned monopoly owner and operator of Russia's trunk crude oil pipelines. The Group's crude oil is blended in the Transneft pipeline system with other crude oil of varying qualities to produce an export blend commonly referred to as Urals. There is currently no equalization scheme for differences in crude oil quality within the Transneft pipeline system and the implementation of any such scheme or the impact of it on the Group's business is not currently determinable.

Note 27: Principal subsidiaries

Set out below are the Group's principal subsidiaries at 31 December 2020. The joint-stock companies as listed below (except for PJSC "Nizhnekamskshina") have share capital consisting solely of ordinary shares. The proportion of ownership interests held equals to the voting rights held by Group. The country of incorporation or registration is also their principal place of business. For all principal subsidiaries the country of incorporation is the Russian Federation, except for Tatneft Europe AG, which is incorporated in Switzerland.

		At 31 December 2020		At 31 December 2019	
Name of entity	**Principal activity**	**% of ownership interest held by the Group**	**% of ownership interest held by the NCI**	**% of ownership interest held by the Group**	**% of ownership interest held by the NCI**
PJSC Bank ZENIT	Banking operations	72	28	72	28
Tatneft Europe AG	Export oil sales	100	-	100	-
TANECO	Oil refinery	100	-	100	-
Nizhnekamskshina	Tires production	82	18	82	18
Nizhnekamskiy zavod gruzovykh shin	Tires production	100	-	100	-
Trade House Kama	Tires sales	100	-	100	-
Tatneft-AZS Centr	Oil products sales	100	-	100	-
Tatneft-AZS-Zapad	Oil products sales	100	-	100	-
Tatneft-AZS-Severo-Zapad	Oil products sales	100	-	100	-

The summarised financial information relating to the subsidiaries with material non-controlling interest was as follows:

	Current assets	**Non-current assets**	**Current liabilities**	**Non-current liabilities**	**Revenue**	**Profit**
Year ended 31 December 2020						
PJSC Bank ZENIT	82,263	130,898	179,593	12,293	18,605	(3,992)
Nizhnekamskshina PJSC	682	389	4,419	-	7,076	(2,993)
Total	**82,945**	**131,287**	**184,012**	**12,293**	**25,681**	**(6,985)**
Year ended 31 December 2019						
PJSC Bank ZENIT	84,220	149,286	195,643	13,184	22,873	1,480
Nizhnekamskshina PJSC	1,033	3,575	5,223	-	14,918	623
Total	**85,253**	**152,861**	**200,866**	**13,184**	**37,791**	**2,103**

(In million of Russian Rubles)

Note 28: Business combinations

LLC Neste Saint-Petersburg

In 4th quarter of 2019 the Group acquired 100% of the charter capital of LLC Neste Saint-Petersburg (subsequently renamed to LLC Tatneft-AZS-Severo-Zapad) from third party Neste Oyj (Neste Corporation) and obtained control becoming its sole participants. LLC Neste Saint-Petersburg owns a chain of 75 premium retail petroleum stations, an oil products tank farm and an office building in Saint-Petersburg, Russia. The acquired subsidiary will increase the Group's presence in the fuel and retail market of the North-West Federal District of the Russian Federation.

The purchase price was RR 9,169 million (net of cash on the acquired entity's balance sheet) and the cash consideration was fully paid in 2019-2020. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entity as a whole.

Details of assessment of the fair value of acquired assets and liabilities performed by the Group are as follows:

	Fair value
Cash and cash equivalents	1,693
Property, plant and equipment	8,144
Inventories	915
Other assets	620
Accounts payable	(900)
Deferred income tax liabilities	(1,073)
Other liabilities	(79)
Fair value of identifiable net assets of subsidiary	**9,320**
Goodwill	**1,542**
Total purchase consideration	**10,862**
Cash and cash equivalents of subsidiary acquired	(1,693)
Purchase price, net	**9,169**

The carrying amount of goodwill is RR 1,542 million as at 31 December 2020 and 2019. No impairment was identified based on the results of the audit performed by the Group.

Petrochemical complex in Togliatti

In the 4th quarter of 2019 the Group acquired 100% of the charter capital of LLC SIBUR Togliatti (subsequently renamed to LLC Togliattikauchuk) and 100% of the share capital of JSC Togliattisintez from the third party PJSC SIBUR Holding and obtained control of these entities becoming the sole participant of LLC SIBUR Togliatti and through its ability to cast a majority of votes in the general meeting of shareholders of JSC Togliattisintez. The acquired companies form a petrochemical complex for the production of various types of synthetic rubbers, as well as the high-octane component MTBE for motor fuel, butadiene, isoprene, and other intermediate products. The acquired subsidiaries contribute to the further development of the Group's petrochemical and tires business.

The purchase price was RR 11,299 million (net of cash on the targets' balance sheets), and cash consideration was fully paid in 2019. The consideration paid by the Group was based on the results of the evaluation of the business value of the acquired entities as a whole.

(In million of Russian Rubles)

Note 28: Business combinations (continued)

Details of assessment of the fair value of acquired assets and liabilities performed by the Group are as follows:

	Fair value
Cash and cash equivalents	1,502
Property, plant and equipment	11,595
Inventories	1,226
Other assets	565
Accounts payable	(790)
Deferred income tax liabilities	(1,232)
Other liabilities	(65)
Fair value of identifiable net assets of subsidiaries	**12,801**
Total purchase consideration	**12,801**
Cash and cash equivalents of subsidiaries acquired	(1,502)
Purchase price, net	**11,299**

Note 29: Financial risk management

Financial risk management objectives and policies.

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. The Group has introduced a risk management system and developed a number of procedures to measure, assess and monitor risks and select the relevant risk management techniques.

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business.

The Group takes on exposure to market risks. Market risks arise from open positions in (a) foreign currencies, (b) interest rate risk and (c) financial instruments price risk.

a) Currency risk

The Group operates internationally and is exposed to currency risk arising from various currency exposures primarily with respect to the US Dollar. Foreign exchange risk arises from assets, liabilities, commercial transactions and financing denominated in foreign currencies.

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2020.

	Russian Ruble	US Dollar	Other	Total
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	21,553	6,401	2,781	30,735
Term deposits with original maturity of less than three months	7,242	-	-	7,242
Due from banks	29	-	2,099	2,128
Banking: Mandatory reserves with the Bank of Russia	1,528	-	-	1,528
Accounts receivable				
Trade receivables	47,736	32,017	119	79,872
Other financial receivables	4,798	385	-	5,183
Banking: Loans to customers	73,712	20,401	7,542	101,655
Other financial assets				
Bank deposits	10,000	-	-	10,000
Due from banks	1	2,390	-	2,391
REPO with banks	608	943	-	1,551
Loans to employees	981	-	-	981
Other loans at AC	8,346	218	-	8,564
Other loans at FVTPL	5,079	-	-	5,079
Securities at FVTPL	4,915	425	763	6,103
Securities at FVOCI	40,659	1,460	4,223	46,342
Securities at AC	19,023	14,885	-	33,908
Total financial assets	**246,210**	**79,525**	**17,527**	**343,262**
Financial liabilities				
Trade and other financial payables				
Trade payables	52,828	1,486	714	55,028
Dividends payable	823	-	-	823
Current portion of lease liabilities	2,540	-	-	2,540
Lease obligations, net of current portion	10,679	-	-	10,679
Other payables	2,583	40	-	2,623
Banking: Other financial liabilities at FVTPL	1,690	-	74	1,764
Debt				
Bonds issued	22,079	-	-	22,079
Subordinated debt	-	21	-	21
Debt securities issued	612	-	-	612
Credit facilities	1,300	3,807	2,848	7,955
Other debt	3,006	427	513	3,946
Banking: Due to banks and the Bank of Russia	6,494	6,862	1,854	15,210
Banking: Customer accounts	110,330	29,291	9,004	148,625
Total financial liabilities	**214,964**	**41,934**	**15,007**	**271,905**
Net balance sheet position	**31,246**	**37,591**	**2,520**	**71,357**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

The table below summarises the Group's exposure to foreign currency exchange rate risk as at 31 December 2019.

	Russian Ruble	US Dollar	Other	Total
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	16,472	5,853	2,405	24,730
Term deposits with original maturity of less than three months	350	-	-	350
Due from banks	-	-	77	77
Banking: Mandatory reserves with the Bank of Russia	1,572	-	-	1,572
Accounts receivable				
Trade receivables	42,019	36,895	810	79,724
Other financial receivables	12,633	29	20	12,682
Banking: Loans to customers	109,895	19,897	6,660	136,452
Other financial assets				
Bank deposits	350	309	-	659
Due from banks	29	1,450	3,008	4,487
REPO with banks	4,081	-	-	4,081
Notes receivable	112	-	-	112
Loans to employees	928	-	-	928
Other loans at AC	21,198	310	-	21,508
Securities at FVTPL	7,079	716	156	7,951
Securities at FVOCI	43,798	850	179	44,827
Securities at AC	12,586	11,152	-	23,738
Total financial assets	**273,102**	**77,461**	**13,315**	**363,878**
Financial liabilities				
Trade and other financial payables				
Trade payables	35,109	496	545	36,150
Dividends payable	55,865	-	-	55,865
Current portion of lease liabilities	2,613	-	-	2,613
Lease obligations, net of current portion	11,578	-	-	11,578
Other payables	1,764	45	-	1,809
Banking: Other financial liabilities at FVTPL	4,337	114	-	4,451
Debt				
Bonds issued	21,857	-	-	21,857
Subordinated debt	-	1,287	-	1,287
Debt securities issued	809	114	-	923
Credit facilities	10,142	4,558	-	14,700
Other debt	1,734	272	476	2,482
Banking: Due to banks and the Bank of Russia	12,951	9,557	307	22,815
Banking: Customer accounts	128,750	25,982	5,320	160,052
Total financial liabilities	**287,509**	**42,425**	**6,648**	**336,582**
Net balance sheet position	**(14,407)**	**35,036**	**6,667**	**27,296**

For the year ended 31 December 2020 the Group recognised RR 15,234 million and RR 9,637 million foreign exchange gains and losses respectively in the consolidated statement of profit or loss and other comprehensive income (for the year ended 31 December 2019: RR 12,892 million and RR 13,099 million, respectively).

The following table presents sensitivities of profit and loss and equity to changes in US Dollar exchange rates applied at the end of the reporting period relative to Russian Ruble:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Impact on profit before tax	**Impact on equity**	**Impact on profit before tax**	**Impact on equity**
US Dollar strengthening by 20%	7,518	6,015	7,007	5,606
US Dollar weakening by 20%	(7,518)	(6,015)	(7,007)	(5,606)

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

b) Interest rate risk.

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

Non-banking operations interest rate risk management

The majority of the Group's borrowings is at variable interest rates (linked to the LIBOR rate). To mitigate the risk of significant changes in the LIBOR rate, the Group's treasury function performs periodic analysis of the interest rate environment. The Group does not have a formal policy of determining how much of the Group's exposure should be to fixed or variable rates. However, the Group performs periodic analysis of the current interest rate environment and depending on that analysis at the time of raising new debts management makes decisions whether to obtain financing on fixed-rate or variable-rate basis would be more beneficial to the Group over the expected period until maturity.

Banking operations interest rate risk management
The majority of the Group's interest rate sensitive banking financial assets and liabilities are at fixed rates. Therefore, the Group's interest rate risk arises primarily from unmatched positions on maturities of assets and liabilities carried at fixed rates.

Management of interest rate risk is performed through analysis of the structure of assets and liabilities by repricing dates. Interest rates that are contractually fixed on both assets and liabilities may be renegotiated before any new credit tranche is issued to reflect current market conditions. All new credit products and transactions are assessed in respect of interest rate risk upfront, prior to starting these transactions.

Additionally, as disclosed in the maturity analysis below, the maturity dates applicable to the majority of the Bank ZENIT's assets and liabilities are relatively short-term and that provides the Bank ZENIT with a certain level of flexibility to react to changing market conditions.

The Group's overall interest rate risk is monitored by Assets and liabilities committee ("ALCO") which reviews the structure of assets and liabilities, current and projected interest rates. Treasury departments of Bank ZENIT are responsible for day-to-day management of the interest rate mismatch, preliminary approval of interest rates on projected transactions, preparation and submission for approval suggestions on acceptable interest rate levels by instrument and duration. Risk management departments of Bank ZENIT review current interest rate gaps and assess resulting effects of interest rate risk on the Group's interest margin and economic capital.

The interest rate risk measurement system provides the ability to evaluate a risk profile from two different, but complementary points of view. From the economic value point of view the effect of changes in interest rates and the associated volatility of the present value of all future cash flows is considered and is calculated as the change in the sensitivity of fair value using a shock effect on the interest rate curve. From the profit point of view the effect generated by measuring interest rates on net profit in the form of interest and, therefore, on the associated effect on net interest income on a 1-year horizon is analysed. Interest rate risk reporting is compiled and reported to the Bank ZENIT's Management Board on a quarterly basis.

Interest rate risk analysis on banking and non-banking operations of the Group

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

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Non-sensitive	Total
31 December 2020							
Total financial assets	40,496	25,504	25,320	70,309	62,057	119,576	343,262
Total financial liabilities	45,961	48,852	35,811	77,621	5,017	58,643	271,905
Net interest sensitivity gap	**(5,465)**	**(23,348)**	**(10,491)**	**(7,312)**	**57,040**	**60,933**	**71,357**
31 December 2019							
Total financial assets	22,101	19,095	16,043	96,644	76,635	133,360	363,878
Total financial liabilities	58,220	65,700	46,762	39,911	9,668	116,321	336,582
Net interest sensitivity gap	**(36,119)**	**(46,605)**	**(30,719)**	**56,733**	**66,967**	**17,039**	**27,296**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

The table below summarises the effective average year end interest rates, by major currencies (US Dollars, Russian Rubles), for financial instruments. The analysis has been prepared on the basis of weighted average effective interest rates for the various financial instruments using year-end contractual terms and conditions.

	At 31 December 2020		At 31 December 2019	
	Russian Ruble	US Dollar	Russian Ruble	US Dollar
Financial assets				
Cash and cash equivalents				
Cash on hand and in banks	-	-	-	1.00%
Term deposits	4.36%	-	7.21%	-
Due from banks	-	-	4.41%	-
Banking: Loans to customers	9.98%	2.84%	10.13%	4.60%
Other financial assets				
Bank deposits	5.08%	-	13.00%	1.60%
Due from banks	4.40%	0.02%	4.41%	-
REPO with banks	4.25%	0.19%	6.05%	-
Notes receivable	0.10%	-	0.10%	-
Loans to employees	3.19%	-	3.19%	-
Other loans	7.05%	-	9.22%	-
Securities at FVTPL	6.53%	4.74%	7.11%	3.66%
Securities at FVOCI	6.04%	5.25%	8.67%	6.57%
Securities at AC	6.93%	4.95%	8.35%	6.57%
Financial liabilities				
Debt				
Bonds issued	6.90%	-	6.89%	-
Subordinated debt	8.50%	-	0.00%	8.92%
Debt securities issued	5.48%	-	5.00%	1.20%
Credit facilities	5.00%	0.76%	6.47%	4.19%
Other debt	4.10%	0.01%	4.57%	0.01%
Banking: Other financial liabilities at fair value through profit and loss	5.25%	7.70%	7.46%	-
Banking: Due to banks and the Bank of Russia	4.15%	0.36%	6.41%	1.60%
Banking: Customer accounts	3.62%	0.52%	6.00%	2.30%

The following table presents a sensitivity analysis of interest rate risk on banking and non-banking financial assets and liabilities:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Increase by 100 basis points	(717)	(574)	(273)	(218)
Decrease by 100 basis points	717	574	273	218

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

c) Financial instruments price risk

Financial instruments price risk is the risk that movements in market prices resulting from factors associated with an issuer of financial instruments (specific risk) and general changes in the market prices of financial instruments (general risk) will affect the fair value or future cash flows of a financial instrument and, as a result, the Group's profitability.

Financial instruments price risk for financial instruments held within the Group's financial assets at fair value through profit or loss is managed: (a) through maintaining a diversified structure of portfolios; and (b) by setting position limits (i.e. limits restricting the total amount of an investment or maximum mismatch between respective assets and liabilities) as well as stop-loss and call-level limits, in addition to these, the Group sets limits on a maximum duration of debt financial instruments. When necessary the Group establishes margin and collateral requirements.

Financial instruments price risk is managed primarily through daily mark-to-market procedures, sensitivity analysis and control of limits established for various types of financial instruments.

Sensitivity to changes in other prices is estimated using the Value at Risk (VaR) methodology. This is a way to assess potential losses that may occur at a risk position as a result of changes in market rates and prices in a certain period of time with a given level of confidence.

VaR estimates in respect of financial assets at fair value through profit or loss and available-for-sale financial assets are as follows:

	Year ended 31 December 2020		Year ended 31 December 2019	
	Impact on profit before tax	Impact on equity	Impact on profit before tax	Impact on equity
Fixed income securities price risk	499	399	301	240
Equity securities price risk	1	1	6	5
Total price risk	**500**	**400**	**307**	**245**

Credit risk

The Group exposes itself to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet an obligation.

Exposure to credit risk arises as a result of the Group's lending and other transactions with counterparties, giving rise to financial assets and off-balance sheet credit-related commitments.

The Group's maximum exposure to credit risk is reflected in the carrying amounts of financial assets in the consolidated statement of financial position. For financial guarantees issued, commitments to extend credit, undrawn credit lines and export/import letters of credit, the maximum exposure to credit risk is the amount of the commitment.

The estimation of credit risk for risk management purposes is complex and involves the use of models, as the risk varies depending on market conditions, expected cash flows and the passage of time. The assessment of credit risk for a portfolio of assets entails further estimations of the likelihood of defaults occurring, the associated loss ratios and default correlations between counterparties.

Expected credit loss (ECL) measurement. ECL is a probability-weighted estimate of the present value of future cash shortfalls (i.e., the weighted average of credit losses, with the respective risks of default occurring in a given time period used as weights). An ECL measurement is unbiased and is determined by evaluating a range of possible outcomes. ECL measurement is based on four components used by the Group: Probability of Default ("PD"), Exposure at Default ("EAD"), Loss Given Default ("LGD") and Discount Rate.

Note 29: Financial risk management (continued)

EAD is an estimate of exposure at a future default date, taking into account expected changes in the exposure after the reporting period, including repayments of principal and interest, and expected drawdowns on committed facilities. The EAD on credit related commitments is estimated using Credit Conversion Factor ("CCF"). CCF is a coefficient that shows the probability of conversion of the committed amounts to an on-balance sheet exposure within a defined period.

PD an estimate of the likelihood of default to occur over a given time period. LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from any collateral. It is usually expressed as a percentage of the EAD. The expected losses are discounted to present value at the end of the reporting period. The discount rate represents the effective interest rate ("EIR") for the financial instrument or an approximation thereof.

Expected credit losses are modelled over instrument's lifetime period. The lifetime period is equal to the remaining contractual period to maturity of debt instruments, adjusted for expected prepayments, if any. For loan commitments and financial guarantee contracts, it is the contractual period over which an entity has a present contractual obligation to extend credit.

Management models Lifetime ECL, that is, losses that result from all possible default events over the remaining lifetime period of the financial instrument. The 12-month ECL, represents a portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting period, or remaining lifetime period of the financial instrument if it is less than a year.

The ECLs that are estimated by management for the purposes of these financial statements are point-in-time estimates, rather than through-the-cycle estimates that are commonly used for regulatory purposes. The estimates consider forward-looking information, that is, ECLs reflect probability weighted development of key macroeconomic variables that have an impact on credit risk.

The ECL modelling does not differ for Purchased or Originated Credit Impaired ("POCI") financial assets, except that (a) gross carrying value and discount rate are based on cash flows that were recoverable at initial recognition of the asset, rather than based on contractual cash flows, and (b) the ECL is always a lifetime ECL. POCI assets are financial assets that are credit-impaired upon initial recognition, such as impaired loans acquired in a past business combination.

Credit risk management. Credit risk is the single largest risk for the Group's business; management therefore carefully manages its exposure to credit risk.

An assessment is performed at each reporting date to identify a significant increase in credit risk since initial recognition of a financial instrument. Such assessment is performed on the basis of qualitative and quantitative information:

- Quantitative assessment is performed on the basis of a change in risk of default arising over the expected lifetime of a financial asset.
- Qualitative assessment implies that a number of factors are important for assessing significant increase in credit risk (restructuring indicative of problems, establishing favourable schedule for repaying loan interest and principal, significant changes in expected results of operations and behaviour of a borrower and other material changes).

Financial assets move from Stage 1 to Stage 2 if there is one or a combination of the following factors:

- financial assets are over 30 days overdue;
- credit rating deteriorates;
- there are early warning indicators of an increase in credit risk; a need to change previously agreed on terms of the agreement to create more favourable environment for a customer due to his inability to meet current liabilities because of the customer's financial position; full or partial refinancing of the current debt which would not be required if the client did not experience financial difficulties;
- a customer has no rating at the reporting date;
- information on future changes in assets that may result in credit losses not considered in the rating systems is identified (e.g. military conflicts in the region that may have a significant impact on future credit quality).

Note 29: Financial risk management (continued)

A default is recognised if one or a combination of the following events occur:

- financial assets are over 90 days overdue (a rebuttable presumption);
- a default rating is assigned;
- restructuring indicative of problems is undertaken;
- a favourable schedule for repaying interest and principal with payments to be made at the end of the term is granted.

Non-banking activities credit risk management

Credit risk arises from cash and cash equivalents, bank deposits, loans and notes receivables, as well as credit exposures to customers including outstanding trade and other receivables.

Credit risks related to accounts receivable are systematically monitored taking into account the customer's financial position, past experience and other factors. Management systematically reviews ageing analysis of receivables and uses this information for calculation of expected credit losses. A significant portion of the Group's accounts receivable is due from domestic and export trading companies. The Group does not always require collateral to limit the exposure to loss; however, in most cases letters of credit and prepayments are used, especially with respect to accounts receivables from non-CIS sales of crude oil. The Group operates with various customers and a substantial part of its sales relate to major customers. Although collection of accounts receivable could be influenced by economic factors affecting these customers, management believes there is no significant risk of loss to the Group beyond the provisions already recorded. Credit risk analysis for accounts receivable is presented in Note 7.

The Group performs an ongoing assessment and monitoring of the risk of default. In addition, as part of its cash management and credit risk function, the Group regularly evaluates the creditworthiness of financial and banking institutions where it deposits cash. The Group deposits available cash mostly with financial institutions in the Russian Federation. To manage this credit risk, the Group allocates its available cash to a variety of Russian banks. Management periodically reviews the credit worthiness of the banks in which it deposits cash.

Banking activities credit risk management

The Group's credit risk policies prescribe its acceptance only through formalized procedures and only based on decisions of the authorized collegial body. The Bank ZENIT has a system of credit committees responsible for making credit decisions, the main objective of which is to create a high-quality loan portfolio that ensures the implementation of the strategy, credit policies and risk management policies. The credit committees of Bank ZENIT, authorized to make credit decisions, have a clear segmentation according to business lines, lending segments and the amount of authority.

Credit committees and their level of responsibility in respect of approval of maximum exposures on a borrower or group of related borrowers are as follows:

Name of committee	Maximum exposure allowed to be approved, RR million
Assets and liabilities management committee	Not limited*
Credit committee	Not limited*
Credit committee on small and medium-sized business borrowers	400
Credit committee on retail lending	50
Personal banking projects committee	90

* Within the limits of standards N6 and N25

The Group structures the level of credit risk it undertakes by placing the appropriate limits. Limits are set by the Group on an individual (for example, for specific customers and counterparties), group and portfolio basis (for example, industry and regional limits, limits on types of operations, etc.).

Internal regulations on financial analysis and risk assessment are created and applied to each segment of the lending activity, including lending to legal entities, individuals, small and medium-sized businesses and other categories of borrowers.

To reduce the level of risk, the Group accepts collateral in the form of pledges, sureties and guarantees. In case of acceptance of a surety, the Group performs a financial analysis of the guarantor. The assessment of collateral is performed internally by special division responsible for collateral assessment and control. They use several methodologies developed for each type of collateral.

Valuations performed by third parties, including independent appraisal firms authorized by the Group, may serve as additional data for such assessment. The Group usually requires collateral to be insured by insurance companies authorized by the Group.

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

Credit risk for off-balance sheet financial instruments is defined as the possibility of sustaining a loss as the result of another party to a financial instrument failing to perform in accordance with the terms of the contract. The Group uses the same credit policies in assuming conditional obligations as it does for on balance sheet financial instruments, through established credit approvals, risk control limits and monitoring procedures.

Risk management departments monitor compliance with the requirements of external and internal polices of risk assessment, credit decision making, authority to make credit decisions, and work with collaterals.

To quantify the credit risk, the Group uses internal models (rating systems). In the absence of a model, the assessment can be carried out in one of the alternative ways:

- based on the average values obtained on the internal statistics;
- using external ratings of international rating agencies (S&P, Fitch, Moody`s), mapped to the internal scale of the Bank ZENIT.

The system of internal ratings has been applied by Bank ZENIT since 1999 and is continuously updated and developed. The information accumulated over this period provides a sound ground for assessment of ratings migration and allows the Group to calibrate corresponding parameters of default probability.

The Group updates and validates internal models and approaches on a periodic basis, but at least once a year. For the purpose of information disclosure, assets are grouped in one of the 5 credit quality rating categories in order of credit quality deterioration (credit risk increase) in accordance with the approaches outlined below:

Rating group	PD interval	Corresponding ratings of S&P	Description
I	<0.36%	«AAA»…«BB+»	Minimal credit risk
II	[0.36%; 1.51%)	«BB»…«BB-»	Low credit risk
III	[1.51%; 7.51%)	«B+»…«B-»	Medium credit risk
IV	[7.51%; 100%)	«CCC+»…«C»	High credit risk
V	100.00%	«D»	Default assets

The Group does not enter into transactions with an initial rating of III, IV and V.

Credit risk monitoring has an important role in maintaining the quality of loans at least as good as at the moment of credit limits approval, in preventing losses on the formed portfolio in excess of planned norms and consists in:

- structured and continuous monitoring of the implementation of financial and non-financial covenants using the control register;
- carrying out, with an established frequency, regular inspections of the volume, type and conditions of maintenance of the pledged items, its validity and insurance;
- conducting a quarterly analysis of the financial and economic activities of the borrower and monitoring its financial position;
- monitoring of proper loan maintenance and repayment (tranches);
- analysis of actual exposures versus established limits;
- control over compliance with internal policies, procedures, instructions and orders issued by respective management bodies;
- monitoring of macroeconomic parameters in order to check the adequacy of risk assessment and forecast.

Note 29: Financial risk management (continued)

In order to ensure financial stability, forecast expected losses, plan capital requirements, calculate risk-appetite limits, the Group performs periodic stress-testing of credit risk. The stress-testing tool includes regression models based on macroeconomic factors. A mandatory condition for the application of regression models is their high quality, confirmed by the results of validation.

The Group's divisions carry out loan maturity analysis and follow-up control over overdue balances.

For more detailed analyses please refer to https://www.zenit.ru/en/#investor_en

Credit risk analysis on banking and non-banking operations of the Group

The Group uses the following rating categories for the analysis of credit quality of assets other than loans to customers and accounts receivable:

- investment grade ratings classification referred to as Aaa to Baa3 for Moody's Investment Services, as AAA to BBB- for Fitch Rating and as AAA to BBB- for Standard and Poor's Rating, respectively;
- non-investment (speculative) grade ratings classification referred to as Ba1 to C for Moody's Investment Services, as BB+ to B- for Fitch Rating and as BB+ to D for Standard and Poor's Rating, respectively.

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

The following table contains an analysis of the credit risk exposure of cash and cash equivalents including mandatory reserve deposits with the Bank of Russia. The carrying amount also represents the Group's maximum exposure to credit risk on these financial assets.

	At 31 December 2020				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI**	**Total**
Cash on hand and cash in banks					
- Investment grade rating	29,237	-	-	-	29,237
- Non-investment grade rating	226	-	-	-	226
- Unrated	1,272	-	-	-	1,272
Gross carrying amount	**30,735**	**-**	**-**	**-**	**30,735**
Credit loss allowance	-	-	-	-	-
Carrying amount	**30,735**	**-**	**-**	**-**	**30,735**
Term deposits with original maturity of less than three months					
- Investment grade rating	911	-	-	-	911
- Non-investment grade rating	6,073	-	-	-	6,073
- Unrated	258	-	-	-	258
Gross carrying amount	**7,242**	**-**	**-**	**-**	**7,242**
Credit loss allowance	-	-	-	-	-
Carrying amount	**7,242**	**-**	**-**	**-**	**7,242**
Due from banks					
- Investment grade rating	2,128	-	-	-	2,128
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	-	-	-
Gross carrying amount	**2,128**	**-**	**-**	**-**	**2,128**
Credit loss allowance	-	-	-	-	-
Carrying amount	**2,128**	**-**	**-**	**-**	**2,128**
Banking: Mandatory reserve deposits with the Bank of Russia					
- Investment grade rating	1,528	-	-	-	1,528
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	-	-	-
Gross carrying amount	**1,528**	**-**	**-**	**-**	**1,528**
Credit loss allowance	-	-	-	-	-
Carrying amount	**1,528**	**-**	**-**	**-**	**1,528**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

	At 31 December 2019				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**POCI**	**Total**
Cash on hand and cash in banks					
- Investment grade rating	22,999	-	-	-	22,999
- Non-investment grade rating	10	-	-	-	10
- Unrated	1,721	-	-	-	1,721
Gross carrying amount	**24,730**	**-**	**-**	**-**	**24,730**
Credit loss allowance	-	-	-	-	-
Carrying amount	**24,730**	**-**	**-**	**-**	**24,730**
Term deposits with original maturity of less than three months					
- Investment grade rating	128	-	-	-	128
- Non-investment grade rating	222	-	-	-	222
- Unrated	-	-	-	-	-
Gross carrying amount	**350**	**-**	**-**	**-**	**350**
Credit loss allowance	-	-	-	-	-
Carrying amount	**350**	**-**	**-**	**-**	**350**
Due from banks					
- Investment grade rating	77	-	-	-	77
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	-	-	-
Gross carrying amount	**77**	**-**	**-**	**-**	**77**
Credit loss allowance	-	-	-	-	**-**
Carrying amount	**77**	**-**	**-**	**-**	**77**
Banking: Mandatory reserve deposits with the Bank of Russia					
- Investment grade rating	1,572	-	-	-	1,572
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	-	-	-
Gross carrying amount	**1,572**	**-**	**-**	**-**	**1,572**
Credit loss allowance	-	-	-	-	-
Carrying amount	**1,572**	**-**	**-**	**-**	**1,572**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

The following table contains an analysis of the credit risk exposure of other financial assets measured at amortised cost and measured at fair value through other comprehensive income for which ECL allowance is recognised other than cash and cash equivalents including mandatory reserve deposits with the Bank of Russia, loans to customers and accounts receivable. The carrying amount also represents the Group's maximum exposure to credit risk on these financial assets.

	At 31 December 2020				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI**	**Total**
Notes receivable					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	318	-	318
Gross carrying amount	**-**	**-**	**318**	**-**	**318**
Credit loss allowance	-	-	(318)	-	(318)
Carrying amount	**-**	**-**	**-**	**-**	**-**
Other loans					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	-	-	-
- Unrated	73	1,315	31,739	-	33,127
Gross carrying amount	**73**	**1,315**	**31,739**	**-**	**33,127**
Credit loss allowance	-	(92)	(24,471)	-	(24,563)
Carrying amount	**73**	**1,223**	**7,268**	**-**	**8,564**
Loans to employees					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	2,698	-	2,698
Gross carrying amount	-	**-**	**2,698**	**-**	**2,698**
Credit loss allowance	-	-	(1,717)	-	(1,717)
Carrying amount	-	**-**	**981**	**-**	**981**
Bank deposits					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	10,000	-	-	-	10,000
- Unrated	-	-	5,547	-	5,547
Gross carrying amount	**10,000**	**-**	**5,547**	**-**	**15,547**
Credit loss allowance	-	-	(5,547)	-	(5,547)
Carrying amount	**10,000**	**-**	**-**	**-**	**10,000**
Due from banks					
- Investment grade rating	208	-	-	-	208
- Non-investment grade rating	2,201	-	-	-	2,201
- Unrated	-	-	39	-	39
Gross carrying amount	**2,409**	**-**	**39**	**-**	**2,448**
Credit loss allowance	(18)	-	(39)	-	(57)
Carrying amount	**2,391**	**-**	**-**	**-**	**2,391**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

	At 31 December 2020				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI**	**Total**
REPO with banks					
- Investment grade rating	1,551	-	-	-	1,551
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	-	-	-
Gross carrying amount	**1,551**	**-**	**-**	**-**	**1,551**
Credit loss allowance	-	-	-	-	-
Carrying amount	**1,551**	**-**	**-**	**-**	**1,551**
Debt securities measured at amortised cost					
- Investment grade rating	26,929	-	-	-	26,929
- Non-investment grade rating	6,863	-	-	-	6,863
- Unrated	244	-	-	-	244
Gross carrying amount	**34,036**	**-**	**-**	**-**	**34,036**
Credit loss allowance	(128)	-	-	-	(128)
Carrying amount	**33,908**	**-**	**-**	**-**	**33,908**
Debt securities measured at fair value through other comprehensive income					
- Investment grade rating	18,595	-	-	-	18,595
- Non-investment grade rating	1,723	-	-	-	1,723
- Unrated	474	-	-	-	474
Gross carrying amount	**20,792**	**-**	**-**	**-**	**20,792**
Credit loss allowance	(32)	-	-	-	(32)
Carrying amount	**20,760**	**-**	**-**	**-**	**20,760**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

	At 31 December 2019				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**POCI**	**Total**
Notes receivable					
- Investment grade rating	-	-	-	-	
- Non-investment grade rating	-	-	-	-	
- Unrated	-	112	240	-	352
Gross carrying amount	**-**	**112**	**240**	**-**	**352**
Credit loss allowance	-	-	(240)	-	(240)
Carrying amount	**-**	**112**	**-**	**-**	**112**
Other loans					
- Investment grade rating	-	-	-	-	-
- Non-investment grade rating	-	-	-	-	-
- Unrated	73	1,531	45,911	-	47,515
Gross carrying amount	**73**	**1,531**	**45,911**	**-**	**47,515**
Credit loss allowance	-	(241)	(25,766)	-	(26,007)
Carrying amount	**73**	**1,290**	**20,145**	**-**	**21,508**
Loans to employees					
- Investment grade rating	-	-	-	-	
- Non-investment grade rating	-	-	-	-	
- Unrated	-	-	2,732	-	2,732
Gross carrying amount	-	**-**	**2,732**	**-**	**2,732**
Credit loss allowance	-	-	(1,804)	-	(1,804)
Carrying amount	-	**-**	**928**	**-**	**928**
Bank deposits					
- Investment grade rating	309	-	-	-	309
- Non-investment grade rating	12	-	-	-	12
- Unrated	338	-	5,547	-	5,885
Gross carrying amount	**659**	**-**	**5,547**	**-**	**6,206**
Credit loss allowance	-	-	(5,547)	-	(5,547)
Carrying amount	**659**	**-**	**-**	**-**	**659**
Due from banks					
- Investment grade rating	1,475	-	-	-	1,475
- Non-investment grade rating	3,121	-	-	-	3,121
- Unrated	-	-	32	-	32
Gross carrying amount	**4,596**	**-**	**32**	**-**	**4,628**
Credit loss allowance	(109)	-	(32)	-	(141)
Carrying amount	**4,487**	**-**	**-**	**-**	**4,487**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

	At 31 December 2019				
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit im-paired)**	**POCI**	**Total**
REPO with banks					
- Investment grade rating	4,081	-	-	-	4,081
- Non-investment grade rating	-	-	-	-	-
- Unrated	-	-	-	-	-
Gross carrying amount	**4,081**	**-**	**-**	**-**	**4,081**
Credit loss allowance	-	-	-	-	-
Carrying amount	**4,081**	**-**	**-**	**-**	**4,081**
Debt securities measured at amortised cost					
- Investment grade rating	16,354	-	-	-	16,354
- Non-investment grade rating	5,087	-	-	-	5,087
- Unrated	2,359	-	-	-	2,359
Gross carrying amount	**23,800**	**-**	**-**	**-**	**23,800**
Credit loss allowance	(62)	-	-	-	(62)
Carrying amount	**23,738**	**-**	**-**	**-**	**23,738**
Debt securities measured at fair value through other comprehensive income					
- Investment grade rating	16,476	-	-	-	16,476
- Non-investment grade rating	797	-	-	-	797
- Unrated	1,848	20	-	-	1,868
Gross carrying amount	**19,121**	**20**	**-**	**-**	**19,141**
Credit loss allowance	(34)	-	-	-	(34)
Carrying amount	**19,087**	**20**	**-**	**-**	**19,107**

Within short term bank deposits there are RR 5,540 million of deposits placed with Tatfondbank. In March 2017, by the order of the Bank of Russia the license to conduct banking operations was withdrawn from Tatfondbank. At 31 December 2020 and 2019 the Group created a provision for impairment of deposits placed with Tatfondbank in the amount of RR 5,540 million.

Note 29: Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

Non-banking operations liquidity risk management

The Group's approach to managing liquidity is to ensure that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In managing its liquidity risk, the Group maintains adequate cash reserves and debt facilities, continuously monitors forecast and actual cash flows and matches the maturity profiles of financial assets and liabilities on non-banking activities.

The Group prepares various financial plans (monthly, quarterly and annually) which ensures that the Group has sufficient cash on demand to meet expected operational expenses, financial obligations and investing activities for a period of 30 days or more. To fund cash requirements of a more permanent nature, the Group will normally raise long-term debt in available international and domestic markets.

Banking operations liquidity risk management

The objective of liquidity risk management is to ensure the stable operations of all banks of the Group, the possibility of uninterrupted operations in accordance with the Group's business plans, including the timely fulfilment of all obligations to customers and counterparties related to making payments, as well as minimising the negative impact on financial results, own funds (capital), the Group's reputation for a possible liquidity deficit. Also, the priority objective of liquidity risk management is to ensure that all banks of the Group comply with the mandatory liquidity ratios established by the Central Bank of Russia.

The Group's approach to banking operations liquidity management is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when due under both ordinary and stressed conditions, without incurring unacceptable losses or damaging the Group's reputation.

In respect to the banking segment The Group endeavors to maintain a stable and diversified funding base including core corporate and individual customer accounts; short-, medium- and long-term loans from other banks; promissory notes and bonds issued. On the other hand, the Group tends to keep diversified portfolios of liquid and highly liquid assets in order to be able to settle unforeseen liquidity requirements in an efficient and timely manner.

Key parameters in liquidity risk management such as the structure of assets and liabilities, composition of liquid assets and acceptable liquidity risks are established by Assets and Liabilities Management Committee (ALCO). ALCO sets and reviews limits on liquidity gaps which are assessed on the basis of liquidity stress-tests in regard to medium- and long-term liquidity. These tests are performed using the following information:

- current structure of assets and liabilities including any known renewal arrangements as at the date of the respective test;
- amounts, maturity and liquidity profiles of transactions projected by business units;
- current and projected characteristics of liquid assets which include, apart from cash and cash equivalents, amounts due from other banks and certain financial assets held-for-trading; and
- relevant external factors.

The resulting models allow for the assessment of future expected cash flows due to projected future business and different crisis scenarios. While managing liquidity risk treasury departments of the Group distinguish liquidity required within a current business day and term liquidity. For managing current liquidity (with a 1-day horizon) the following methods are used:

- reallocation of cash between accounts with other banks;
- collection of information from business and other supporting units on large transactions (both proprietary and customer based);
- purchase and sale of certain financial assets in liquid portfolios;
- accelerating closure of trade positions;
- estimation of minimum expected cash inflow during a business day; and
- daily control over the balance of cash and estimated liabilities to be settled on demand.

Note 29: Financial risk management (continued)

In order to optimize liquidity management procedures, Bank ZENIT allocates instant (intraday) and emergency liquidity management. The monitoring of the current and forecasted state of urgent liquidity is carried out by the Bank's Treasury daily on the basis of calculating the sufficiency of highly liquid assets to cover planned and unplanned outflows and meeting resource requirements for a period of up to 30 days. In the normal course of business, liquidity reports reflecting the current and projected structure of assets and liabilities, taking into account the model of daily minimum balance on current accounts by currency based on an analysis of historical dynamics, as well as expected future cash flows are regularly reported to ALCO. Liquidity management decisions made by the ALCO are implemented by treasuries as part of their duties.

The share of liquid assets is maintained at a level sufficient to meet obligations to customers and counterparties of Bank ZENIT, which can significantly reduce liquidity risks and non-market funding rates.

To maintain instant liquidity, limits are open on Bank ZENIT by a significant number of Russian banks. In addition, the liquidity risk is minimized by the Bank ZENIT's ability to raise funds from the Bank of Russia within the framework of the refinancing system and state support for the financial sector, as well as established liquidity management policies and technologies that provide for stress approaches in estimating future cash flows.

In accordance with the Group's Liquidity Management Policy, the basic principle of liquidity management is risk limiting, in particular, using the required liquid assets limit. If necessary (changing the financial situation in the markets or at Bank ZENIT), other limits (for counterparties, financial instruments, etc.) included in the Bank ZENIT's limit structure can be used to manage liquidity.

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

Liquidity analysis for banking and non-banking operations of the Group

The following tables summarise the maturity profile of the Group's financial liabilities based on contractual undiscounted payments, including interest payments:

	At 31 December 2020			
	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Trade and other financial payables				
Trade payables	55,028	-	-	55,028
Dividend payable	823	-	-	823
Current portion of lease liability	2,891	-	-	2,891
Lease obligations, net of current portion	-	8,482	9,738	18,220
Other payables	2,183	433	7	2,623
Banking: Other financial liabilities at fair value through profit and loss	1,764	-	-	1,764
Debt				
Bonds issued	1,470	23,490	-	24,960
Subordinated debt	21	-	-	21
Debt securities issued	502	120	2	624
Credit facilities	3,008	2,708	2,239	7,955
Other debt	3,551	386	9	3,946
Banking: Due to banks and the Bank of Russia	14,400	1,777	275	16,452
Banking: Customer accounts	146,149	20,810	2,334	169,293
Credit related commitments (Note 26)	41,393	5,969	-	47,362
Total	**273,183**	**64,175**	**14,604**	**351,962**

	At 31 December 2019			
	Less than 1 year	**Between 1 and 5 years**	**Over 5 years**	**Total**
Financial liabilities				
Trade and other financial payables				
Trade payables	36,150	-	-	36,150
Dividend payable	55,865	-	-	55,865
Current portion of lease liability	3,024	-	-	3,024
Lease obligations, net of current portion	-	9,443	11,078	20,521
Other payables	1,660	149	-	1,809
Banking: Other financial liabilities at fair value through profit and loss	4,451	-	-	4,451
Debt				
Bonds issued	3,232	22,323	7	25,562
Subordinated debt	292	3,137	509	3,938
Debt securities issued	880	40	3	923
Credit facilities	14,700	-	-	14,700
Other debt	475	2,007		2,482
Banking: Due to banks and the Bank of Russia	20,727	2,827	3	23,557
Banking: Customer accounts	134,315	29,486	8	163,809
Credit related commitments (Note 26)	36,114	5,725	-	41,839
Total	**311,885**	**75,137**	**11,608**	**398,630**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

Fair values

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. The estimated fair values of financial instruments are determined with reference to various market information and other valuation techniques as considered appropriate.

The different levels of fair value hierarchy have been defined as follows:

Level 1 – Quoted prices in active markets for identical assets or liabilities that Group has the ability to assess at the measurement date.

Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Unobservable inputs for the asset or liability. These inputs reflect the Group's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

Recurring fair value measurements

The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

				At 31 December 2020
	Fair value			
	Level 1	Level 2	Level 3	**Carrying value**
Banking: Loans to customers measured at fair value through profit or loss	-	-	2,044	**2,044**
Securities measured at fair value through profit or loss	4,064	1,793	246	**6,103**
Other loans measured at fair value through profit or loss	-	-	5,079	**5,079**
Securities measured through other comprehensive income	20,304	9,865	16,173	**46,342**
Investment property	-	-	1,229	**1,229**
Banking: Other financial liabilities measured at fair value through profit and loss	(1,691)	(73)	-	**(1,764)**
Total	**22,677**	**11,585**	**24,771**	**59,033**

				At 31 December 2019
	Fair value			
	Level 1	Level 2	Level 3	**Carrying value**
Banking: Loans to customers measured at fair value through profit or loss	-	-	12,947	**12,947**
Securities measured at fair value through profit or loss	7,015	643	293	**7,951**
Banking: Due from banks	-	1,238	-	**1,238**
Securities measured at fair value through other comprehensive income	18,325	10,407	16,095	**44,827**
Investment property	-	-	1,323	**1,323**
Banking: Other financial liabilities measured at fair value through profit and loss	(4,425)	(26)	-	**(4,451)**
Total	**20,915**	**12,262**	**30,658**	**63,835**

Note 29: Financial risk management (continued)

The description of valuation technique and description of inputs used in the fair value measurement for Level 2 and Level 3 measurements at 31 December 2020 и 2019:

	Fair value hierarchy	Valuation technique and key input data
Banking: Loans to customers at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Securities at FVOCI	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices/ discounted cash flow models adjusted at credit risk
Other loans measured at FVTPL	Level 3	Discounted cash flow models adjusted at credit risk
Securities at FVTPL	Level 2, Level 3	Quoted prices for similar investments in active markets, net assets valuation, comparative (market) approach / Publicly available information, comparable market prices / discounted cash flow models adjusted at credit risk
Banking: Due from banks	Level 2	Quoted prices for similar investments in active markets adjusted at credit risk
Investment property	Level 3	Market data on comparable objects adjusted in case of differences from similar objects
Banking: Other financial liabilities at FVTPL	Level 2	Discounted cash flow models adjusted at credit risk

There were no changes in valuation technique for Level 2 and Level 3 recurring fair value measurements during the years ended 31 December 2020 and 2019.There have been no transfers between Level 1, Level 2 and Level 3 during 2020 and 2019 year.

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

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

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

	At 31 December 2020				At 31 December 2019			
	Fair value				Fair value			
	Level 1	Level 2	Level 3	Carrying value	Level 1	Level 2	Level 3	Carrying value
Assets								
Cash and cash equivalents								
Cash on hand and in banks	5,141	25,594	-	30,735	6,365	18,365	-	24,730
Term deposits	-	7,242	-	7,242	-	350	-	350
Due from banks	-	2,128	-	2,128	-	77	-	77
Banking: Mandatory reserve deposits with the Bank of Russia	1,528	-	-	1,528	1,572	-	-	1,572
Accounts receivable								
Trade receivables	-	-	79,872	79,872	-	-	79,724	79,724
Other financial receivables	-	681	4,502	5,183	-	1,176	11,506	12,682
Banking: Loans to customers measured at amortised cost	-	-	100,230	99,611	-	-	122,842	123,505
Other financial assets								
Bank deposits	-	10,000	-	10,000	-	659	-	659
Due from banks	-	2,460	-	2,391	-	3,283	-	3,249
REPO with banks	-	1,551	-	1,551	-	4,081	-	4,081
Notes receivable	-	-	-	-	-	-	112	112
Loans to employees	-	-	981	981	-	-	928	928
Other loans measured at amortised cost	-	-	8,564	8,564	-	-	21,508	21,508
Securities measured at amortised cost	25,675	9,455	-	33,908	24,777	-	-	23,738
Total financial assets	**32,344**	**59,111**	**194,149**	**283,694**	**32,714**	**27,991**	**236,620**	**296,915**
Liabilities								
Trade and other financial payables								
Trade payables	-	-	55,028	55,028	-	350	35,800	36,150
Dividend payable	-	-	823	823	-	-	55,865	55,865
Current portion of lease liabilities	-	-	2,540	2,540	-	-	2,613	2,613
Other payables	-	-	2,623	2,623	-	332	1,477	1,809
Non-current lease liabilities	-	-	10,679	10,679	-	-	11,578	11,578
Debt								
Bonds issued	15,000	7,189	-	22,079	20,032	1,825	-	21,857
Subordinated debt	-	21	-	21	-	1,287	-	1,287
Debt securities issued	-	610	-	612	-	923	-	923
Credit facilities	-	-	7,955	7,955	-	-	14,700	14,700
Other debt	-	-	3,946	3,946	-	-	2,482	2,482
Banking: Due to banks and the Bank of Russia	273	14,802	-	15,210	1,527	21,288	-	22,815
Banking: Customer accounts	-	148,307	-	148,625	-	156,578	-	160,052
Total financial liabilities	**15,273**	**170,929**	**83,594**	**270,141**	**21,559**	**182,583**	**124,515**	**332,131**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

The fair values in Level 2 fair value hierarchy were estimated using the discounted contractual cash flows and observable interest rates for identical instruments. The fair values in Level 3 fair value hierarchy were estimated using the discounted cash flows and observable interest rates for similar instruments with adjustment to credit risk and maturity.

Reconciliation of liabilities arising from financing activities

The table below sets out an analysis of the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows:

	Liabilities arising as a result of financing activities				
	Short-term and long-term debt	**Bonds issued**	**Subordinated debt**	**Lease liabilities**	**Total**
At 31 December 2018	**9,270**	**1,056**	**3,580**	**-**	**13,906**
Cash flow movement, including:					
Proceeds from issuance of debt	115,346	-	-	-	115,346
Repayment of debt	(107,212)	-	-	-	(107,212)
Issuance of bonds	-	21,790	-	-	21,790
Redemption of bonds, subordinated debts	-	(1,053)	(2,140)	-	(3,193)
Repayment of principal portion of lease liabilities	-	-	-	(1,352)	(1,352)
Interest paid	(2,222)	(119)	(286)	(1,571)	(4,198)
Foreign exchange adjustments	713	-	(160)	-	553
Interest accrual	755	182	310	1,571	2,818
Other non-cash flows	532	1	(17)	15,543	16,059
At 31 December 2019	**17,182**	**21,857**	**1,287**	**14,191**	**54,517**
Cash flow movement, including:					
Proceeds from issuance of debt	218,758	-	-	-	218,758
Repayment of debt	(225,083)	-	-	-	(225,083)
Issuance of bonds	-	3,198	-	-	3,198
Redemption of bonds, subordinated debts	-	(3,029)	(1,545)	-	(4,574)
Repayment of principal portion of lease liabilities	-	-	-	(1,419)	(1,419)
Interest paid	(1,009)	(1,518)	(240)	(1,374)	(4,141)
Foreign exchange adjustments	1,017	-	276	-	1,293
Interest accrual	1,033	1,594	243	1,374	4,244
Other non-cash flows	3	(23)	-	447	427
At 31 December 2020	**11,901**	**22,079**	**21**	**13,219**	**47,220**

(In million of Russian Rubles)

Note 29: Financial risk management (continued)

Management of Capital

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and increase shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group defines capital under management as the total Group shareholders' equity as shown in the consolidated statement of financial position. The amount of capital that the Group managed as at 31 December 2020 was RR 827,672 million (2019: RR 745,532 million). The Group manages capital for banking and non-banking operations separately.

Non-banking operations capital management

The Group considers equity and debt to be the principal elements of capital management. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, revise its investment program, attract new or settle existing debt or sell certain non-core assets.

The Group monitors capital on the basis of its gearing ratio.

	Year ended 31 December 2020	Year ended 31 December 2019
Consolidated total borrowings excluding borrowings of Bank ZENIT:	**26,901**	**32,182**
- Bonds issued	15,000	15,000
- Credit facilities	7,955	14,700
- Other debt	3,946	2,482
Consolidated shareholders' equity	**827,672**	**745,532**
Debt to capital employed ratio, % (Consolidated total borrowings / Consolidated shareholders' equity)	**3.3%**	**4.3%**

Banking operations capital management

The Bank ZENIT's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation, (ii) to safeguard the Group's ability to continue as a going concern and (iii) to maintain a sufficient capital base to achieve a capital adequacy ratio based on the Basel Accord of at least 8%. Compliance with capital adequacy ratios set by the Central Bank of the Russian Federation is monitored by the Management of Bank ZENIT on a daily basis. Other objectives of capital management are evaluated annually.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets ("statutory capital ratio") above a prescribed minimum level. Bank ZENIT is also subject to minimum capital requirements established by loan covenants, including capital adequacy level of 8% calculated in accordance with Basel I and IFRS, and Tier 1 capital adequacy ratio of 6%. Bank ZENIT has complied with all externally imposed capital requirements throughout 2020 and 2019.

In September 2015 Bank ZENIT received five subordinated loans totalling RR 9,933 million from DIA within the Russian Federation Government programme for additional capitalisation of Russian banks. Under the terms of these subordinated loan agreements DIA paid these loans by securities (OFZ of five series), that should be returned upon maturity of the subordinated loans. These subordinated loans mature from January 2025 to November 2034 and bear interest equal to OFZ coupon rate plus 1%. In accordance with IFRS 9 and IAS 39 if securities are loaned under an agreement to return them to the transferor, they are not derecognised because the transferor retains substantially all the risks and rewards of ownership. Accordingly, the obligation to return the securities should not be recognised. Therefore, OFZ and the subordinated loan received from DIA are not recognised within assets and liabilities in the consolidated statement of financial position. These subordinated loans are accounted for in capital adequacy ratio calculation in accordance with Bank of Russia's Regulation No. 646-P.