TCS Group Holding PLC

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

31 December 2021

CONTENTS

Board of directors

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

Director	Role	Retirement	Appointment
Martin Cocker	Independent non-executive director	11 March 2022	-
Ashley Dunster	Independent non-executive director	1 March 2022	11 May 2021
Constantinos Economides	Chairman of the Board, Executive director	-	-
Pavel Fedorov	Group Co-CEO, Executive director	-	10 September 2021
Maria Gordon	Independent non-executive director	-	11 May 2021
Margarita Hadjitofi	Independent non-executive director	-	11 May 2021
Nicholas Huber	Independent non-executive director	13 March 2022	11 May 2021
Oliver Hughes	Group Co-CEO, Executive director	-	25 March 2021
Alexios Ioannides	Executive director	11 May 2021	-
Jacques Der Megreditchian	Independent non-executive director	28 May 2021	-
Marilou Pavlou	Executive director	-	10 September 2021
Nitin Saigal	Independent non-executive director	13 March 2022	11 May 2021
Mary Trimithiotou	Executive director	-	-

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

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

Registered office
25 Spyrou Araouzou
Berengaria 25, 5th floor,
3036, Limassol, Cyprus

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

Principal activities and nature of operations of the Company

1. The principal activities of the Company are holding of investments in subsidiary companies operating in the Russian Federation and offering call center services to customers and potential customers in the Russian Federation following the launch of Cyprus based home call center. The main subsidiaries are JSC "Tinkoff Bank" (the "Bank"), JSC "Tinkoff Insurance" (the "Insurance company"), LLC "Phoenix", LLC "CloudPayments", LLC "Tinkoff Mobile", LLC "Tinkoff Software DC", LLC "Tinkoff Invest Lab" and LLC "Tinkoff Capital" and others (the Company and its subsidiaries collectively the "Group"). Refer to Note 1.

2. The Bank specialises in consumer finance, retail banking for individuals, individual entrepreneurs ("IE"), small and medium enterprises ("SME"), acquiring and payments services and brokerage services. The Bank which is fully licensed by the Central Bank of Russia, launched its operations in the summer of 2007 and is a member of the Russian Deposit Insurance System. The Insurance Company specialises in providing non-life insurance coverage such as accident, property, travel, credit protection and auto insurance. As at 31 December 2021 in accordance with IFRS 10 definition of control the Company has no ultimate controlling party.

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

3. During 2021 the Company continued the development of its call-center and software development services in Cyprus, providing training so that these employees might provide a wider range of services to the Group and, indirectly, its customers.

4. The Group operates a flexible business model. Its virtual network enables it to quickly and easily increase business or slow down customer acquisition depending upon the availability of funding and market conditions. The Bank's primary customer acquisition channels are Internet and Mobile, but it also uses Direct Sales Agents and partnerships (co-brands) to acquire new customers. These customer acquisition models, combined with the Bank's virtual network, afford it a geographic reach across all of Russia's regions resulting in a highly diversified portfolio.

5. In October 2021 the Bank was added to the Bank of Russia's list of 13 systemically important banking institutions due to a recognition of the Bank's growing presence in the financial market and expanding customer base of its ecosystem. As a result, the Bank will be obliged to comply with the additional capital adequacy buffers, as well as advanced risk management requirements. The Bank is operating with ample liquidity and capital buffers above regulatory minimums and intends to continue meeting all applicable requirements comfortably. Going forward management of the Group expects that this new status will have positive effect on the cost of funding as well as positively affect the Bank's credit ratings.

6. The key offerings of JSC "Tinkoff Insurance" are personal accident insurance, collective insurance against accidents and illnesses, travel insurance, motor vehicle insurance and property insurance, compulsory third party liability insurance (CTP) and voluntary third party liability insurance (VTP). The Insurance Company focuses on online sales.

7. The profit of the Company for the year ended 31 December 2021 was RR 4,743 million (2020: RR 16,890 million). The decreased profit is driven by the suspension of dividend payments starting from the second quarter of 2021 to keep the funds inside the Group to provide for organic and/or inorganic growth opportunities. At 31 December 2021 the total assets of the Company were RR 1,243,701 million (2020: RR 481,030 million) and the net assets were RR 1,243,333 million (2020: RR 480,328 million). The increase in assets is driven by the revaluation of the investments in subsidiaries due to the ongoing growth of the Company's consumer finance business and a growing contribution from the non-credit fees-and-commission business lines.

Environmental matters

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

Human resources

9. Empowerment is an important ingredient in the success of our organization. To achieve this, decision-making is delegated to levels deep below the management team, discussion, idea generation and exchange and transparency are actively promoted and encouraged and an open leadership style ensures that information can move freely. The Group utilizes all types of forums to promote continual dialogue – such as email, online chat rooms, flash meetings, as well as formalized meeting structures. The Group offers clear far-reaching career path for its employees, a unique work environment and fair and transparent compensation.

10. Clear performance evaluation processes and fair compensation are essential. Compensation is a combination of fixed rate salary and supplemental bonuses and is based on employee performance. Employees are evaluated on a regular basis in order to monitor their achievement against their Key Performance Indicators as well as to provide feedback which can be used for their career development and to determine incentive compensation.

11. Prior to its IPO in 2013, the Company set up share-based management long term incentive plans as retention and motivational tools for key and senior managers. In March 2016, the Company announced a consolidated long-term management incentive and retention plan (MLTIP). Since then the Company has announced the expansion of MLTIP over the next 5 years. Each grant before 2020 is divided into 4 equal awards, and each award vests over 4 years in equal tranches. Each MLTIP grant made in 2020 and 2021 vests over 5 years.

12. In April 2020 the Company launched its key employees retention plan (KERP), which is a new long term cash settled incentive program for senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. In November 2021 the Company converted that existing cash-settled equity-based KERP into an expanded equity-settled program MLTIP, which should put all the participants on the same footing. Additionally, Shareholders of the Company approved at the AGM in November 2021 granting the authority to the Board of Directors to fund the expanded MLTIP program via annual capital issuance of up to 1.5% (for a period of 5 years), which makes funding the MLTIP more capital efficient.

13. In the fourth quarter of 2021 the Company issued a new instrument that represents a share-based equity-settled compensation: 5-year warrants with an aggregate value equal to 1.2% of an increase in the market capitalisation of the Company as at 1 January 2027 (calculated as the volume-weighted average GDR price over the preceding six months, which amounted to 89.2 USD at the date of the grant) over a GDR price of USD 92 (the "Warrants"). The Warrants vest on 1 January 2027 and are exercisable at any time on or after that date. The Group has a unilateral right to terminate the Warrants at a one month's notice. When the Warrants are exercised, the Group is required to deliver the Ordinary Shares (GDRs) up to the value of the Warrants determined on 1 January 2027. The weighted-average fair value of the Warrants at the grant date was RR 1.1 bln and it was measured using the Black-Scholes model based on historical market quotes of GDRs. At the date of publication of the Group's annual results, the share price of the Company was significantly below the strike price of the Warrants.

14. The total size of the unvested pool of the expanded MLTIP programs was 3.6% of the Company's share capital as at 31 December 2021 (2020: 3.7%). The program is designed to grow the Company's value by aligning more closely managers' interests with those of shareholders. The Company believes that participation in its share capital is an effective motivation and retention tool. The program embraces more managers, for two main reasons: firstly, internal promotions as some employees were promoted to key managerial positions; and, secondly, as part of its expansion and transformation into a financial marketplace, the Company has hired a significant number of new managers to develop and manage new business lines and to strengthen internal controls, including cyber security.

Non-Financial Information and Diversity Statement

15. The Company's policies and other information that provide an understanding of the development, performance, position and impact of the Company's activities in the areas of environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters can be found in the Company's most recently published Non-Financial Information and Diversity Statement (Sustainability Report). The Company will publish its Sustainability Report for the year ended 2021, as a part of the integrated annual report on the Company's website, www.tcsgh.com.cy (and www.tinkoff.ru/eng) no later than 30 June 2022.

Principal risks and uncertainties

16. The Company's business and financial results are impacted by uncertainties and volatilities in the Russian economic environment which can be impacted by global factors and/or by national factors.

17. The Company's subsidiaries and the Company on its own are subject to a number of principal risks which might adversely impact its performance. The principal activities of the Company through its subsidiaries are banking and insurance operations and so it is within this area that the principal risks occur. Management considers that those principal risks are financial risks, operational risks and legal risks. Financial risk comprises market risks (including currency risk, interest rate risk and other price risk), credit risk and liquidity risk.

18. The Board has put in place arrangements to identify, evaluate and manage the principal risks and uncertainties faced by the Company. The Company has an established risk management program that focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance. This is overseen by a dedicated Risk Management function, which works with senior management of the operating companies in Russia as well as the Board of directors in this area. The primary objectives of the financial risk management function are to establish acceptable risk limits, and then ensure that the exposures remain within these limits. The operational and legal risk management functions are intended to ensure the proper functioning of internal policies and procedures that minimize operational and legal risks. The risk management strategy is established so as to identify, assess, monitor and manage the risks arising from Company's and subsidiaries' activities. These risks as well as other risks and uncertainties, which affect the Company and how these are managed, are presented in Notes 17 and 18 of the separate financial statements.

19. Analysis of impact of COVID-19 pandemic on the Company is disclosed in the Note 2 of the separate financial statements.

Contingencies

20. The Company's contingencies are disclosed in Note 18 to the separate financial statements.

Future developments

21. The Company's strategic objective is to grow its customer base profitably by building the most comprehensive, engaging, innovative, and sustainable financial and lifestyle ecosystem in the world.

Results

22. The Company's results for the year are set out on page 2 of the separate financial statements. Information on distribution of profits is presented in Note 15.

Any important events for the Company that have occurred after the end of the financial year

23. In February 2022 economic situation in the Russian Federation was affected by escalated military and political conflict and the associated international sanctions against a number of Russian institutions, companies, banks and individuals. This requires the Company's business to adapt to the changing operating environment. More details are presented in Note 22.

Share capital, redesignation and conversion of class B shares

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

Treasury shares

25. At 31 December 2021 the Company held 1,237,583 (2020: 3,013,379) of its own GDRs, equivalent to approximately RR 2,567 million (2020: RR 3,238 million) and which represent 0.6% (2020: 1.5%) of the issued shares.

26. Treasury shares are GDRs of TCS Group Holding PLC include those that are held by a special purpose trust which has been specifically created for the long-term incentive program for the MLTIP (see Note 21 for further information).

27. During 2021 the Company repurchased 425,017 GDRs at market price for RR 1,877 million (2020: 650,000 GDRs at market price for RR 661 million).

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

Research and development activities

29. The Company has not undertaken any significant research and development activities during the year ended 31 December 2021 though it continues to identify opportunities and ways to further develop its business in line with its strategic objective as set out above.

Board of directors

30. The members of the Board of directors as of 31 December 2021 and at the date of this report are presented above. They served throughout the year ended 31 December 2021 and through to the date of these separate financial statements, except where stated above.

31. There were significant changes in the structure and assignment of responsibilities of the Board of directors. The current list of the Board of directors is presented above.

Branches

32. The Company did not operate through any branches during the year.

Independent auditor

33. The Independent Auditor, PricewaterhouseCoopers Limited, has expressed its willingness to continue in office. A resolution giving authority to the Board of directors to fix its remuneration will be proposed at the Annual General Meeting (AGM) 2022.

Going concern

34. The Directors have access to all information necessary to exercise their duties. The Directors continue to adopt the going concern basis in preparing the separate financial statements based on the fact that, after making enquiries and following a review of the Company's budget for 2022, including cash flows and funding facilities, the Directors consider that the Company has adequate resources to continue in operation for the foreseeable future. This assessment was made with the available information to the Company as at the date of approving the financial statements.

Corporate Governance Statement

GDRs of TCS Group Holding PLC (a Cyprus incorporated company), with each GDR issued under a deposit agreement dated on or about 24th October 2013 with JPMorgan Chase Bank N.A. as depositary representing one ordinary (formerly class A) share, are listed on the London Stock Exchange. The Company's GDRs are also listed on the Moscow Exchange. No shares of TCS Group Holding PLC are listed on any exchange.

The Company is required to comply with the UK corporate governance regime to the extent it applies to non-UK issuers of GDRs listed on the London Stock Exchange. The Company has not adopted corporate governance measures of the same standard in all respects as those adopted by UK incorporated companies or companies with a premium listing on the London Stock Exchange.

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

Until 7 January 2021, the Company maintained a capital structure with two classes of shares, class A and class B. On 7 January 2021, all class B shares were converted to class A and simultaneously all shares were reclassified and redesignated as ordinary shares all ranking pari passu for all purposes and in all respects with the other existing shares, with the provisions in the Articles of Association of the Company relating to class B shares deemed deleted.

The Company's Home State is Cyprus.

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

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

The Board of directors

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

The Board operates under a formal schedule of matters reserved to the Board for its decision, approved in 2013.

The authorities of the members of the Board are specified by the Articles of Association of the Company and by law. The current seven strong Board of directors is comprised of five executive directors including the chairman, and two independent non-executive directors. The changes in the composition of the Board during the year are disclosed above. In March 2022, four independent directors retired (refer to Note 22), Mr. Ashley Dunster, Mr. Martin Cocker, Mr. Nicholas Huber and Mr. Nitin Saigal.

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

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

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

The Board has not appointed a senior independent director. As of the year ended 2021 there were six independent directors, representing the majority of the Board, of whom at least one will be subject to the retirement by rotation rules each year.

Number of directors

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

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

Mr. Ashley Dunster, Mr. Martin Cocker, Mr. Nicholas Huber and Mr. Nitin Saigal retired in March 2022.

Committees of the Board of directors

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

Committees-current composition

The Audit Committee comprises Ms. Maria Gordon. The Committee has no standing chairperson but the Committee for the purpose of reviewing these audited financial statements on 29 March 2022 was chaired by Ms Maria Gordon.

The Remuneration Committee currently has no members.

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

The Strategy Committee comprises two executive directors.

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

The Board is working actively to increase the number of independent non-executive directors and from those fill a number of committee chair and member positions.

Role of the Audit Committee

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

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

Role of the Remuneration Committee

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

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

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

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

Refer to Note 21 for the details of MLTIP and KERP.

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

Role of the Risk and Emerging Risk (Sustainability) Committee

The primary purpose and responsibility of the Sustainability Committee is to oversee management and advise the Board of the Company on matters required to enable the Group to (a) operate on a sustainable basis for the benefit of current and future generations; (b) embed sustainable practices and adopt best industry practices across the full range of the Group's businesses; (c) to enhance the Company's reputation as a good corporate citizen; (d) drive sustainable growth by maintaining and enhancing the Group's economic, environmental, human, technological and social capital in the long term; and (e) the effective management of the Group's sustainability-related risks.

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

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

Role of the Strategy Committee

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

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

Appointment, retirement, rotation and removal of directors

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

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

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

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

The office of director shall be vacated if the director:

- becomes bankrupt or makes any arrangement or composition with his creditors generally; or

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

Changes in the top management team

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

Significant direct/indirect holdings

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

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

Policies, procedures and controls exist around financial reporting. Management is responsible for executing and assessing the effectiveness of these controls.

Financial reporting process

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

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

Internal Controls and Risk Management

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

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

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

Diversity policy

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

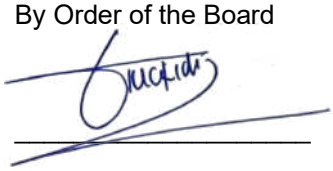
Recruitment, training and promotion are exclusively based on merit. All the Company employees involved in the recruitment and management of staff are responsible for ensuring the policy is fairly applied within their areas of responsibility. The Company applies this approach throughout, at all levels.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

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

Name	Age	Male/Female	Educational/professional background
Martin Cocker (retired in March 2022)	62	Male	ICAEW, BSc in Mathematics and Economics, experience in 'Big Four' professional services firms
Ashley Dunster (retired in March 2022)	58	Male	Investment manager, Bachelor of Engineering Melbourne University, Masters Mathematical Modelling & Numerical Analysis, Oxford University
Constantinos Economides	46	Male	ICAEW, MSc in Management Sciences, experience in 'Big Four' professional services firms
Pavel Fedorov	47	Male	Banker, Diploma in Economics/Operations Research, Novosibirsk State university, MBA in Finance, Edmund Muskie Fellow, University of Washington
Maria Gordon	47	Female	Investment manager, BA in Political Science University of Wisconsin and MALD from the Fletcher School at Tufts University
Margarita Hadjitofi	41	Female	Lawyer, LLB (Law), Bachelor of Commerce (Business and Finance) Western Sydney University, LLM (Law) University of Sydney, Sustainability Leadership and Corporate Responsibility at London Business School
Nicholas Huber (retired in March 2022)	32	Male	Investment manager, BSc in Finance Miami University Farmer School of Business
Oliver Hughes	51	Male	Banker, BA Russian and French University of Sussex, MA International Politics Leeds University, MSc Information Management and Technology City University
Marilou Pavlou	40	Female	Lawyer, MA Modern History, Law at BPP Law School
Nitin Saigal (retired in March 2022)	40	Male	Investment manager, BA Harvard College and MBA Harvard Business School
Mary Trimithiotou	43	Female	ICPAC, FCCA, Licensed insolvency practitioner, experience in 'Big Four' professional services firms

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

By Order of the Board



Constantinos Economides
Chairman of the Board

Limassol
29 March 2022

Independent Auditor's Report

To the Members of TCS Group Holding PLC

Report on the Audit of the Separate Financial Statements

Our opinion

In our opinion, the accompanying separate financial statements of parent company TCS Group Holding PLC (the "Company") give a true and fair view of the financial position of the Company as at 31 December 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

What we have audited

We have audited the separate financial statements which are presented in pages 1 to 43 and comprise:

- the separate statement of financial position as at 31 December 2021;
- the separate statement of profit or loss and other comprehensive income for the year then ended;
- the separate statement of changes in equity for the year then ended;
- the separate statement of cash flows for the year then ended; and
- the notes to the separate financial statements, which include a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the separate financial statements is International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

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 Separate 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 remained independent of the Company throughout the period of our appointment in accordance with the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* together with the ethical requirements that are relevant to our audit of the separate financial statements in Cyprus and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate financial statements. In particular, we considered where the Board of Directors 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	• Overall materiality: Russian Roubles ("RR") 6 216 million, which represents approximately 0.5% of total equity.
Key audit matters	We have identified the following key audit matter: • Valuation of investments in subsidiaries.

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

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the separate 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 separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate 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, both individually and in aggregate on the separate financial statements as a whole.

Overall materiality	RR 6 216 million
How we determined it	Approximately 0.5% of total equity
Rationale for the materiality benchmark applied	The Company is a holding company with limited operations. It elects to measure its investments in subsidiaries at fair value. Therefore, we chose total equity as the benchmark because, in our view, it is the benchmark against which the performance of the Company is most commonly measured by users. We chose 0.5%, which in our experience is an acceptable quantitative materiality threshold for this benchmark.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above RR 220 million as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate 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
Valuation of investments in subsidiaries	
We focused on this area because the management makes judgements in determining the fair value of investments in subsidiaries. The estimated fair value of investments in subsidiaries recognises that the majority of the value of TCS Group Holding PLC resides in its main operating subsidiaries: JSC "Tinkoff Bank", JSC "Tinkoff Insurance", LLC "Phoenix" and LLC "Tinkoff Software DC". In estimating the total fair value of the subsidiaries, the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investments in the subsidiaries. Note 3, Significant Accounting Policies, Note 4, Critical Accounting Estimates and Judgements in Applying Accounting Policies, Note 9, Investments in Equity Securities, and Note 19, Fair Value of Financial Instruments, included in the separate financial statements, provide detailed information on the valuation of investments in subsidiaries.	We assessed the reasonableness of the valuation technique applied by the management in estimating the total fair value of the investments in subsidiaries. We tested the accuracy of the inputs used in the valuation, with the main input being the market quote of the GDRs of the Company. We also assessed the sensitivity of the valuation to the key inputs used. We also reviewed the appropriateness of the disclosures included in the separate financial statements in respect of this valuation. Based on the evidence obtained we found the valuation technique and inputs used to be appropriate and the outputs to be reasonable.

Reporting on other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, including the Corporate Governance Statement, which we obtained prior to the date of this auditor's report, and the Company's complete Annual Report and Non-Financial Information and Diversity Statement (Sustainability Report), which is expected to be made available to us after that date. Other information does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate 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 separate 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 separate 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 the Company's complete Annual Report and Non-Financial Information and Diversity Statement (Sustainability Report), if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and if not corrected, we will bring the matter to the attention of the members of the Company at the Company's Annual General Meeting and we will take such other action as may be required.

Responsibilities of the Board of Directors and those charged with governance for the Separate Financial Statements

The Board of Directors is responsible for the preparation of the separate financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

- Identify and assess the risks of material misstatement of the separate 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' 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 Company'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 separate 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

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 separate financial statements of the current period and are therefore the key audit matters.

Report on Other Legal Requirements

Pursuant to the additional requirements of the Auditors Law of 2017, we report the following:

- In our opinion, based on the work undertaken in the course of our audit, the management report has been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and the information given is consistent with the separate financial statements.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified

material misstatements in the management report. We have nothing to report in this respect.

- In our opinion, based on the work undertaken in the course of our audit, the information included in the corporate governance statement in accordance with the requirements of subparagraphs (iv) and (v) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113, and which is included as a specific section of the management report, have been prepared in accordance with the requirements of the Cyprus Companies Law, Cap. 113, and is consistent with the separate financial statements.
- In our opinion, based on the work undertaken in the course of our audit, the corporate governance statement includes all information referred to in subparagraphs (i), (ii), (iii), (vi) and (vii) of paragraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113.
- In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the corporate governance statement in relation to the information disclosed for items (iv) and (v) of subparagraph 2(a) of Article 151 of the Cyprus Companies Law, Cap. 113. We have nothing to report in this respect.

Other Matters

This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Article 10(1) of the EU Regulation 537/2014 and Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

We have reported separately on the consolidated financial statements of the Company and its subsidiaries for the year ended 31 December 2021.

The engagement partner on the audit resulting in this independent auditor's report is George C. Kazamias.

George C. Kazamias
Certified Public Accountant and Registered Auditor
for and on behalf of

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

PwC Central, 43 Demostheni Severi Avenue,
CY-1080 Nicosia, Cyprus

29 March 2022

In millions of RR	Note	31 December 2021	31 December 2020
ASSETS			
Cash and cash equivalents	7	492	777
Loans and deposit placements with related parties	8	6,784	7,664
Investments in equity securities	9	1,236,283	472,395
Other financial assets		102	164
Other non-financial assets		40	30
TOTAL ASSETS		**1,243,701**	**481,030**
LIABILITIES			
Other financial liabilities	10	65	46
Other non-financial liabilities	10	303	656
TOTAL LIABILITIES		**368**	**702**
EQUITY			
Share capital	11	230	230
Share premium	11	26,998	26,998
Treasury shares	11	(2,567)	(3,238)
Share-based payment reserve		4,745	1,548
Accumulated losses		(4,353)	(5,556)
Revaluation reserve		1,218,280	460,346
TOTAL EQUITY		**1,243,333**	**480,328**
TOTAL LIABILITIES AND EQUITY		**1,243,701**	**481,030**

Approved for issue and signed on behalf of the Board of Directors on 29 March 2022.

Constantinos Economides
Director

Mary Trimithiotou
Director

In millions of RR	Note	2021	2020
Interest income calculated using the effective interest rate method	12	104	53
Other similar income	12	22	8
Interest expense calculated using the effective interest rate method	12	-	(32)
Net interest income		**126**	**29**
Credit loss allowance	**8**	(408)	-
Net interest (expense)/income after credit loss allowance		**(282)**	**29**
Dividend income	9	3,637	17,954
Net losses from derivatives revaluation		(23)	(3)
Net (losses)/gains from foreign exchange translation		(226)	183
Net losses from operations with foreign currencies		(47)	(45)
Net gains from financial assets at FVTPL	19	2,373	494
Share of result of associates		392	(926)
Losses on initial recognition of loans at rates below market		(628)	-
Administrative and other operating expenses	13	(482)	(500)
Other operating income		231	603
Profit before tax		**4,945**	**17,789**
Income tax expense	14	(202)	(899)
Profit for the year		**4,743**	**16,890**
Items that will not be reclassified subsequently to profit or loss:			
Net gains arising during the year on investments in equity securities at fair value through other comprehensive income		757,914	214,111
Income tax credit recorded directly in other comprehensive income		-	168
Other comprehensive income for the year, net of tax		**757,914**	**214,279**
Total comprehensive income for the year		**762,657**	**231,169**

In millions of RR	Note	Share capital	Share premium	Revaluation reserve	Share-based payment	Accumulated (losses)/ income	Treasury shares	Total
Balance at 31 December 2019		**230**	**26,998**	**246,071**	**1,039**	**(10,901)**	**(3,164)**	**260,273**
Profit for the year		-	-	-	-	16,890	-	16,890
Other comprehensive income:								
Investments in equity securities at FVOCI		-	-	214,111	-	-	-	214,111
Income tax credit recorded directly in other comprehensive income		-	-	168	-	-	-	168
Total comprehensive income for the year		**-**	**-**	**214,279**	**-**	**16,890**	**-**	**231,169**
GDRs buy-back	11	-	-	-	-	-	(661)	(661)
Share-based payment reserve	11	-	-	(4)	509	-	587	1,092
Dividends	15	-	-	-	-	(11,545)	-	(11,545)
Balance at 31 December 2020		**230**	**26,998**	**460,346**	**1,548**	**(5,556)**	**(3,238)**	**480,328**
Profit for the year		-	-	-	-	4,743	-	4,743
Other comprehensive income:								
Investments in equity securities at FVOCI		-	-	757,914	-	-	-	757,914
Income tax credit recorded directly in other comprehensive income		-	-	-	-	-	-	-
Total comprehensive income for the period		**-**	**-**	**757,914**	**-**	**4,743**	**-**	**762,657**
GDRs buy-back	11	-	-	-	-	12	(1,877)	(1,865)
Share-based payment reserve	11	-	-	20	3,197	-	2,548	5,765
Dividends	15	-	-	-	-	(3,552)	-	(3,552)
Balance at 31 December 2021		**230**	**26,998**	**1,218,280**	**4,745**	**(4,353)**	**(2,567)**	**1,243,333**

The notes № 1-22 are an integral part of these Separate Financial Statements.

In millions of RR	Note	2021	2020
Cash flows used in operating activities			
Interest income calculated using the effective interest rate method received		107	60
Administrative and other operating expenses paid		(453)	(485)
Income tax paid		(5)	(2)
Cash paid from operations with financial derivatives		(17)	(10)
Other operating income received		280	180
Cash flows used in operating activities before changes in operating assets and liabilities		**(88)**	**(257)**
Changes in operating assets and liabilities			
Net decrease/(increase) in loans and deposit placement with related parties		1,927	(1,552)
Net decrease in other non-financial liabilities		-	(39)
Net cash from/(used in) operating activities		**1,839**	**(1,848)**
Cash flows from/(used in) investing activities			
Dividend received from subsidiaries		3,455	17,056
Acquisition of investments in equity securities at FVOCI		(367)	(575)
Proceeds from investments in equity securities at FVOCI		550	-
Net cash from investing activities		**3,638**	**16,481**
Cash flows used in financing activities			
Dividends paid	15	(3,609)	(11,835)
GDRs buy-back	11	(1,877)	(661)
Repayment of debt securities in issue	16	-	(2,938)
Net cash used in financing activities		**(5,486)**	**(15,434)**
Effect of exchange rate changes on cash and cash equivalents		(276)	980
Net (decrease)/increase in cash and cash equivalents		**(285)**	**179**
Cash and cash equivalents at the beginning of the year	7	**777**	**598**
Cash and cash equivalents at the end of the year	7	**492**	**777**

1 Introduction

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

The Company has also prepared consolidated financial statements in accordance with IFRS as adopted by the EU and the requirements of the Cyprus Companies Law Cap. 113 for the Company and its subsidiaries ("the Group") for the year ended 31 December 2021. These are available to view on https://tinkoffgroup.com/financials/quarterly-earnings/.

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

The Board of Directors of the Company at the date of authorisation of these separate financial statements consists of: Constantinos Economides, Margarita Hadjitofi, Mary Trimithiotou, Maria Gordon, Oliver Hughes, Pavel Fedorov and Marilou Pavlou.

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

At 31 December 2021 the share capital of the Company is comprised of ordinary shares (2020: class A shares and class B shares). Each ordinary share has a nominal value of USD 0.04 per share and carries one vote. As at 31 December 2021 the number of issued ordinary shares is 199,305,492 (2020: the number of issued class A shares is 129,391,449 and class B shares is 69,914,043). Refer to Note 11 for further information on the share capital. On 25 October 2013 the Company completed an initial public offering of its class A ordinary shares in the form of global depository receipts (GDRs) listed on the London Stock Exchange plc. On 2 July 2019 the Company completed a secondary public offering (SPO) of its class A shares in the form of GDRs. On 28 October 2019 the Company's GDRs started trading also on the Moscow Exchange.

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

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

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

1 Introduction (Continued)

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

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

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

The Company owns 100% of shares and has 100% of the voting rights (directly or indirectly) of the following material subsidiaries at 31 December 2021: JSC "Tinkoff Bank" ("the Bank"), LLC "Microfinance company "T-Finans", LLC "TCS", LLC "Phoenix", LLC "Tinkoff Software DC", LLC "Tinkoff Mobile", LLC "Tinkoff Capital", ANO "Tinkoff Education" and LLC "Tinkoff Invest Lab" (2020: same).

As at 31 December 2021 the Company owns 98.06% (2020: 88.98%) and the Bank owns 1.94% (2020: 11.02%) of the shares of the JSC "Tinkoff Insurance" ("the Insurance Company").

At 31 December 2021, the Company owns directly 95% of the shares of LLC "CloudPayments" (2020: same).

In the fourth quarter 2021 the Company acquired via subsidiary LLC "TCS" a 51.0% stake in a new finance services company and a 83.2% stake in crypto-based startup for a total amount of RR 0.8 billion.

In April 2021 the Company acquired via subsidiary LLC "TCS" a shareholding in LLC "Beskontakt". At 31 December 2021, the Company owns indirectly 85.4% of the shares of LLC "Beskontakt". LLC "Beskontakt" is a fintech company developing the "Koshelek" app, which is a digital wallet and a mobile app aggregating bank and loyalty cards. The acquired entity will assist the expansion the Company's customer base through the marketing and cross-selling of its products to the app's users.

In August 2020 the Group acquired a 22.15% shareholding in a group of fintech start-ups, launched in 2020 to provide a range of services to retail customers in Europe (excluding CIS) through the mobile banking platform. As a result of series of new shares issuances related to fresh equity funding, the Company's share in this associate has diluted to 9.47% as at 31 December 2021 (2020: 16.32%).

The Company and its subsidiaries together referred to as the "Group".

Principal activity. The Company's principal business activities are the holding of investments in Russian subsidiary companies and starting from December 2017 offering Cyprus based home call center services to customers and potential customers outside of Russia. The Bank operates under general banking license No. 2673 issued by the Central Bank of the Russian Federation ("CBRF") on 8 December 2006. The Insurance Company operates under an insurance license issued by the CBRF.

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

JSC "Tinkoff Insurance" (the "Insurance Company") provides insurance services such as accident, property, travellers, financial risks and auto insurance.

The subsidiary LLC "Microfinance company "T-Finans" provides micro-finance services to clients.

1 Introduction (Continued)

The subsidiary LLC "TCS" provides printing and distribution services to the Bank.

The subsidiary LLC "Tinkoff Mobile" is a mobile virtual network operator set up in 2017 to provide mobile services.

The subsidiary LLC "CloudPayments" is a developer of online payment solutions whose core business is online merchant acquiring in Russia.

The subsidiary LLC "Phoenix" is a debt collection agency.

LLC "Tinkoff Software DC" and LLC "Fintech DC" provide software development services.

LLC "Tinkoff Capital" is an asset management company established in June 2019 to manage investment funds, mutual funds and non-state pension funds.

ANO "Tinkoff Education" is a non-commercial organization set up by the Bank as the sole founder.

LLC "Tinkoff Invest Lab" is an infrastructure company created for supporting and optimizing of the Group's investment services.

EBT is a special purpose trust which has been specifically created for the long-term incentive programme for Management of the Company (MLTIP).

Registered address and place of business. The Company's registered address is Spyrou Araouzou, Berengaria 25, 5th floor, Limassol, Cyprus, and place of business is Office 403, Lophitis Business Centre I, Corner of 28th October/Emiliou Chourmouziou Streets, Limassol 3035 Cyprus.

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

2 Operating Environment of the Company

Russian Federation. The Company's main subsidiaries all operate within the Russian Federation. As a result of the pandemic, 2020 has been a ground shaking year across the globe in many industries, but in the Russian credit market the COVID-19 dislocations proved less impactful than during the previous crises of 2008-09 or 2013-2014, in part helped by government support and more disciplined lending practices of the biggest banks. In 2020 the CBR relaxed risk weights for the first time in many years. This coupled with restructuring programs launched by many banks helped the credit card market to still grow by 1.6% in 2020. In 2021 the recovery in Russian economic activity is becoming more sustainable. However, the sharp decline in economic activity caused by the coronavirus pandemic was accompanied by a rupture of production and supply chains, the formation of a deep imbalance in supply and demand, and a softening of financial conditions as part of anti-crisis government programs. This resulted in worldwide general rise of inflation. By mid-2021, there was a trend towards accelerating consumer inflation. As a result, in October 2021 the CBR decided to raise the key rate by 75 basis points to 7.50% per annum and to 8.50% per annum in December 2021.

Some of numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, were subsequently relaxed.

The management of the Company considers that the Company has demonstrated over the years and during the current COVID-crisis its ability to withstand shocks and retains its positive long-term outlook in particular due to the Group's digital model which is exactly what is needed in the current environment and this can be seen in the ongoing increased online payment volumes as well as increased take up of its mobile lifestyle app, current accounts, and brokerage business.

3 Significant Accounting Policies

Basis of preparation. These separate financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU) and the requirements of the Cyprus Companies Law Cap.113.

The Company has prepared these separate financial statements for compliance with the requirements of the Cyprus Income Tax Law and the Disclosure Rule as issued by the Financial Security Authority of the United Kingdom.

The separate financial statements have been prepared under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by revaluation of financial instruments categorised at fair value through profit or loss ("FVTPL") and at fair value through other comprehensive income ("FVOCI"). The principal accounting policies applied in the preparation of these separate financial statements are set out below.

Management prepared these separate financial statements on a going concern basis.

Financial instruments – key measurement terms. Depending on their classification financial instruments are carried at fair value or amortised cost as described below.

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

The price within the bid-ask spread which management considers to be the most representative of fair value for quoted financial assets and liabilities is the last bid price of the business day. A portfolio of financial derivatives or other financial assets and liabilities that are not traded in an active market is measured at the fair value of a group of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (an asset) for a particular risk exposure or paid to transfer a net short position (a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

This is applicable for assets carried at fair value on a recurring basis if the Company: (a) manages the group of financial assets and financial liabilities on the basis of the entity's net exposure to a particular market risk (or risks) or to the credit risk of a particular counterparty in accordance with the entity's documented risk management or investment strategy; (b) it provides information on that basis about the group of assets and liabilities to the entity's key management personnel; and (c) the market risks, including duration of the entity's exposure to a particular market risk (or risks) arising from the financial assets and financial liabilities is substantially the same.

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

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period. Refer to Note 19.

3 Significant Accounting Policies (Continued)

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

However, when the Company's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate. Otherwise the Company continue to recognise further losses if it has commitments to fund the associate's operations.

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

The Company applies the impairment requirements in IFRS 9 to long-term loans and similar long-term interest that in substance form part of the investment in associate before reducing the carrying value of the investment by a share of a loss of the investee that exceeds the amount of the Company's interest in the ordinary shares.

Disposals of subsidiaries, associates or joint ventures. When the Company ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Company had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are recycled to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss, where appropriate.

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

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method.

Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the separate statement of financial position.

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

3 Significant Accounting Policies (Continued)

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or secured that are integral to the effective interest rate such as origination fees.

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

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

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

The Company uses discounted cash flow valuation techniques to determine the fair value of currency swaps, foreign exchange forwards that are not traded in an active market. Differences may arise between the fair value at initial recognition, which is considered to be the transaction price, and the amount determined at initial recognition using a valuation technique. The differences are immediately recognised in profit or loss if the valuation uses only level 1 or level 2 inputs.

Financial assets – classification and subsequent measurement – measurement categories. The Company classifies financial assets in the following measurement categories: FVTPL, FVOCI and AC. The classification and subsequent measurement of debt financial assets depends on:

- the Company's business model for managing the related financial assets portfolio; and
- the cash flow characteristics of the financial asset.

Financial assets – classification and subsequent measurement – business model. The business model reflects how the Company manages the assets in order to generate cash flows – whether the Company's objective is:

- solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows"); or
- to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");
- if neither of i) and ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Company undertakes to achieve the objective set out for the portfolio available at the date of the assessment. Factors considered by the Company 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.

3 Significant Accounting Policies (Continued)

Based on the analysis performed the Company included the following financial instruments in the business model "hold to collect contractual cash flows" since the Company manages these financial instruments solely to collect contractual cash flows: cash and cash equivalents, loans and deposit placements with related parties and other financial assets. The Company included debt securities at FVOCI in the business model "hold to collect contractual cash flows and sell" since the Company manages these financial instruments to collect the contractual cash flows.). The Company included debt securities measured at FVTPL and financial derivatives in the business model "other".

Financial assets – classification and subsequent measurement – cash flow characteristics. Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Company assesses whether the cash flows represent solely payments of principal and interest (the SPPI test). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature.

In making this assessment, the Company 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. However, if the contractual terms of the asset are modified, the Company considers if the contractual cash flows continue to be consistent with a basic lending arrangement in assessing whether the modification is substantial. See below for "Financial assets – modification".

Financial assets – reclassification. Financial instruments are reclassified only when the business model for managing the portfolio as a whole changes. The reclassification has a prospective effect and takes place from the beginning of the first reporting period that follows after the change in the business model. The Company 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 Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at AC and FVOCI and for the exposure arising from loan commitments and financial guarantee contracts. The Company measures ECL and recognises credit loss allowance at each reporting date.

The measurement of ECL reflects:

1) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
2) the time value of money; and
3) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

Debt instruments measured at AC are presented in the separate statement of financial position net of the allowance for ECL.

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

The Company applies a "three stage" model for impairment in accordance with IFRS 9, based on changes in credit quality since initial recognition:

1) A financial instrument that is not credit-impaired on initial recognition is classified in Stage 1. Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 months ECL").

3 Significant Accounting Policies (Continued)

2) If the Company 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 17 for a description of how the Company determines when a SICR has occurred.

3) If the Company determines that a financial asset is credit-impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Refer to Note 17 for a description of how the Company defines credit-impaired assets and default.

Note 17 provides information about inputs, assumptions and estimation techniques used in measuring ECL.

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

Financial assets – derecognition. The Company derecognises financial assets when (a) the assets are redeemed or the rights to cash flows from the assets otherwise expired or (b) the Company has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement while (i) also transferring substantially all risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all risks and rewards of ownership, but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose restrictions on the sale.

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

If the modified terms are substantially different, the rights to cash flows from the original asset expire and the Company 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 Company 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 Company 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 Company recalculates the gross carrying amount by discounting the modified contractual cash flows by the original effective interest rate, 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 financial liabilities at FVTPL: this classification is applied to derivatives, financial liabilities held for trading (e.g. short positions in securities).

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

An exchange between the Company 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.

3 Significant Accounting Policies (Continued)

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.

Cash and cash equivalents. Cash and cash equivalents include deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less. 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.

Loans and deposit placements with related parties. Loans and deposit placement with related parties are recorded when the Company advances money to purchase or originate receivable from related party due on fixed or determinable dates and has no intention of trading the receivable. Loans and deposit placement with related parties are classified within held to collect business model and carried at amortised cost using effective interest rate if they pass SPPI test. Otherwise loans and deposit placement with related parties are classified within other business model and carried at fair value through profit or loss. Refer to Note 8 for details of ECL measurement for loans and deposit placements with related parties.

Financial derivatives. Financial derivatives represented by foreign exchange swaps and forwards are carried at their fair value. Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of financial derivatives are recorded within Net losses from derivatives revaluation. The Company does not apply hedge accounting.

Tangible fixed assets. Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment, where required.

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

At the end of each reporting period management assesses whether there is any indication of impairment of tangible fixed assets. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in profit or loss for the year (within other operating income or expenses).

Depreciation. Depreciation of each item of tangible fixed assets is calculated using the straight-line method to allocate its cost to its residual value over its estimated useful life as follows:

	Useful lives in years
Equipment	3 to 10

3 Significant Accounting Policies (Continued)

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

Accounting for leases by the Company as a lessee. Leases, where the Company is the lessee, are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable under cancellable and non-cancellable operating leases;
- variable lease payments that are based on an index or a rate and that are initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease term includes any non-cancellable and optional extension periods which have been assessed as reasonably certain to be exercised. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the Company's incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- dismantling and restoration costs.

As an exception to the above, the Company accounts for short-term leases and leases of low value assets by recognising the lease payments as an operating expense in profit or loss on a straight line basis. Short-term leases are leases with a lease term of 12 months or less, and the lease does not provide for the possibility of repurchase of the asset at the end of the contract. Low value assets are assets with a value of RR 300,000 or less at the date of conclusion of the contract.

Right-of-use assets are included in other non-financial assets, lease liabilities are included in other non-financial liabilities in the separate statement of financial position. Depreciation of right-of-use assets are recognised in administrative and other operating expenses in the separate statement of profit or loss and other comprehensive income. Finance cost is recognised within interest expense of the separate statement of profit or loss and other comprehensive income. Repayment of principal of lease liabilities is disclosed within cash flows from financing activities of the separate statement of cash flows.

Right-of-use asset are reviewed for impairment in accordance with the Company's accounting policy for impairment of non-financial assets.

Investments in debt securities. Based on the business model and the contractual cash flow characteristics, the Company classifies investments in debt securities as carried at AC, FVOCI or FVTPL.

3 Significant Accounting Policies (Continued)

Debt securities are carried at AC if they are held for collection of contractual cash flows and where those cash flows represent SPPI, and if they are not voluntarily designated at FVTPL in order to significantly reduce an accounting mismatch. Debt securities are carried at FVOCI if they are held for collection of contractual cash flows and for selling, where those cash flows represent SPPI, and if they are not designated at FVTPL. Interest income from these assets is calculated using the effective interest method and recognised in profit or loss. An impairment allowance estimated using the expected credit loss model is recognised in profit or loss for the year. All other changes in the carrying value are recognised in OCI except for net results from operations with foreign currencies and interest income calculated using the effective interest rate method. When the debt security is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from OCI to profit or loss.

Investments in debt securities are carried at FVTPL if they do not meet the criteria for AC or FVOCI. The Company 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.

Sale and repurchase agreements and lending of securities. Sale and repurchase agreements ("repo agreements"), which effectively provide a lender's return to the counterparty, are treated as secured financing transactions. Securities sold under such sale and repurchase agreements are not derecognised. The securities are not reclassified in the separate statement of financial position unless the transferee has the right by contract or custom to sell or repledge the securities, in which case they are reclassified as repurchase receivables. The corresponding liability is presented within amounts loans received.

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

Securities lent to counterparties for a fixed fee are retained in the separate financial statements in their original category in the separate statement of financial position unless the counterparty has the right by contract or custom to sell or repledge the securities, in which case they are reclassified and presented separately.

Securities borrowed for a fixed fee are not recorded in the separate financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss for the year within gains less losses arising from trading securities. The obligation to return the securities is recorded at fair value in other borrowed funds.

Based on classification of securities sold under the sale and repurchase agreements, the Company classifies repurchase receivables into one of the following measurement categories: AC, FVOCI or FVTPL.

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 Company. Investments in equity securities are measured at FVTPL, except where the Company elects at initial recognition to irrevocably designate an equity investment at FVOCI. The Company's policy is to designate equity investments (including Invesments in subsidiaries) 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 Company's right to receive payments is established except when they represent a recovery of an investment rather than a return on such investment.

Investments in equity securities include investments in subsidiaries. Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity when the Company is 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. In cases of acquisitions of subsidiaries from entities under common control or subsidiaries of the Company, the cost of acquisition is determined to be the fair value of the investment acquired as opposed to the transaction price.

3 Significant Accounting Policies (Continued)

Any differences between the transaction price and the fair value of the investment acquired reflect notional contributions/distributions from entities under common control or subsidiaries and are recognised as such, i.e. directly in equity in cases of transactions with common control entities and as an additional contribution to or distribution from the subsidiary transferring the investment to the Company.

Debt securities in issue. Debt securities are stated at amortised cost. If the Company purchases its own debt securities in issue, they are removed from the separate statement of financial position and the difference between the carrying amount of the liability and the consideration paid is included in a separate line of the separate statement of profit or loss and other comprehensive income.

Other liabilities. Other liabilities are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income taxes. Income taxes have been provided for in the separate financial statements in accordance with Cyprus legislation enacted or substantively enacted as of the end of the reporting period. The income tax (charge)/credit 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. Taxes other than on income are recorded within administrative and other operating expenses.

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

Deferred income tax is not recognised on post-acquisition retained earnings and other post acquisition movements in reserves of subsidiaries where the Company controls the subsidiary's dividend policy, and it is probable that the difference will not reverse through dividends or otherwise in the foreseeable future. Provision for deferred tax on the undistributed profits of the Company's subsidiaries is made when the dividend payment is probable to be made out of economic resources of the subsidiaries at the reporting date and is recognised in other comprehensive income. Withholding taxes incurred on actual dividend distributions by subsidiaries are recognised in profit or loss once the right of dividend income is established.

Uncertain tax positions. The Company's uncertain tax positions are assessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. The assessment is based on the interpretation of tax laws that have been enacted or substantively enacted at the end of reporting period and any known court or other rulings on such issues. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period.

Provisions for liabilities and charges. Provisions for liabilities and charges are non-financial liabilities of uncertain timing or amount. They are accrued when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Levies and charges, such as taxes other than income tax or regulatory fees based on information related to a period before the obligation to pay arises, are recognised as liabilities when the obligating event that gives rise to pay a levy occurs, as identified by the legislation that triggers the obligation to pay the levy. If a levy is paid before the obligating event, it is recognised as a prepayment.

3 Significant Accounting Policies (Continued)

Share capital. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds and debited against share premium.

Share premium. Share premium is the difference between the fair value of the consideration receivable for the issue of shares and the nominal value of the shares. The share premium account can only be resorted to for limited purposes, which do not include the distribution of dividends, and is otherwise subject to the provisions of the Cyprus Companies Law on reduction of share capital.

Treasury shares. Where the Company purchases the Company's equity instruments, the consideration paid, including any directly attributable incremental external costs, net of income taxes, is deducted from equity attributable to the owners of the Company until the equity instruments are reissued, disposed of or cancelled. Where such shares are subsequently disposed of or reissued, any consideration received is included in equity. The value of GDRs transferred out of treasury shares for the purposes of the long-term incentive programme for management of the Company are determined based on the weighted average cost.

The Company's equity instruments acquired by employee share trust entity are treated as treasury shares when the Company retains the majority of the risks and rewards relating to the funding arrangement for the trust entity.

Share-based payments. The Company grants equity settled share based payments to employees of its subsidiary. No share-based payment charge is recognised as no employees are providing services to the Company. The Company records a debit to the investment in the subsidiaries as a capital contribution from the parent to the subsidiary and a credit to share-based payment reserve within equity. When the rewards granted under share-based payment programs vest the Company reclassifies accumulated share based payment reserve to revaluation reserve.

Dividends. Dividends are recorded in equity in the period in which they are declared. Any dividends declared after the end of the reporting period and before the separate financial statements are authorised for issue, are disclosed in the Note 22. The separate financial statements of the Company prepared in accordance with IFRS as adopted by the EU and in accordance with Cyprus Companies Law is the basis of available reserves for distribution. Management considers the Revaluation Reserve to be a distributable reserve. Dividend distribution to the Company's shareholders is recognised as a liability in the Company's separate financial statements in the year in which the dividends are appropriately authorised and are no longer at the discretion of the Company. More specifically, interim dividends are recognised as a liability in the period in which these are authorised by the Board of directors and in the case of final dividends, these are recognised in the period in which these are approved by the Company's shareholders.

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

Fees integral to the effective interest rate include origination fees received or paid by the entity relating to the creation or acquisition of a financial asset or issuance of a financial liability. Commitment fees received by the Company to originate loans at market interest rates are integral to the effective interest rate if it is probable that the Company will enter into a specific lending arrangement and does not expect to sell the resulting loan shortly after origination. The Company does not designate loan commitments as financial liabilities at FVTPL.

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

Interest income is calculated by applying the effective interest rate to the gross carrying amount of financial assets, except for:

i) financial assets that have become credit-impaired (Stage 3), for which interest revenue is calculated by applying the effective interest rate to their AC (net of the ECL provision); and

ii) financial assets that are purchased or originated credit-impaired, for which the original credit-adjusted effective interest rate is applied to the AC.

3 Significant Accounting Policies (Continued)

Other income and expense recognition. All other income is generally recorded on an accrual basis by reference to completion of the specific performance obligation assessed on the basis of measurement of the Company's progress towards complete satisfaction of that performance obligation.

All other expenses are generally recorded on an accrual basis by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Other similar income. Other similar income represents interest income recorded for debt instruments measured at fair value through profit or loss ("FVTPL") and is recognised on an accrual basis using nominal interest rate.

Other similar expense. Other similar expense represents finance cost related to the discounted lease payments using the incremental borrowing rate.

Foreign currency translation. Functional currency is the currency of the primary economic environment in which the entity operates. The Company's results are dependent upon the receipt of dividends from and the valuation of its primary subsidiaries which operate in the Russian Federation. Therefore the functional currency of the Company is the national currency of the Russian Federation, Russian Rouble ("RR"). The Russian Rouble is also the presentation currency of the Company.

Foreign exchange gains and losses resulting from the translation of monetary assets and liabilities into each entity's functional currency at year-end official exchange rates of the CBRF are recognised in profit or loss for the year as Net gains from foreign exchange translation.

Foreign exchange gains and losses resulting from the settlement of transactions with foreign currencies are recognised in profit or loss for the year as Net gains/(losses) from operations with foreign currencies.

At 31 December 2021 the rate of exchange used for translating foreign currency balances was USD 1 = RR 74.2926 (31 December 2020: USD 1 = RR 73.8757), and the average rate of exchange was USD 1 = RR 73.6541 (2020: USD 1 = RR 72.1464).

Offsetting. Financial assets and liabilities are offset and the net amount reported in the separate statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) the event of default and (iii) the event of insolvency or bankruptcy.

Amendments of the separate financial statements after issue. The Board of directors of the Company has the power to amend the separate financial statements after issue.

4 Critical Accounting Estimates and Judgements in Applying Accounting Policies

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

Investments in subsidiaries. The estimated fair value of investments in subsidiaries recognises that the majority of the value of the Company resides in its main operating subsidiaries. Thus in estimating the fair value of the subsidiaries the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investment in the subsidiaries. Refer to Note 19.

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

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

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

Initial recognition of related party transactions. In the normal course of business the Company enters into transactions with its related parties. IFRS 9 requires initial recognition of financial instruments based on their fair values. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated parties and effective interest rate analysis. Terms and conditions of related party balances are disclosed in Note 21.

Determination of functional currency. The Company follows the guidance of IAS 21 “The Effects of Changes in Foreign Exchange Rates” for the determination of the functional currency of the Company. The Company’s functional currency is RR.

Tax legislation**.** Cypriot and Russian tax, currency and customs legislation are subject to varying interpretations. Refer to Note 18.

5 Adoption of New or Revised Standards and Interpretations

The following amended standard became effective from 1 January 2021, but did not have any material impact on the Company:

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (issued on 27 August 2020 and effective for annual periods beginning on or after 1 January 2021). Under these amendments, changes to the basis for determining the contractual cash flows are reflected by adjusting the effective interest rate. No immediate gain or loss is recognised. Reform and replacement of various inter-bank offered rates (‘IBORs’) has become a priority for regulators. Most IBOR rates would stop being published by 31 December 2021, while certain USD LIBOR rates would stop being published by 30 June 2023. During the reporting year and as at 31 December 2021, the Company does not have any transactions and balances based on IBOR or LIBOR rates.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 28 May 2020 and effective for annual periods beginning on or after 1 June 2020).

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

6 New Accounting Pronouncements

Certain new amendments have been issued that are mandatory for the annual periods beginning on or after 1 January 2022, which the Company has not early adopted:

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

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

Amendment to IFRS 4 – deferral of IFRS 9 (issued on 25 June 2020 and effective for annual periods beginning on or after 1 January 2023). The amendments to IFRS 4 addressed the temporary accounting consequences of the different effective dates of IFRS 9 and the forthcoming IFRS 17. The amendments to IFRS 4 extended the expiry date of the temporary exemption from applying IFRS 9 until 2023 in order to align the effective date of IFRS 9 with the new IFRS 17. The fixed expiry date of the temporary exemption from applying IFRS 9 in IFRS 4 has been deferred to annual reporting periods beginning on or after 1 January 2023.

Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021 and effective for annual periods beginning on or after 1 January 2023)*.

Deferred tax related to assets and liabilities arising from a single transaction – Amendments to IAS 12 (issued on 7 May 2021 and effective for annual periods beginning on or after 1 January 2023)*. The amendments to IAS 12 specify how to account for deferred tax on transactions such as leases and decommissioning obligations.

The following other new pronouncements are not expected to have any material impact on the Company when adopted:

- IFRS 14, Regulatory Deferral Accounts (issued on 30 January 2014 and effective for annual periods beginning on or after 1 January 2016)*.

- Classification of liabilities as current or non-current – Amendments to IAS 1 (issued on 23 January 2020 and effective for annual periods beginning on or after 1 January 2022)*.

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

6 New Accounting Pronouncements (Continued)

- Classification of liabilities as current or non-current, deferral of effective date – Amendments to IAS 1 (issued on 15 July 2020 and effective for annual periods beginning on or after 1 January 2023)*.

- Covid-19-Related Rent Concessions – Amendments to IFRS 16 (issued on 31 March 2021 and effective for annual periods beginning on or after 1 April 2021).

* Denotes standards, interpretations and amendments which have not yet been endorsed by the European Union.

7 Cash and Cash Equivalents

The table below discloses the credit quality of cash and cash equivalents balances based on credit risk grades at 31 December 2021 and 2020. The gross carrying amount of cash and cash equivalents at 31 December 2021 and 2020 below also represents the Company's maximum exposure to credit risk on these assets:

In millions of RR	**31 December 2021**	**31 December 2020**
Placements with other banks with original maturities of less than three months		
Excellent:		
Placements with UK Bank (A+ rated)	353	705
Sub-standard:		
Placements with European bank (B- rated)	139	72
Total cash and cash equivalents	**492**	**777**

Refer to Note 17 for the description of the Company's credit risk grading system.

For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Company did not recognise any credit loss allowance for cash and cash equivalents. Amounts of cash and cash equivalents are not collateralised. Refer to Note 17 for the ECL measurement approach. Interest rate, maturity and geographical risk concentration analysis of cash and cash equivalents is disclosed in Note 17. Refer to Note 19 for the disclosure of the fair value of cash and cash equivalents.

8 Loans and Deposit Placements with Related Parties

In millions of RR	**31 December 2021**	**31 December 2020**
Loans and advances to subsidiary at AC		
Gross carrying amount	1,944	-
Less credit loss allowance	(408)	-
Total	**1,536**	**-**
Loans and advances to related party at FVTPL	3,971	1,892
Deposit placements with subsidiary Bank	1,277	5,772
Total loans and deposit placements with related parties	**6,784**	**7,664**

8 Loans and Deposit Placements with Related Parties (Continued)

At 31 December 2021 the deposit placements with subsidiary Bank are represented by three deposits: deposit placement in USD with a nominal value of RR 118 million at 0.90% per annum maturing on 10 August 2021, deposit placement in EUR with a nominal value of RR 6 million at 0.30% per annum maturing on 4 August 2021, deposit placement in RR with a nominal value of RR 1,153 million at 5.10% per annum maturing on 24 December 2021.

At 31 December 2020 the deposit placements with subsidiary Bank are represented by three deposits: deposit placement in USD with a nominal value of RR 30 million at 0.90% per annum maturing on 10 August 2021, deposit placement in EUR with a nominal value of RR 13 million at 0.29% per annum maturing on 4 August 2021, deposit placement in RR with a nominal value of RR 5,729 million at 4.50% per annum maturing on 24 December 2021.

Loans and advances to customers at FVTPL represent a loan that does not meet SPPI requirement and that was issued to a related party (refer to Note 21) in EUR with a total value of RR 3,971 million at 1.7% per annum maturing on 31 August 2025.

For the purpose of ECL measurement deposit placements with subsidiary Bank balances are included in Stage 1. The ECL for these balances represents an immaterial amount, therefore the Company did not create any credit loss allowance for deposit placements with subsidiary Bank. Refer to Note 17 for the ECL measurement approach.

As at 31 December 2021 for the purpose of credit risk measurement loans and deposit placements with related parties balances are included in “Monitor” credit risk grade based on credit risk grade master scale (31 December 2020: same). Refer to Note 17 for the description of the credit risk grading system.

Refer to Note 19 for the disclosure of the fair value of loans and deposit placements with related parties. Interest rate, maturity and geographical risk concentration analysis are disclosed in Note 17. Information on related party balances is disclosed in Note 21.

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

	Credit loss allowance				**Gross carrying amount**			
In millions of RR	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL for SICR)**	**Stage 3 (lifetime ECL for credit impaired)**	**Total**
Loans and advances to subsidiary at AC								
At 31 December 2020	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Movements with impact on credit loss allowance charge for the year:								
New originated or purchased	407	-	-	407	1,939	-	-	1,939
Transfers: - to lifetime (from Stage 1 to Stage 2)	(407)	407	-	-	(1,939)	1,939	-	-
Movements other than transfers and new originated or purchased loans	-	1	-	1	-	5	-	5
Total movements with impact on credit loss allowance charge for the year	**-**	**408**	**-**	**408**	**-**	**1,944**	**-**	**1,944**
At 31 December 2021	**-**	**408**	**-**	**408**	**-**	**1,944**	**-**	**1,944**

9 Investments in Equity Securities

In millions of RR	31 December 2021	31 December 2020
Investments in subsidiaries including:		
- Investments in financial institutions	1,194,465	443,921
- Investments in non-financial institutions	41,818	28,300
Total	**1,236,283**	**472,221**
Other investments in equity securities	-	174
Total investments in securities	**1,236,283**	**472,395**

As at 31 December 2021 investments in financial institutions include investments in share capital of JSC “Tinkoff Bank”, JSC “Tinkoff Insurance”, LLC "Microfinance company “T-Finans”, LLC “Tinkoff Capital” and LLC “Tinkoff Invest Lab” (2020: same).

As at 31 December 2021 investments in non-financial institutions include investments in share capital of LLC “CloudPayments”, LLC “Tinkoff Mobile”, LLC “Phoenix”, LLC “Tinkoff Software DC”, LLC “TCS”, ANO “Tinkoff Education”, LLC “Beskontakt”, LLC “Dzhast Luk” and crypto-based startup (2020: LLC “CloudPayments”, LLC “Tinkoff Mobile”, LLC “Phoenix”, LLC “Tinkoff Software DC”, LLC “TCS” and ANO “Tinkoff Education”).

The Bank is registered in the Russian Federation and was acquired by the Company in November 2006 (Note 1). The Bank is 100% owned and controlled by the Company.

The Insurance Company is registered in the Russian Federation and was acquired by the Company in August 2013 (Note 1). As at 31 December 2021 the Company owns 98.06% of the shares of the Insurance Company and controls it, the Bank owns 1.94% of the shares of the Insurance Company (2020: the Company owns 88.98%, the Bank owns 11.02%).

In October 2017 the Company acquired a 55% shareholding in LLC “CloudPayments”. During 2019 the Bank acquired a 40% shareholding in LLC “CloudPayments”. As at 31 December 2021 and 2020 the Company owns 95% shares of LLC “CloudPayments”.

Investments in subsidiaries are stated at fair value at the end of each reporting period (Notes 3, 4 and 19). The movements in investments in subsidiaries for the period ended 31 December 2021 are as follows:

In millions of RR	2021
Carrying amount at 1 January	**472,221**
Investments in subsidiaries	383
Revaluation of investment in subsidiaries	757,914
Share-based payment	5,765
Carrying amount at 31 December	**1,236,283**

The movements in investments in subsidiaries for the period ended 31 December 2020 are as follows:

In millions of RR	2020
Carrying amount at 1 January	**256,443**
Investments in subsidiaries	575
Revaluation of investment in subsidiaries	214,111
Share-based payment	1,092
Carrying amount at 31 December	**472,221**

9 Investments in Equity Securities (Continued)

Dividend income from investments in subsidiaries recognised during the year is as follows:

In millions of RR	2021	2020
Investment in LLC "Phoenix"	3,483	1,421
Investment in LLC "CloudPayments"	154	350
Investment in JSC "Tinkoff Insurance"	-	8,185
Investment in JSC "Tinkoff Bank"	-	7,998
Total dividend income	**3,637**	**17,954**

Interest rate, maturity and geographical risk concentration analysis of investment in equity securities are disclosed in Note 17. Refer to Note 19 for the disclosure of the fair value of investments in equity securities.

10 Other Financial and Non-financial Liabilities

In millions of RR	31 December 2021	31 December 2020
Other Financial Liabilities		
Accrued audit and accountancy fees	65	46
Total Other Financial Liabilities	**65**	**46**
Other Non-financial Liabilities		
Dividends payable under GDRs repurchased for MLTIP purposes	303	656
Total Other Non-financial Liabilities	**303**	**656**

Interest rate, maturity and geographical risk concentration analysis of other financial liabilities are disclosed in Note 17. Refer to Note 19 for disclosure of fair value of other financial liabilities.

11 Share Capital, Share Premium and Treasury Shares

In millions of RR except for the number of shares	Number of authorised shares	Number of outstanding shares	Ordinary shares	Share premium	Treasury shares	Total
At 31 December 2019	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,164)**	**24,064**
GDRs buy-back	-	-	-	-	(661)	(661)
GDRs and shares transferred under MLTIP	-	-	-	-	587	587
At 31 December 2020	**210,034,648**	**199,305,492**	**230**	**26,998**	**(3,238)**	**23,990**
Increase of number of authorised shares	14,184,030					
GDRs buy-back	-	-	-	-	(1,877)	(1,877)
GDRs and shares transferred under MLTIP	-	-	-	-	2,548	2,548
At 31 December 2021	**224,218,678**	**199,305,492**	**230**	**26,998**	**(2,567)**	**24,661**

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

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

At 31 December 2021 and 2020 treasury shares represent GDRs of the Company repurchased from the market for the purposes permitted by Cyprus law including contribution to MLTIP. Refer to Note 21.

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

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

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

12 Interest income and expense

In millions of RR	2021	2020
Interest income calculated using the effective interest rate method		
Loans and deposit placement with related parties including:		
Deposit placements with subsidiary Bank	100	53
Loans and advances to subsidiary at AC	4	-
Total Interest income calculated using the effective interest rate method	**104**	**53**
Other similar income		
Financial assets at FVTPL	22	8
Total interest income	**126**	**61**
Interest expense calculated using the effective interest rate method		
Euro-Commercial Papers	-	32
Total Interest expense calculated using the effective interest rate method	**-**	**32**
Net interest income	**126**	**29**

13 Administrative and Other Operating Expenses

In millions of RR	2021	2020
Legal and consulting fees	260	270
Staff costs	152	177
Audit and accountancy fees	38	43
Taxes other than income tax	23	-
Depreciation of right-of-use assets	1	4
Depreciation of tangible fixed assets	1	1
Other administrative expenses	7	5
Total administrative and other operating expenses	**482**	**500**

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

Included in staff costs are statutory social contributions to the non-budget funds:

In millions of RR	2021	2020
Statutory social contribution to the non-budget funds	28	31

At 31 December 2021 there are 41 employees employed by the Company (31 December 2020: 50). The average number of employees employed by the Company during the reporting year was 46 (2020: 56).

14 Income Taxes

Income tax expense comprises the following:

In millions of RR	2021	2020
Overseas tax withheld at source	202	897
Corporation tax	-	2
Income tax expense for the year	**202**	**899**

The tax on the Company's profit before tax differs from the theoretical amount that would arise using the applicable tax rates as follows:

In millions of RR	2021	2020
Profit before income tax	**4,945**	**17,789**
Theoretical tax charge at statutory rate of 12.5% (2020: 12.5%)	618	2,224
Tax effect of expenses not deductible for tax purposes	(9)	173
Tax effect of allowances and income not subject to tax	(609)	(2,395)
Overseas tax withheld at source	202	897
Income tax expense for the year	**202**	**899**

Gains on disposal of qualifying titles (including shares, bonds, debentures, rights thereon etc.) are exempt from Cyprus income tax. At 31 December 2021 and 2020 the Company had no tax losses carried forward.

Differences between IFRS and statutory taxation regulations in Cyprus give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements during 2020 in these temporary differences is detailed below.

In millions of RR	31 December 2019	Credited to OCI	31 December 2020
Investments in subsidiaries	(168)	168	-
Income tax expense for the year	**(168)**	**168**	**-**

During 2021 there were no temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases.

15 Dividends

The movement in dividends during the year are as follows:

In millions of RR	2021	2020
Dividends payable at 1 January	**656**	**582**
Dividends declared during the year	3,552	11,545
Dividends paid during the year	(3,621)	(11,835)
Foreign exchange differences and other movements	(283)	364
Dividends payable at 31 December	**304**	**656**
Dividends per share declared during the year (in USD)	**0.24**	**0.80**
Dividends per share paid during the year (in USD)	**0.24**	**0.80**

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

15 Dividends (Continued)

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

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

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

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

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

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

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

16 Reconciliation of Liabilities Arising from Financing Activities

As at 31 December 2021 the Company has no liabilities arising from financing activities.

The table below sets out an analysis of the Company's debt and the movements in the Company's debt for the year ended 31 December 2020. The debt items are those that are reported as financing in the separate statement of cash flows.

	Liabilities from financing activities		
In millions of RR	**Debt securities in issue**	**Loans received**	**Total**
Net debt at 31 December 2019	**2,460**	**-**	**2,460**
Cash flows from repayments	(2,938)	-	(2,938)
Foreign exchange adjustments	478	-	478
Net debt at 31 December 2020	**-**	**-**	**-**

17 Financial Risk Management

The risk management function within the Company is carried out in respect of financial risks (credit, market, currency, liquidity and interest rate), operational risks and legal risks. The primary objectives of the financial risk management function are to establish risk limits, and then ensure that exposure to risks stays within these limits. The operational and legal risk management functions are intended to ensure proper functioning of internal policies and procedures to minimise operational and legal risks.

17. Financial Risk Management (Continued)

Credit risk. The Company takes on exposure 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 discharge an obligation. Exposure to credit risk arises as a result of the debt financial instruments, cash and cash equivalents and Company's lending and other transactions with counterparties giving rise to financial assets.

The Company's maximum exposure to credit risk is reflected in the carrying amounts of financial assets on the separate statement of financial position. The credit risk is controlled by management of the Company, by approving limits on the level of credit risk by borrowers.

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

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

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

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

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

Master scale credit risk grade	Corresponding interval
Excellent	non-overdue for the last 12 months with PD < 5% or with early repayments
Good	all other non-overdue loans
Monitor	1-30 days overdue
Sub-standard	31-90 days overdue
NPL	90+ days overdue

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

- *Excellent* – strong credit quality with minimum expected credit risk;
- *Good* – adequate credit quality with low expected credit risk;
- *Monitor* – adequate credit quality with a moderate credit risk;
- *Sub-standard* – low credit quality with a substantial credit risk;
- *NPL* – financial instruments for which a default has occured.

The rating models are regularly reviewed by the Credit Risk Department, backtested on actual default data and updated if necessary.

17 Financial Risk Management (Continued)

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

Default occurs when a financial asset is 90 days past due.

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

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

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

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

Lifetime period – the maximum period over which ECL should be measured. For financial instruments held by the Company the lifetime period is equal to contractual maturity of the respective financial instruments.

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

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

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

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

The default definition stated above should be applied to all types of financial assets of the Company. An instrument is considered to no longer be in default (i.e. to have “cured”) when it no longer meets any of the default criteria.

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

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

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

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

General principle of techniques applied

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

17 Financial Risk Management (Continued)

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

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

The Company carries out the following approach for ECL measurement:

- For financial instruments which have external ratings – assessment based on external ratings;
- For financial instruments which do not have external ratings – assessment based on discounted cash flow technique.

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

Market risk. The Company takes on exposure to market risks. Market risks arise from open positions in (a) currency, (b) interest rate and (c) equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which are monitored on a daily basis. However, the use of this approach does not prevent losses outside of these limits in the event of more significant market movements.

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

The table below summarises the Company's exposure to foreign currency exchange rate risk at the end of the reporting period:

	At 31 December 2021			**At 31 December 2020**		
In millions of RR	**Non-derivative monetary financial assets**	**Non-derivative monetary financial liabilities**	**Net balance sheet position**	**Non-derivative monetary financial assets**	**Non-derivative monetary financial liabilities**	**Net balance sheet position**
RR	2,689	-	2,689	5,732	-	5,732
US Dollars	471	-	471	739	-	739
EUR	4,218	(65)	4,153	2,134	(46)	2,088
Total	**7,378**	**(65)**	**7,313**	**8,605**	**(46)**	**8,559**

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

17 Financial Risk Management (Continued)

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

	At 31 December 2021		At 31 December 2020	
In millions of RR	**Impact on profit for the year**	**Impact on total equity**	**Impact on profit for the year**	**Impact on total equity**
USD strengthening by 40% (2020: by 20%)	181	181	155	155
USD weakening by 40% (2020: by 20%)	(181)	(181)	(155)	(155)
EUR strengthening by 40% (2020: by 20%)	1,593	1,593	439	439
EUR weakening by 40% (2020: by 20%)	(1,593)	(1,593)	(439)	(439)

Interest rate risk. The Company 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 of unexpected movements. Management monitors on a daily basis and sets limits on the level of mismatch of interest rate repricing that may be undertaken. The table below summarises the Company's exposure to interest rate risk. The table presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

In millions of RR	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-interest bearing financial instruments**	**Total**
31 December 2021						
Total financial assets	492	102	1,277	5,507	1,236,283	1,243,661
Total financial liabilities	-	(65)	-	-	-	(65)
Net interest sensitivity gap at 31 December 2021	**492**	**37**	**1,277**	**5,507**	**1,236,283**	**1,243,596**

At 31 December 2021 if interest rates at that date had been 200 basis points higher/lower (2020: 200 basis points higher/lower), with all other variables held constant, profit and equity would have been RR 146 million higher/lower (2020: RR 171 million higher/lower).

In millions of RR	**On demand and less than 1 month**	**From 1 to 6 months**	**From 6 to 12 months**	**More than 1 year**	**Non-interest bearing financial instruments**	**Total**
31 December 2020						
Total financial assets	777	164	5,772	1,892	472,395	481,000
Total financial liabilities	-	(46)	-	-	-	(46)
Net interest sensitivity gap at 31 December 2020	**777**	**118**	**5,772**	**1,892**	**472,395**	**480,954**

17 Financial Risk Management (Continued)

The Company monitors interest rates for its financial instruments. The table below summarises effective interest rates set as at 31 December 2021 and 2020 based on reports reviewed by key management personnel:

	2021			2020		
In % p.a.	**RR**	**USD**	**EUR**	**RR**	**USD**	**EUR**
Assets						
Loans and deposit placements with related parties						
- Deposit placements with subsidiary Bank	4.5	0.9	0.3	4.5	0.9	0.3
- Convertible loan to a related entity	-	-	1.7	-	-	1.7
- Loans and advances to subsidiary at AC	9.8	-	-	-	-	-

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

Other price risk. The Company has exposure to equity price risk mainly as a result of a decrease in the fair value of investments in subsidiaries. Sensitivity analysis of investments in subsidiaries is disclosed in Note 19.

Geographical risk concentrations. The geographical concentration of the Company's financial assets and liabilities at 31 December 2021 is set out below:

In millions of RR	**Russian Federation**	**OECD**	**Other Non-OECD**	**Total**
Financial assets				
Cash and cash equivalents	-	353	139	492
Loans and deposit placements with related parties	2,813	-	3,971	6,784
Investments in equity securities	1,236,283	-	-	1,236,283
Other financial assets	-	-	102	102
Total financial assets	**1,239,096**	**353**	**4,212**	**1,243,661**
Financial liabilities				
Other financial liabilities	-	-	65	65
Total financial liabilities	**-**	**-**	**65**	**65**
Net separate statement of financial position	**1,239,096**	**353**	**4,147**	**1,243,596**

17 Financial Risk Management (Continued)

The geographical concentration of the Company's financial assets and liabilities at 31 December 2020 is set out below:

In millions of RR	Russian Federation	OECD	Other Non-OECD	Total
Financial assets				
Cash and cash equivalents	-	705	72	777
Loans and deposit placements with related parties	5,772	-	1,892	7,664
Investments in equity securities	472,395	-	-	472,395
Other financial assets	-	-	164	164
Total financial assets	**478,167**	**705**	**2,128**	**481,000**
Financial liabilities				
Other financial liabilities	-	-	46	46
Total financial liabilities	**-**	**-**	**46**	**46**
Net separate statement of financial position	**478,167**	**705**	**2,082**	**480,954**

Assets and liabilities have been based on the country in which the counterparty is located. Cash and cash equivalents have been allocated based on the country in which they are physically held.

Other risk concentrations. Most financial assets are due from the subsidiary Bank.

Liquidity risk. Liquidity risk is defined as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The table below shows liabilities at 31 December 2021 by their remaining contractual maturity. The amounts disclosed in the maturity table are the contractual undiscounted cash flows. Such undiscounted cash flows differ from the amount included in the separate statement of financial position because the separate statement of financial position amount is based on discounted cash flows. When the amount payable is not fixed, the amount disclosed is determined by reference to the conditions existing at the reporting date. Foreign currency payments are translated using the spot exchange rate at the end of the reporting period.

The maturity analysis of financial liabilities based on the contractual undiscounted cash flows at 31 December 2021 is as follows:

In millions of RR	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Liabilities					
Other financial liabilities	-	65	-	-	65
Total potential future payments for financial obligations	**-**	**65**	**-**	**-**	**65**

17 Financial Risk Management (Continued)

The maturity analysis of financial liabilities based on the contractual undiscounted cash flows at 31 December 2020 is as follows:

In millions of RR	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Total
Liabilities					
Other financial liabilities	-	46	-	-	46
Total potential future payments for financial obligations	**-**	**46**	**-**	**-**	**46**

The expected maturity analysis of financial liabilities based on the contractual discounted cash flows at 31 December 2021 is as follows:

In millions of RR	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No stated maturity	Total
Assets						
Cash and cash equivalents	492	-	-	-	-	492
Loans and deposit placements with related parties	-	-	1,277	5,507	-	6,784
Investments in equity securities	-	-	-	-	1,236,283	1,236,283
Other financial assets	-	102	-	-	-	102
Total financial assets	**492**	**102**	**1,277**	**5,507**	**1,236,283**	**1,243,661**
Liabilities						
Other financial liabilities	-	65	-	-	-	65
Total financial liabilities	**-**	**65**	**-**	**-**	**-**	**65**
Net liquidity gap at 31 December 2021	**492**	**37**	**1,277**	**5,507**	**1,236,283**	**1,243,596**
Cumulative liquidity gap at 31 December 2021	**492**	**529**	**1,806**	**7,313**	**1,243,596**	**-**

17 Financial Risk Management (Continued)

The expected maturity analysis of financial liabilities based on the contractual discounted cash flows at 31 December 2020 is as follows:

In millions of RR	On demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	No stated maturity	Total
Assets						
Cash and cash equivalents	777	-	-	-	-	777
Loans and deposit placements with related parties	-	-	5,772	1,892	-	7,664
Investments in equity securities	-	-	-	-	472,395	472,395
Other financial assets	-	164	-	-	-	164
Total financial assets	**777**	**164**	**5,772**	**1,892**	**472,395**	**481,000**
Liabilities						
Other financial liabilities	-	46	-	-	-	46
Net liquidity gap at 31 December 2020	**777**	**118**	**5,772**	**1,892**	**472,395**	**480,954**
Cumulative liquidity gap at 31 December 2020	**777**	**895**	**6,667**	**8,559**	**480,954**	**-**

18 Contingencies and Commitments

***Legal proceedings*.** From time to time and in the normal course of business, claims against the Company may be received. On the basis of its own estimates and internal professional advice management is of the opinion that no material losses will be incurred in respect of any current or potential claims and accordingly no provision has been made in these separate financial statements.

Taxation. Cypriot tax legislation is subject to varying interpretations. There are transactions and calculations for which the ultimate tax determination is uncertain. The Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made. The Company is incorporated outside Russia. Tax liabilities of the Company are determined on the assumption that it is not subject to Russian profits tax because it does not have a permanent establishment in Russia. The Company is a tax resident of Cyprus only and full beneficial owner of the Bank and Insurance Company. This interpretation of relevant legislation may be challenged but the impact of any such challenge cannot be reliably estimated currently; however, it may be significant to the financial position and/or the overall operations of the Company.

During the third quarter of 2020 amendments to Russia-Cyprus double tax treaty were made. The Company is currently assessing the impact of those amendments.

19 Fair Value of Financial Instruments

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuation techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

19 Fair Value of Financial Instruments (Continued)

(a) Recurring fair value measurements

Recurring fair value measurements are those that the accounting standards require or permit in the separate statement of financial position at the end of each reporting period. The levels in the fair value hierarchy into which the recurring fair value measurements are categorised are as follows:

	31 December 2021				31 December 2020			
In millions of RR	**Level 1**	**Level 2**	**Level 3**	**Total**	**Level 1**	**Level 2**	**Level 3**	**Total**
ASSETS AT FAIR VALUE								
Loans and advances to related party at FVTPL	-	-	3,971	3,971	-	-	1,892	1,892
Investments in subsidiaries	-	1,236,283	-	1,236,283	-	472,221	-	472,221
Other investments in equity securities	-	-	-	-	-	-	174	174
Total assets recurring fair value measurements	**-**	**1,236,283**	**3,971**	**1,240,254**	**-**	**472,221**	**2,066**	**474,287**

Investments in subsidiaries are stated at fair value based on market valuation (2020: same).

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2021 are as follows:

In millions of RR	**Fair value**	**Valuation technique**	**Inputs used**
Assets AT FAIR VALUE			
Investments in subsidiaries	1,236,283	The estimated fair value of investments in subsidiaries recognises that the majority of the value of the Company resides in its main operating subsidiaries. Thus in estimating the fair value of the subsidiaries the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investment in the subsidiaries	Market quote of USD 84.32 for 1 share at 31 December 2021; Market interest rates
Total recurring fair value measurements at level 2	**1,236,283**		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 2 measurements at 31 December 2020 are as follows:

In millions of RR	**Fair value**	**Valuation technique**	**Inputs used**
Assets AT FAIR VALUE			
Investments in subsidiaries	472,221	The estimated fair value of investments in subsidiaries recognises that the majority of the value of the Company resides in its main operating subsidiaries. Thus in estimating the fair value of the subsidiaries the primary input is the market quote of the Company's GDRs which are traded on the London and Moscow Stock Exchanges. Other inputs include the estimated fair value of the assets and liabilities held by the Company other than its investment in the subsidiaries	Market quote of USD 32.9 for 1 share at 31 December 2020; Market interest rates
Total recurring fair value measurements at level 2	**472,221**		

There were no changes in the valuation techniques for level 2 recurring fair value measurements during the years ended 31 December 2021 and 2020.

19 Fair Value of Financial Instruments (Continued)

At 31 December 2021 if market quote of GDR of the Company at that date had been 70% higher/lower (2020: 69% higher/lower), with all other variables held constant, the fair value of the investments in equity securities would have been RR 868,537 million higher/lower (2020: RR 329,192 million higher/lower).

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements at 31 December 2021 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Loans and advances to related parties at FVTPL	3,971	Revaluation of the convertible loan based on the company's share price as per the most recent sale purchase transactions with shares (Note 21)	Share price as per the most recent sale purchase transaction
Total recurring fair value measurements at level 3	**3,971**		

The description of valuation techniques and the description of the inputs used in the fair value measurement for level 3 measurements at 31 December 2020 are as follows:

In millions of RR	Fair value	Valuation technique	Inputs used
ASSETS AT FAIR VALUE			
Loans and advances to related parties at FVTPL	1,892	Revaluation of the convertible loan based on the company's share price as per the most recent sale purchase transactions with shares (Note 21)	Share price as per the most recent sale purchase transaction
Other investments in equity securities	174	Cost less impairment approach	Cost of acquisition. Share in post-acquisition profit
Total recurring fair value measurements at level 3	**2,066**		

Changes of the fair value measurements at Level 3 for the year ended 31 December 2021 and 2020 are as follows:

In millions of RR	Loans and advances to related party at FVTPL
Fair value at the date of recognition	1,374
Other interest income	8
Net gains from foreign exchange translation	16
Net gains from revaluation of convertible loan	494
31 December 2020	**1,892**
Other interest income	23
Net losses from foreign exchange translation	(317)
Net gains from revaluation of convertible loan	2,373
31 December 2021	**3,971**

As at 31 December 2021, if the share price had been 10% lower/higher, fair value of loans and advances to related parties at FVTPL would have been RR 293 million lower/higher (2020: RR 64 million).

19 Fair Value of Financial Instruments (Continued)

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

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

	31 December 2021				31 December 2020			
In millions of RR	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**
FINANCIAL ASSETS CARRIED AT AMORTISED COST								
Cash and cash equivalents								
Excellent:								
Placements with UK Bank (A+ rated)	-	353	-	353	-	705	-	705
Sub-standard:								
Placements with European bank (B- rated)	-	139	-	139	-	72	-	72
Loans and deposit placements with related parties								
Deposit placements with subsidiary Bank	-	-	1,277	1,277	-	-	5,772	5,772
Loans and advances to subsidiary at AC	-	-	1,536	1,536	-	-	-	-
Other financial assets	-	102	-	102	-	164	-	164
Total financial assets carried at amortised cost	**-**	**594**	**2,813**	**3,407**	**-**	**941**	**5,772**	**6,713**
FINANCIAL LIABILITIES CARRIED AT AMORTISED COST								
Other financial liabilities	-	65	-	65	-	46	-	46
Total financial liabilities carried at amortised cost	**-**	**65**	**-**	**65**	**-**	**46**	**-**	**46**

Weighted average discount rates used in determining fair value as of 31 December 2021 and 2020 depend on currency:

In % p.a.	**31 December 2021**	**31 December 2020**
Assets		
Loans and deposit placements with related parties		
- Loans and advances to related party at FVTPL	1.7	1.7
- Loans and advances to subsidiary at AC	9.8	-
- Deposit placements with subsidiary Bank	4.7	4.5

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

20 Presentation of Financial Instruments by Measurement Category

For the purposes of measurement, IFRS 9 “Financial Instruments” classifies financial assets into the following categories: (a) financial assets at FVTPL; (b) financial assets at FVOCI and (c) financial assets at AC. Financial assets at FVTPL have two sub-categories: (i) assets measured at FVTPL mandatorily, and (ii) assets designated as such upon initial recognition.

20 Presentation of Financial Instruments by Measurement Category (Continued)

The following table provides a reconciliation of classes of financial assets with these measurement categories as of 31 December 2021:

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents	492	-	-	492
Loans and deposit placements with related parties	2,813	3,971	-	6,784
Investments in equity securities	-	-	1,236,283	1,236,283
Other financial assets	102	-	-	102
TOTAL FINANCIAL ASSETS	**3,407**	**3,971**	**1,236,283**	**1,243,661**

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

In millions of RR	AC	FVTPL	FVOCI	Total
Cash and cash equivalents	777	-	-	777
Loans and deposit placements with related parties	5,772	1,892	-	7,664
Investment in equity securities	-	-	472,395	472,395
Other financial assets	157	7	-	164
TOTAL FINANCIAL ASSETS	**6,706**	**1,899**	**472,395**	**481,000**

As of 31 December 2021 and 2020 all of the Company's financial liabilities were carried at amortised cost.

21 Related Party Transactions

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

	31 December 2021		31 December 2020	
In millions of RR	Subsidiary	Associates and other related parties	Subsidiary	Associates and other related parties
ASSETS				
Investments in equity securities	1,236,283	-	472,221	174
Loans and advances to related parties (contractual interest rate 2021: from 0.3% to 4.5%; 2020: same)	2,813	3,971	5,772	1,892
Other financial assets	77	-	129	-
TOTAL ASSETS	**1,239,173**	**3,971**	**478,122**	**2,066**
LIABILITIES				
Other non financial liabilities	**-**	303	**-**	656
TOTAL LIABILITIES	**-**	**303**	**-**	**656**

21 Related Party Transactions (Continued)

The income and expense items with related parties were as follows:

In millions of RR	31 December 2021		31 December 2020	
	Subsidiary	**Associates and other related parties**	**Subsidiary**	**Associates and other related parties**
Interest income calculated using the effective interest rate method	104	22	53	8
Interest expense calculated using the effective interest rate method	-	-	-	(32)
Credit loss allowance	(408)	-	-	-
Net gains/(losses) from foreign exchange translation	130	(294)	965	(424)
Net gains from financial assets at FVTPL	-	2,373	-	494
Dividend income	3,637	-	17,954	-
Losses on initial recognition of loans at rates below market	(628)	-	-	-
Other comprehensive income:				
Revaluation of investments in subsidiaries	757,914	-	214,111	-

In 2021 the total remuneration of Directors listed in the Board of directors and other officers amounted to RR 60.0 million (2020: RR 17.4 million).

Management long-term incentive program. On 31 March 2016 the Group introduced a MLTIP as both a long-term incentive and a retention tool for the management of the Group. Total number of GDRs attributable to the management is 17,241 thousand as at 31 December 2021 (2020: 15,290 thousand).

Participants of the program receive the vested parts of their grants provided that they remain employed by the Group throughout the vesting period. Participants are entitled to the dividends, if any. Participants who leave the Group lose their right for the unvested parts of the grants.

The fair value of the awards as at grant dates (31 March 2016, 8 February 2017, 22 February 2018, 15 January 2019, 5 June 2020, 11 December 2020, 9 February 2021 and 23 November 2021) is determined on the basis of market quotes of GDRs as at those dates. Weighted-average fair value of the awards in 2021 was USD 87 per 1 GDR (2020: USD 24.7 per 1 GDR).

Each grant before 2020 is divided into 4 equal awards. Each award vests over 4 years in equal tranches. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 March, as well as each subsequent 31 March (with the exception of 2019 when the vesting date for all participants was 31 January 2019) until 2022 for participants joining in 2016, until 2023 for participants joining in 2017, until 2024 for participants joining in 2018, until 2025 for participants joining in 2019.

Each grant provided in 2020 and 2021 is vested over 5 years. The delivery dates as of which the GDRs are allowed to be sold by the participants correspond to the vesting dates 31 August, as well as each subsequent 31 August until 2025 for 2020 grant and until 2026 for 2021 grant.

The following table discloses the changes in the numbers of GDRs attributable to the MLTIP:

In thousands	**Number of GDRs attributable to the MLTIP**
At 31 December 2019	**3,782**
Granted	5,350
Vested	(1,810)
Forfeited	(46)
At 31 December 2020	**7,276**
Granted	1,950
Vested	(2,201)
Forfeited	(6)
At 31 December 2021	**7,019**

21 Related Party Transactions (Continued)

Key employees retention plan (KERP). On 14 April 2020 the Company launched a new long term incentive program for more than 250 senior and middle management level employees. The purpose of the program is to retain and motivate key employees with high potential. This was a performance-based cash-settled program linked to the market price of GDRs. A new grant has been provided to the current and new participants in April 2021. In 2021 number of employees joined the program increased to more than 400 participants. Later in November 2021 the program has been converted into equity-settled instrument to increase its efficiency for the Company and participants. After the conversion the program has been combined with Management long-term incentive program (MLTIP) due to application of similar approach to the grants. Participants of the program receive the vested parts of their grants provided that they remain employed by the Company throughout the vesting period. Participants are not entitled to the dividends, if any. Participants who leave the Company lose their right for the unvested parts of the grants. The program provides 3 equal annual vestings after grant date.

Warrant compensation. In the fourth quarter of 2021 the Company issued a new instrument that represents a share-based equity-settled compensation: 5-year warrants with an aggregate value equal to 1.2% of an increase in the market capitalisation of the Company as at 1 January 2027 (calculated as the volume-weighted average GDR price over the preceding six months, which amounted to 89.2 USD at the date of the grant) over a GDR price of USD 92 (the "Warrants"). The Warrants vest on 1 January 2027 and are exercisable at any time on or after that date. The Company has a unilateral right to terminate the Warrants at a one month's notice. When the Warrants are exercised, the Company is required to deliver the Ordinary Shares (GDRs) up to the value of the Warrants determined on 1 January 2027. The weighted-average fair value of the Warrants at the grant date was RR 1.1 bln and it was measured using the Black-Scholes model based on historical market quotes of GDRs. At the date of publication of the Group's annual results, the share price of the Company was significantly below the strike price of the Warrants.

22 Events after the End of the Reporting Period

In January 2022 the Company acquired via subsidiary LLC "TCS" an additional 9.6% shareholding in LLC "Beskontakt". As a result, the Company owns indirectly 95% of the shares of LLC "Beskontakt".

In February 2022, the economic situation in Russia was negatively affected by the military-political conflict in the region, as well as expanded international sanctions against certain Russian companies, citizens and institutions. These factors led to a significant increase in volatility in the financial markets, frequent and significant price changes, and an increase in trading spreads.

During the period from 18 February to 29 March 2022:

- the exchange rate of the Central Bank of the Russian Federation (the CBR) fluctuated in the range from 75.75 to 120.38 rubles per USD and from 86.13 rubles to 132.96 rubles per Euro;
- RTS stock index fluctuated in the range from 742.91 to 1391.3 points;
- the international sanctions list was expanded, which meant that the access for some companies to international financial markets in order to raise funds was limited;
- the cost of a barrel of oil on international markets is in the range from $92.73 to $128.46 USD per 1 barrel.

As a result of substantial market volatility, as well as sanctions imposed against the Russian financial markets, the Company's GDR has been suspended from trading. The last available GDR price before suspension was USD 2.98.

In addition, the revaluation reserves from investments in subsidiaries have been reduced as of the date of financial statement signing. The Company is currently assessing the effect of this reduction.

Due to restrictions implemented after 24 February 2022, further cash flow from the operational subsidiaries to the Company require additional permission from Central Bank of Russia. However, current levels of cash and cash equivalents are sufficient to cover all Company's current liabilities.

22 Events after the End of the Reporting Period (Continued)

In March 2022 four independent directors retired: Mr. Ashley Dunster, Mr. Martin Cocker, Mr. Nicholas Huber and Mr. Nitin Saigal. Ms. Maria Gordon, Mr. Pavel Fedorov and Mr. Oliver Hughes will retire as directors with effect from 31 March 2022. The Company is working actively to increase the number of independent non-executive directors and from those fill a number of committee chair and member positions.

As of 29 March 2022, the Company and its subsidiaries are not subject to any sanctions. However, further expansion of the sanctions list, the shutdown of the SWIFT system for some Russian banks, the possible introduction of restrictions on the CBR and a number of companies, including customers and counterparties of the Company and its subsidiaries, may have a significant impact on the activities and financial position of the Company in the future, the consequences of which are difficult to predict. The future economic and regulatory environment and its impact on the Company's operations may differ from management's current expectations.

The Management of the Company is currently assessing the possible impact of the events mentioned above and taking all the necessary measures to ensure the sustainability of the Company's operations.