IMPORTANT: You must read the following before continuing. The following applies to the attached offering memorandum (the "**Offering Memorandum**"), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from the Company as a result of such access. If you have gained access to this transmission contrary to any of the following restrictions, you are not authorised and will not be able to purchase any of the securities described herein. You acknowledge that this electronic transmission and the delivery of the attached Offering Memorandum is confidential and intended for you only, and you agree you will not forward this electronic transmission or the attached Offering Memorandum to any other person. Any forwarding, distribution or reproduction of the attached Offering Memorandum in whole or in part is unauthorised. Failure to comply with the following directives may result in a violation of the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), or the applicable laws of other jurisdictions.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR ANY OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("**REGULATION S**"), OR WITHIN THE UNITED STATES TO PERSONS REASONABLY BELIEVED TO BE QUALIFIED INSTITUTIONAL BUYERS ("**QIBs**"), AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT ("**RULE 144A**"), IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A, OR PURSUANT TO ANOTHER EXEMPTION THEREFROM, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT AND THE OFFERING WHEN MADE ARE ONLY ADDRESSED TO, AND DIRECTED AT, PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF REGULATION (EU) 2017/1129 (THE "**EU PROSPECTUS REGULATION**") AND AMENDMENTS THERETO ("**QUALIFIED INVESTORS**"). IN ADDITION, IN THE UNITED KINGDOM, THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT IS BEING DISTRIBUTED ONLY TO, AND IS DIRECTED ONLY AT, PERSONS WHO ARE "QUALIFIED INVESTORS" WITHIN THE MEANING OF ARTICLE 2(E) OF THE EU PROSPECTUS REGULATION AS IT FORMS PART OF THE DOMESTIC LAW OF THE UNITED KINGDOM BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 WHO: (I) ARE PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, AS AMENDED (THE "**ORDER**"); OR (II) ARE PERSONS WHO ARE HIGH NET WORTH ENTITIES FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER; OR (III) ARE PERSONS TO WHOM THEY MAY OTHERWISE LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS "**RELEVANT PERSONS**"). THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT MUST NOT BE ACTED ON OR RELIED ON (I) IN THE UNITED KINGDOM, BY PERSONS WHO ARE NOT RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, BY PERSONS WHO ARE NOT QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ELECTRONIC TRANSMISSION AND THE ATTACHED DOCUMENT RELATE IS AVAILABLE ONLY TO (I) IN THE UNITED KINGDOM, RELEVANT PERSONS, AND (II) IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA, QUALIFIED INVESTORS, AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities referred to herein, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 2 June 2017 has led to the conclusion in relation to the type of clients criteria only that: (i) the type of clients to whom the securities referred to herein are targeted is eligible counterparties and professional clients only, each, as defined in MiFID II; and (ii) all channels for distribution of the securities referred to herein to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities referred to herein (a "**distributor**") should take into consideration the manufacturers' type of clients assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities referred to herein (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.

UK product governance – Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the securities referred to herein have been subject to a product approval process, which has determined that they are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**"). Notwithstanding the UK Target Market Assessment, each distributor is responsible for undertaking its own UK Target Market Assessment in respect of the securities referred to herein and determining appropriate distribution channels.

The attached Offering Memorandum and information contained herein do not constitute an advertisement of any securities, or any other kind of advertisement, in the Russian Federation.

Confirmation of your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities referred to herein, by accepting electronic delivery of the Offering Memorandum, you are deemed to have represented to Credit Suisse International, J.P. Morgan Securities plc and VTB Capital plc acting as joint global coordinators and joint bookrunners, BCS Prime Brokerage Limited acting as a senior bookrunner and Renaissance Securities (Cyprus) Limited, JSC "Sberbank CIB", Sberbank CIB (UK) Limited, Tinkoff Bank, Sova Capital Limited and ATON LLC acting as joint bookrunners (together, the "**Underwriters**"), and the Company and the Selling Shareholders that (i) you are acting on behalf of, you are either (a) an institutional investor acting on behalf of, or you are either (a) an institutional investor outside the United States (within the meaning of Regulation S) or (ii) in the United States and a QIB that is acquiring the securities for its own account or the account of another QIB; (iii) if you are in the UK, you are a relevant person; (iv) if you are in a member state of the EEA, you are a Qualified Investor; and (v) if you are outside the United States, the United Kingdom and the EEA (and the electronic mail addresses that you gave us and to which the Offering Memorandum has been delivered are not located in such jurisdictions) you are a person into whose possession the Offering Memorandum may lawfully be delivered in accordance with the laws of the jurisdiction in which you are located.

None of the Underwriters, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accept any responsibility whatsoever for the contents of the Offering Memorandum or for any statement made or purported to be made by it, or on its behalf, in connection with the issuer or the offer. The Underwriters and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such document or any such statement.

The Underwriters are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the offer. They will not regard any other person (whether or not a recipient of the Offering Memorandum) as their client in relation to the offer and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their clients nor for giving advice in relation to the offer or any transaction or arrangement referred to herein.

The attached Offering Memorandum is being sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and, consequently, neither the Company, nor the Underwriters nor any person who controls any of them, nor any director, officer, employee, agent of it or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the attached Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request. No representation or warranty, expressed or implied, is made by any of the Underwriters or their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this electronic transmission or the attached Offering Memorandum.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk, and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Renaissance Insurance Group Public Joint Stock Company

(a public joint stock company organised under the laws of the Russian Federation)

Offering of up to 210,000,000 Ordinary Shares (excluding the Over-Allotment Option)
Offer price range: RUB 120 to RUB 135 per Ordinary Share
Offer size of up to RUB 25.2 billion (excluding the Over-Allotment Option)

This is an initial public offering of Ordinary Shares by Renaissance Insurance Group Public Joint Stock Company (the "**Company**" and, together with its consolidated subsidiaries, the "**Group**"). Each Ordinary Share has a nominal value of RUB 9.88. The Company is offering up to 150,000,000 Ordinary Shares to be issued in connection with the Offering (as defined below) (the "**Primary Shares**"). LLC "Holding Renaissance Insurance", NOTIVIA LTD, Laypine LTD, Sputnik Management Services Limited, Bladeglow Limited and Mr. Andrey Gorodilov (collectively, the "**Selling Shareholders**") are offering up to 60,000,000 existing Ordinary Shares (the "**Secondary Shares**"). The Company will not receive any of the proceeds from the sale of the Secondary Shares being sold by the Selling Shareholders.

Prior to this offering, there is no public market for the Ordinary Shares. The Ordinary Shares are expected to be listed on the Moscow Exchange (as defined below) under the symbol "RENI".

The Primary Shares to be issued in connection with the Offering through an open subscription process under Russian law (the "**Open Subscription**") are expected to be purchased by or on behalf of the Underwriters as initial purchasers for onward sale by the Underwriters to investors. Secondary Shares are being offered together with the Primary Shares and comprise the Offering (the "**Offering**").

The number of Ordinary Shares to be issued and sold pursuant to the Offering and the price at which each of the Ordinary Shares is to be issued and sold pursuant to the Offering (the "**Offer Price**") is expected to be announced on or about 20 October 2021 (the "**Pricing Date**").

In connection with the Open Subscription, the Company's shareholders of record as at 27 July 2021 have statutory pre-emption rights under Russian law to subscribe for the Primary Shares to their existing shareholding as at that date. Pre-emption rights are exercisable over a period of eight business days starting from 6 October 2021 and until 18 October 2021 (both dates inclusive). The price per Primary Share in the Open Subscription (including in reliance on the pre-emption rights) is expected to be equal to the Offer Price.

In connection with the Offering, all Selling Shareholders except for Sputnik Management Services Limited and Mr. Andrey Gorodilov (the "**Participating Selling Shareholders**") will grant Renaissance Securities (Cyprus) Limited (the "**Stabilising Manager**") an over-allotment option (the "**Over-Allotment Option**") exercisable within 30 calendar days of the Pricing Date (the "**Stabilisation Period**"). The aggregate number of the Ordinary Shares that may be acquired under the Over-Allotment Option will not exceed 10% of the Offering. See "*Plan of Distribution— Stabilisation*".

The Offering comprises an offering of the Ordinary Shares (i) in the Russian Federation, (ii) otherwise outside the United States in reliance on Regulation S ("**Regulation S**", and the offering of such Shares, the "**Regulation S Offering**") under the U.S. Securities Act of 1933, as amended (the "**Securities Act**"), and (iii) within the United States to certain qualified institutional buyers ("**QIBs**") as defined in, and in reliance on, Rule 144A ("**Rule 144A**", and the offering of such Shares, the "**Rule 144A Offering**") under the Securities Act. See "*Plan of Distribution*".

The Ordinary Shares were registered by the Central Bank of Russia (the "**CBR**"), under the state registration number 1-01-10601-Z. The issue of the Primary Shares and the statutory securities prospectus were registered by the CBR on 23 September 2021, and the amendments to the statutory securities prospectus were registered on 8 October 2021. The Ordinary Shares are expected to be admitted to listing in the "Level 1" part of the List of Securities Admitted to Trading on Public Joint Stock Company "Moscow Exchange MICEX-RTS" (the "**Moscow Exchange**") on or about 15 October 2021 and trading in the Ordinary Shares is expected to commence on or around 20 October 2021 (the "**First Trading Date**"). Once issued, the Primary Shares will become fully fungible with the Ordinary Shares and thereby become listed and traded in the "Level 1" part of the List of Securities Admitted to Trading on the Moscow Exchange.

AN INVESTMENT IN THE ORDINARY SHARES INVOLVES A HIGH DEGREE OF RISK. SEE "*RISK FACTORS*" FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED IN CONNECTION WITH AN INVESTMENT IN THE ORDINARY SHARES. THE ORDINARY SHARES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE PURCHASED AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. THE CBR CONSENT FOR THE PUBLIC CIRCULATION OF ORDINARY SHARES IS SUBJECT TO ANNUAL RENEWAL, AND THE PURCHASES OF THE ORDINARY SHARES BY FOREIGN INVESTORS WILL BE RESTRICTED IF THE COMPANY FAILS TO RENEW THE CBR CONSENT.

This offering memorandum (the "**Offering Memorandum**") is for information purposes only and is not a prospectus prepared or filed with any regulatory or other governmental authorities in any jurisdiction in connection with the registration of the Offering described in this Offering Memorandum.

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of U.S. persons, except to persons reasonably believed to be QIBs, or outside the United States in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a discussion of certain restrictions on transfers of the Shares, see "*Selling and Transfer Restrictions*".

Subject to acceleration or extension of the timetable for the Offering, payment (in Russian rubles) for, and delivery of, the Ordinary Shares ("**Settlement**") is expected to take place on or about 22 October 2021 (the "**Settlement Date**"). If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for the Ordinary Shares will be disregarded, any allotments made will be deemed not to have been made, and any subscription payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on the Moscow Exchange may be annulled. Any transactions in the Ordinary Shares prior to Settlement are at the sole risk of the parties concerned. The Company and the Underwriters do not accept responsibility or liability towards any loss incurred by any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in the Ordinary Shares on the Moscow Exchange. Each purchaser of the Ordinary Shares must pay for such Ordinary Shares by the date agreed with the Underwriters. The Ordinary Shares will be delivered to purchasers through the facilities of the National Settlement Depository (the "**NSD**"). Therefore, to take delivery of the Ordinary Shares, purchasers must have a depositary account with the NSD or a depo account with a depositary that has a depositary account with the NSD. The Offering may be extended or revoked at any time without cause. The Ordinary Shares are offered severally by the Underwriters, subject to receipt and acceptance by them of any order in whole or in part. The Underwriters reserve the right to reject any offer to purchase the Shares, in whole or in part, and to sell to any prospective purchaser less than the amount of Ordinary Shares sought by such investor.

Joint Global Coordinators and Bookrunners

Credit Suisse **J.P. Morgan** **VTB Capital**

Senior Bookrunner

BCS Global Markets

Joint Bookrunners

Renaissance Capital **SberCIB** **SOVA Capital** **Tinkoff**

ATON

Offering Memorandum dated 11 October 2021

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

Each prospective investor, by accepting delivery of this Offering Memorandum, agrees that this Offering Memorandum is being furnished by the Company for the purpose of enabling a prospective investor to consider the purchase of the Ordinary Shares. Any reproduction or distribution of this Offering Memorandum, in whole or in part, any disclosure of its contents or use of any information herein for any purpose other than considering an investment in the Ordinary Shares is prohibited, except to the extent that such information is otherwise publicly available.

None of Credit Suisse International, J.P. Morgan Securities plc, VTB Capital plc, BCS Prime Brokerage Limited, Renaissance Securities (Cyprus) Limited, JSC "Sberbank CIB", Sberbank CIB (UK) Limited, Tinkoff Bank, Sova Capital Limited, ATON LLC (the "**Underwriters**") or any of their respective affiliates or selling agents makes any representation or warranty, express or implied, or accepts any responsibility, as to the accuracy or completeness of any of the information in this Offering Memorandum. This Offering Memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Selling Shareholders or the Underwriters that any recipient of this Offering Memorandum should purchase the Ordinary Shares. Each potential purchaser of the Ordinary Shares should determine for itself the relevance of the information contained in this Offering Memorandum, and its purchase of the Ordinary Shares should be based upon such investigation, as it deems necessary.

The Company accepts responsibility for the information contained in this Offering Memorandum, and having taken all reasonable care to ensure that such is the case, the information contained in this Offering Memorandum is, to the best of the Company's knowledge, in accordance with the facts and contains no omissions likely to affect its import.

This Offering Memorandum does not constitute an offer to the public to purchase or otherwise acquire the Ordinary Shares. In making an investment decision regarding the Ordinary Shares, you must rely on your own examination of the Company and the terms of the Offering, including the merits and risks involved. You should rely only on the information contained in this Offering Memorandum. None of the Company, the Selling Shareholders or the Underwriters has authorised any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information appearing in this Offering Memorandum is accurate only as of its date. The Group's business, financial condition, results of operations, prospects and the information set forth in this Offering Memorandum may have changed since the date hereof.

The Company has included its own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third party source, to a certain degree, subjective. While The Company believes that its own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by the Company approximately reflects the industry and the markets in which the Company operates, there is no assurance that its own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

The contents of the Company's websites (or the websites of any of its shareholders) do not form any part of this Offering Memorandum.

You should not consider any information in this Offering Memorandum to be investment, legal or tax advice. You should consult your own counsel, accountant and other advisors for legal, tax, business, financial and related advice regarding purchasing the Ordinary Shares. None of the Company, the Selling Shareholders or the Underwriters or any of their respective affiliates or representatives makes any representation to any offeree or purchaser of the Ordinary Shares regarding the legality of an investment in the Ordinary Shares by such offeree or purchaser under appropriate investment or similar laws.

The Underwriters are acting exclusively for the Company and no one else in connection with the Offering and will not be responsible to any other person for providing the protections afforded to their respective clients or for providing advice in relation to the Offering. To the fullest extent permitted by applicable law, none of the Underwriters accepts any responsibility whatsoever for the contents of this Offering Memorandum or for any other statement made or purported to be made by it or any of them or on its or their behalf in connection with the Company or the Offering. Each of the Underwriters accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or otherwise (save referred to above) which it might otherwise have in respect of this Offering Memorandum or any such statement.

In connection with the Offering, the Underwriters and any of their respective affiliates acting as an investor for its or their own account or accounts may subscribe for or purchase, as the case may be, the Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account or accounts in such Ordinary Shares, any other securities of the Company or other related investments in connection with the Offering or otherwise. Accordingly, references in this Offering Memorandum to the Ordinary Shares being issued, offered, subscribed or otherwise dealt with should be read as including any issue or offer to, or subscription or dealing by, the Underwriters and any of their respective affiliates acting as an investor for its or their own account or accounts. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contracts for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Company and the Selling Shareholders may withdraw the Offering at any time before the Settlement Date, and the Company, the Selling Shareholders and the Underwriters reserve the right to reject any offer to purchase the Ordinary Shares, in whole or in part, and to sell to any prospective investor less than the full amount of the Ordinary Shares sought by such investor.

The distribution of this Offering Memorandum and the offer and sale of the Ordinary Shares may be restricted by law in certain jurisdictions. You must inform yourself about, and observe any such restrictions. See "*Selling and Transfer Restrictions*" and "*Plan of Distribution*" elsewhere in this Offering Memorandum. You must comply with all applicable laws and regulations in force in any jurisdiction in which you purchase, offer or sell the Ordinary Shares or possess or distribute this Offering Memorandum and you must obtain any consent, approval or permission required for your purchase, offer or sale of the Ordinary Shares under the laws and regulations in force in any jurisdiction to which you are subject or in which you make such purchases, offers or sales. None of the Company, the Selling Shareholders or the Underwriter is making an offer to sell the Ordinary Shares or a solicitation of an offer to buy any of the Ordinary Shares to any person in any jurisdiction except where such an offer or solicitation is permitted or accepts any legal responsibility for any violation by any person, whether or not an investor, of applicable restrictions.

NOTICE TO CERTAIN INVESTORS

Notice to UK and EEA Investors

This Offering Memorandum and the Offering are only addressed to and directed at persons in member states of the European Economic Area (the "**EEA**"), who are "qualified investors" ("**Qualified Investors**") within the meaning of Article 2(e) of the EU Prospectus Regulation. In addition, in the United Kingdom, this Offering Memorandum and the Offering are only addressed to and directed at persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation who are (1) persons who have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (2) persons who are high net worth entities falling within Article 49(2)(a) to (d) of the Order or (3) other persons to whom this Offering Memorandum and the Offering may otherwise lawfully be communicated (all such persons together being referred to as "relevant persons"). This Offering Memorandum and its contents must not be acted upon or relied upon (1) in the United Kingdom, by persons who are not relevant persons or (2) in any member state of the EEA, by persons who are not Qualified Investors. Any investment or investment activity to which this Offering Memorandum relates is available only to (1) relevant persons in the United Kingdom and (2) Qualified Investors in any member state of the EEA, and will be engaged in only with such persons.

This Offering Memorandum has been prepared on the basis that all offers of the Ordinary Shares will be made pursuant to an exemption under the EU Prospectus Regulation and the UK Prospectus Regulation from the requirement to produce a prospectus for offers of the Ordinary Shares. Accordingly, any person making or intending to make any offer within the EEA or the United Kingdom of the Ordinary Shares should only do so in circumstances in which no obligation arises for the Company, the Selling Shareholders or any of the Underwriters to produce a prospectus for such offer. None of the Company, the Selling Shareholders or the Underwriters has authorised or authorises the making of any offer of the Ordinary Shares through any financial intermediary, other than offers made by the Underwriters, which constitute the final placement of the Ordinary Shares contemplated in this Offering Memorandum.

For the purposes of this Offering Memorandum, the expression "**EU Prospectus Regulation**" means Regulation (EU) 2017/1129 and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018.

MiFID II product governance / Professional investors and ECPs only target market – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the securities referred to herein, taking into account the five categories referred to in item 18 of the Guidelines published by ESMA on 2 June 2017 has led to the conclusion in relation to the type of clients criteria only that: (i) the type of clients to whom the securities referred to herein are targeted is eligible counterparties and professional clients only, each, as defined in MiFID II; and (ii) all channels for distribution of the securities referred to herein to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the securities referred to herein (a "**distributor**") should take into consideration the manufacturers' type of clients assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the securities referred to herein (by either adopting or refining the manufacturers' type of clients assessment) and determining appropriate distribution channels.

UK product governance – Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the securities referred to herein have been subject to a product approval process, which has determined that they are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**"). Notwithstanding the UK Target Market Assessment, each distributor is responsible for undertaking its own UK Target Market Assessment in respect of the securities referred to herein and determining appropriate distribution channels.

Notice to Distributors

MiFID II Product Governance Requirements

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**").

Notwithstanding the Target Market Assessment, "distributors" (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

UK Product Governance Requirements

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK Target Market Assessment**").

Notwithstanding the UK Target Market Assessment, "distributors" (for the purposes of the UK Product Governance Requirements) should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the UK Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of

Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own UK Target Market Assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

Notice to United States Investors

Because of the following restrictions, purchasers in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Ordinary Shares.

The Ordinary Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States and may not be offered or sold in the United States, except to persons reasonably believed to be QIBs or outside the United States in offshore transactions in reliance on Regulation S. Prospective investors are hereby notified that sellers of the Ordinary Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A.

Any resale or other transfer, or attempted resale or other transfer, of such Ordinary Shares, made other than in compliance with the above stated restriction, shall not be recognised by the Company. In addition, until 40 days after the commencement of the Offering of the Ordinary Shares, an offer or sale of the Ordinary Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

NEITHER THE U.S. SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION IN THE UNITED STATES NOR ANY OTHER U.S. REGULATORY AUTHORITY HAS APPROVED OR DISAPPROVED OF THE ORDINARY SHARES OR PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE ORDINARY SHARES OR THE ACCURACY OR ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Japan

The Ordinary Shares have not been and will not be registered under the Final Instruments and Exchange Law, as amended (the "**FIEL**"). This Offering Memorandum is not an offer of securities for sale, directly or indirectly, in Japan or to or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements under the FIEL, and otherwise in compliance with, the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

Australia

No prospectus or other disclosure document has been lodged with, or registered by the Australian Securities and Investments Commission in relation to the offering of the Ordinary Shares. This Offering Memorandum does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (the "**Corporations Act**") and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act.

This Offering Memorandum is being distributed in Australia by the Underwriters to persons (the "**Exempt Investors**") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act, to "professional investors" (within the meaning of section 708(11) of the Corporations Act)) and/or otherwise pursuant to one of more exemptions contained in section 708 of the Corporations Act. The entity receiving this Offering Memorandum represents and warrants that if it is in Australia, it is either a professional or a sophisticated investor or a person to whom it is lawful to offer the Ordinary Shares without disclosure to investors under Chapter 6D of the Corporations Act and that it will not distribute this Offering Memorandum to any other person.

Any Ordinary Shares applied for by Exempt Investors in Australia must not be offered for sale in Australia for 12 months from the date of issue, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 or 708A of the Corporations Act. This Offering Memorandum is not supplied in connection with any offering or proposed offering of securities or financial products that require disclosure in accordance with Chapter 6D or Part 7.9 of the Corporations Act. Chapters 6D and 7 of the Corporations Act are complex. Any person acquiring the Ordinary Shares must observe such Australian on-sale restrictions and if in any doubt as to the application or effect of this legislation, should confer with its professional advisors.

Canada

The Ordinary Shares may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts ("**NI 33-105**"), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Russian Federation

This Offering Memorandum and information contained herein does not constitute an advertisement of any securities, or any other kind of advertisement, in the Russian Federation.

Switzerland

This Offering Memorandum shall be communicated in Switzerland to a small number of selected investors only. Each copy of this Offering Memorandum shall be addressed to a specifically named recipient and may not be passed on to third parties. The Ordinary Shares shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Offering Memorandum nor any other solicitation for investments in the Ordinary Shares may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a of the Swiss Code of Obligations (the "**CO**") unless the legal and regulatory conditions imposed on a public offering under the CO are satisfied.

SUMMARY

This summary must be read as an introduction to this Offering Memorandum, and any decision to invest in the Ordinary Shares should be based on a consideration of the Offering Memorandum as a whole including the more detailed information regarding the Group's business and the Financial Statements (as defined below) and related notes included elsewhere in this Offering Memorandum. Prospective investors should read the entire Offering Memorandum carefully, especially the discussion of risks of investing in the Ordinary Shares discussed in the "Risk Factors". Certain statements in this Offering Memorandum include forward-looking statements that involve risks and uncertainties as described under "Forward-Looking Statements".

Overview

Being, according to the CBR data, one of Russia's largest independent insurers, the Group operates a leading digital insurance platform across life and non-life insurance and asset management segments disrupting the traditional insurance market in Russia by offering innovative, technologically advanced and user-friendly solutions committed to providing first-class service to its customers.

The Group's management believes that its proven track record of delivering innovation differentiates the Group from traditional industry players and fosters organic growth. Furthermore, the Group believes that its leading digital insurance platform offers additional scaling and growth opportunities in the growing Russian insurance market.

Market Position

According to the CBR data,[1] the Group is the largest independent life insurance and the fourth largest independent non-life insurance company in Russia, based on gross written premiums ("**GWP**") for the years ended 31 December 2020 and 2019. The Group achieved a GWP CAGR[2] of 17% between 2017 and 2020, which is 8% higher than the GWP CAGR of the other top-10 insurance providers in Russia for the same period, according to the Company and the CBR data. The recent substantial growth, according to the Group's management, is in line with the Group's long-term trends, as its GWP increased 6.5-fold between 2010 and 2020, from RUB 12.8 billion for the year ended 31 December 2010 to RUB 82.8 billion for the year ended 31 December 2020, which was primarily due to organic expansion and value accretive acquisitions, while the total GWP in the Russian insurance market grew 2.8-fold times in the same period from RUB 556 billion to RUB 1,537 billion. In the six months ended 30 June 2021, the Group generated a GWP of RUB 47.7 billion, earned RUB 1.3 billion of net profit and had net assets of RUB 31.6 billion.

The Group demonstrated an 18% CAGR in net profit from RUB 3.4 billion in 2018 to RUB 4.7 billion in 2020, and this substantial growth was coupled with return on average tangible equity ("**RoATE**") reaching 21.6% in the six months ended 30 June 2021.

[1] The CBR data is mostly based on the reports filed with the CBR by the insurers in accordance with Russian legislation.

[2] CAGR is calculated as the quotient from the ending and beginning balances of the specified period in degree as one divided on number of years, and minus one.

Net Profit Growth (in RUB billion)

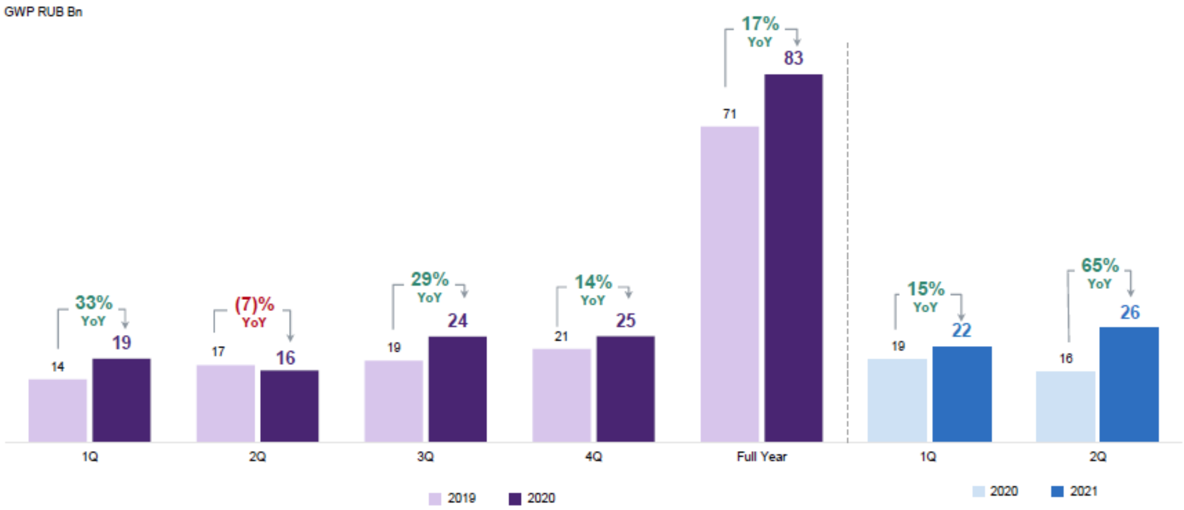
Source: Company data

(1) Net profit for the last 12 months adjusted for amortisation of value of business in force divided by equity adjusted for goodwill, intangible assets and value of business in force for the specified period.

(2) RoATE for the six months ended 30 June 2021 calculated as sum of net profit for the last 12 months and estimated amount of RUB 520 million gain from sale of pension business divided by average equity adjusted for goodwill, intangible assets and value of business in force as of 30 June 2021 and 30 June 2020.

The Group has also managed to maintain growth despite the implications of the COVID-19 pandemic. According to the Group, the COVID-19-related slowdown in GWP growth in the second quarter of 2020 was more than offset by the growth in the subsequent periods, as demonstrated in the chart below:

Growth in Premiums Despite the Challenges Posed by the COVID-19 Pandemic



Source: Quarterly data based on management accounts

Key Products

The Group's key Non-Life insurance products are motor insurance (corporate and retail), voluntary medical insurance ("**VMI**") and other Non-Life products (including property, accident, travel, cargo and other insurance), which represented 57%, 17% and 26%, respectively, of the Group's total Non-Life GWP for the year ended 31 December 2020. In the six months ended 30 June 2021, motor, VMI and other Non-Life insurance products represented 58%, 20% and 22%, respectively, of the Group's total Non-Life GWP. Non-Life insurance products are primarily distributed through the Group's internal salesforce, financial and non-financial intermediaries and dealers. Net profit attributable to the Non-Life insurance segment amounted to RUB 2.1 billion, or 44.4%, of the Group's net profit for the year ended 31 December 2020, and RUB 0.4 billion, or 30.6%, of the Group's net profit for the six months ended 30 June 2021.

In the Life insurance segment, the Group offers three product lines, namely, investment, endowment and credit and risk Life products, which represented 54%, 17% and 29%, respectively, of the Group's total Life GWP for the year ended 31 December 2020; and 36%, 17% and 47%, respectively, of the Group's total Life GWP for the six months ended 30 June 2021. The main distribution channel for Life insurance products is bancassurance channel, supported by direct sales of the Group. As of 30 June 2021, the Group had 46 banking partners in the Life insurance segment. Net profit attributable to the Life insurance segment amounted to RUB 2.4 billion, or 51.2%, of the Group's net profit for the year ended 31 December 2020, and RUB 1.1 billion, or 85.4%, of the Group's net profit for the six months ended 30 June 2021.

Asset Management

The Group manages part of its own investments through "Sputnik Asset Management Company" JSC ("**Sputnik Asset Management**"), the asset management segment of the Group's business. As at 31 December 2020, Sputnik Asset Management had RUB 40 billion of the Group's assets under management, which accounted for 25% of the Group's total assets. As at 30 June 2021, Sputnik Asset Management had RUB 53 million of the Group's assets under management, and assets under the management of Sputnik Asset Management accounted for 30% of the Group's total assets. In the year ended 31 December 2020, Sputnik Asset Management recorded a net profit of RUB 98.5 million, which accounted for 2.5% and of the Group's total net profit, and in the six months ended 30 June 2021, Sputnik Asset Management recorded a net loss of RUB 28 million, which accounted for negative 2.1% of the Group's total net profit. According to the Group's management, remuneration is typically paid to Sputnik Asset Management at the end of each year and the net loss as at 30 June 2021 is attributable to the seasonality.

Client Base

As of 31 December 2020, the Group had approximately 3.5 million customers and it believes it had a balanced split of GWP for the year ended 31 December 2020, with the Non-Life segment contributing RUB 37.1 billion (or 44.8%) and the Life segment contributing RUB 45.7 billion (or 55.2%) to the total GWP of the Group.

The number of the Group's Non-Life clients was equal to 2,060 thousand as at 31 December 2018; 2,142 thousand as at 31 December 2019; 2,063 thousand as at 31 December 2020 and 2,346 thousand as at 30 June 2021 respectively. The Group views is clients that have purchased at least one of the following products as core clients of the Group's Non-Life segment (the "**Non-Life Core Clients**"): compulsory motor third party liability insurance ("**CMTPL**") (other than clients that purchased through the "United Agent" platform, which randomly selects insurers for clients in Russian regions that have a shortage of CMTPL policies, and clients that have acquired electronic CMTPL policies via the "E-OSAGO" platform), motor own damage insurance ("**MOD**"), motor accident insurance, third party liability insurance, travel insurance, retail property insurance, mortgage insurance, classic VMI and accident insurance. The number of the Non-Life Core Clients amounted to 826 thousand, 1,015 thousand, 1,028 thousand and 1,187 thousand Non-Life Core Clients as at 31 December 2018, 2019 and 2020 and as at 30 June 2021, respectively.

The number of the Group's Life clients grew from 1,380 thousand as at 31 December 2018 to 1,578 thousand as at 31 December 2019, 1,903 thousand as at 31 December 2020 and 2,060 thousand as at 30 June 2021. As of 30 June 2021, customers that purchased risk, investment and endowment Life products, which the Group views as its core clients in the Life segment (the "**Life Core Clients**"), accounted for 19%, 6% and 6% of the Group's Life clients, respectively, and customers that purchased credit life insurance accounted for 69% of the Group's Life clients. Despite their significant share in the Life client base, the Group does not view the latter as its core clients (unless they have purchased other Life products as well), because the purchase of credit Life products is less driven by preferences towards the Group's brand. The number of the Life Core Clients amounted to 205 thousand, 289 thousand, 367 thousand and 373 thousand as at 31 December 2018, 2019 and 2020 and as at 30 June 2021, respectively.

As of 30 June 2021, the Group's Non-Life insurance average customers lifetime (being the average time a customer remains active) ("**CLT**") was 3.0 years with an average of 1.3 products per client. The Group's Life insurance average CLT was 4.4 years with an average of 1.4 products per client. The Group's management believes that the Group has demonstrated significant level of client retention and cross-selling ability, with 22% of the Group's core clients purchasing more than two products per client and 26% of the Group's core clients having a CLT of more than five years as of 30 June 2021.

Awards and Recognition

As of 30 June 2021, the Group was recognised as one of the two leading insurers by customer rating, according to the "Sravni.ru" rating (one of Russia's major independent online marketplaces for banking and insurance services). According to survey conducted by Masmi in February 2021 (the "**Masmi Survey**"), the Group's brand awareness rate in the Russian market was 78% and the Group was ranked as one of the top-four Russian insurers with the highest brand awareness rates. According to the Masmi Survey, for the same period, the Group's consideration rate (a measure of consumers' willingness to consider purchasing a brand they are aware of) for MOD, travel insurance and CMTPL products was 19%, putting the Group among the top-five Russian insurance providers based on this metric. As of March 2021, according to Rus Opros, the Group was ranked the fifth largest insurance provider based on top-down net promoter score ("**NPS**").[3]

According to the Group, it has been recognised for its innovative and technologically advanced digital offering in the Russian insurance market, for both customer-facing solutions and internal processes, including automated claims handling process and digitalisation of distribution channels. "Banki.ru" (one of Russia's major independent financial web media and marketplaces) designated the Group's Non-Life operations as the "Best Insurance Company of 2019", denoting its ongoing transformation, digital advancements in claims handling process and the Group's ability to efficiently adjust its operations in a speedy fashion. The Group was also recognised as the "Number One Insurer by Customer Rating" by "Sravni.ru".

The Group believes that it has a unique business model that focuses on offering its clients technologically advanced solutions. To achieve this, the Group has already implemented a strong partner integration system based on a single application programming interface, which allows the Group to efficiently integrate with partner ecosystems, Russia's first online agency solution, a wide range of innovative digital core insurance products and solutions (including, among others, automated policy solutions, smart online rates, smart auto rates and scoring capabilities, automated claims handling systems, use of big data and artificial intelligence (AI)) and, importantly, an end-to-end digital user experience for customers. In addition, the Group is a pioneer in direct motor insurance in Russia (see "*Business—Business Segments—Non-Life Segment—Direct Insurance—Motor Direct Insurance*"), operating through its two brands, Renaissance Insurance and InTouch. The Group considers InTouch to be a leading direct insurance brand with a substantial scalability potential.

Digital Health

Considering the increasing prominence of the Russian medical insurance market, the Group developed an e-health ecosystem ("**Digital Health**") to compliment the Group's VMI products and differentiate them from those of the Group's competitors, as well as to reduce the cost of VMI sales (see "*Business—Business Segments—Non-Life Segment—Voluntary Medical Insurance (VMI)—Digital Health*"). At the core of the Digital Health is the "Budu" mobile application, a user-friendly e-health solution that serves as a gateway to all of the services offered by the ecosystem. The "Budu" application offers the Group's clients a wide range of medical services both online and offline and provides access to more than 100 doctors at the Group's own clinic "Renaissance Clinic", as well as

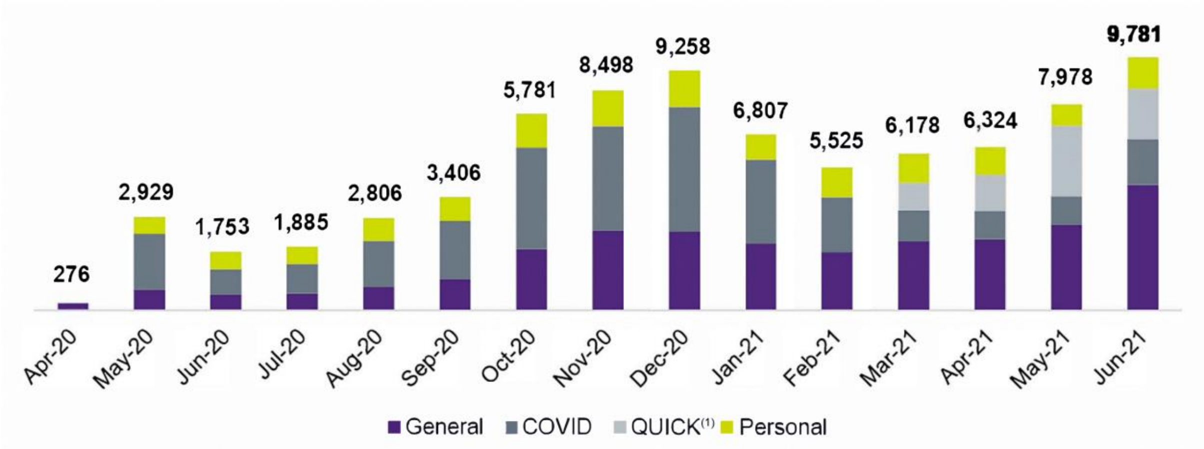
[3] Net promoter score is calculated as a difference between the percentage of "promoters" and "detractors". Both "promoters" and "detractors" are identified based on their experience to the poll about the probability of recommending services of the company to another person.

to clinics operated by medical partners of the Group. In the second quarter of 2021, “Budu” mobile application had a monthly average of approximately 22 thousand active users.

According to VEB Ventures data, the Russian telemedicine market is expected to almost double each year until 2025, with the primary reason being the increased demand for telemedicine services during the COVID-19 lockdown. Among other services, “Budu” offers telemedicine consultations through its own platform and through integration with partner applications, such as the Renaissance Health mobile application.

According to the Group, it demonstrated a significant growth in telemedicine consultation services for the period from April 2020 to June 2021, as shown in the chart below.

Telemedicine Consultation Monthly Dynamic



Source: Company data

In September 2021, the Company and some of its existing shareholders agreed the key terms of the contemplated transfer of 51% of JSC “Renaissance Health”, the Company’s associated entity engaged in the “Budu” business, to such existing shareholders, which is expected to provide JSC “Renaissance Health” with RUB 850 million to develop the “Budu” ecosystem (see “—*Recent Developments*”). The parties intend to execute the necessary transaction documentation in the fourth quarter of 2021. The Group intends to continue using the “Budu” ecosystem in its business.

Competitive Strengths

The Group believes that the following strengths have contributed to its success and will continue to support its competitive position and strategic development:

- The Group is a leading independent composite insurer in Russia;
- The Group is operating in an attractive market;
- Delivering stronger-than-the-market average growth and superior profitability;
- Strong digital capabilities and innovation underpinned by agile organisation and culture;
- Leading direct insurer positioned to scale;
- Unique digital partnership proposition;
- Digitalisation of traditional channels;

- Innovative solutions for user-friendly customer experience, from online tariffs to automated claims handling;
- One of the best VMI applications in the market;
- Leaner and better managed structure and improved internal processes resulting in increased efficiency
- Vast and growing Life customer base served through strong banking partnerships and successful direct cross-selling and upselling;
- Customer-centric company with attractive digital proposition driving customer loyalty and stickiness;
- Strong financial profile;
- Experienced management team and supportive shareholders driving change and business growth;

Business Strategy

Using the competitive strengths, the Group intends to implement the following business strategies:

- Continuing to differentiate its insurance proposition from traditional industry players;
- Expanding Non-Life business predominantly through online presence;
- Expanding Life business through cross-selling and upselling, ecosystem partner network and core bancassurance partners;
- Maintaining best-in-class profitability through operational and underwriting excellence and scalable growth;
- Pursuing selective value accretive inorganic growth opportunities.

Recent Developments

In July 2021, the Group sold its entire stake in JSC NSPF Renaissance Pensions to a third party.

In September 2021, the Company and some of its existing shareholders agreed the key terms of the contemplated transfer of 51% of JSC "Renaissance Health", the Company's associated entity engaged in the "Budu" business, which has acquired "Renaissance Clinic" and the software company developing the "Budu" application, to such existing shareholders (or their beneficial owners, affiliates or other connected parties). In consideration for 51% of shares in JSC "Renaissance Health", the existing shareholders that will participate in the acquisition will pay the Company RUB 416.5 million, which the Company will transfer to JSC "Renaissance Health" as a contribution to its capital, and will further invest RUB 433.5 million in the capital JSC "Renaissance Health", which is expected to provide JSC "Renaissance Health" with RUB 850 million to develop the "Budu" ecosystem. The parties intend to execute the necessary transaction documentation in the fourth quarter of 2021. The Group intends to continue using the "Budu" ecosystem in its business.

In October 2021, the Company was converted into a public joint stock company.

Summary Risk Factors

An investment in the Ordinary Shares involves a high degree of risk. Among the risks relating to the Group's business and the Ordinary Shares are risks associated with the following matters:

Risks Relating to the Group's Business and Industry

- Insurance underwriting is inherently risky, and relies on the Group's prediction, which may not be accurate and could result in inadequate claims reserves;

- Changes in longevity, mortality or morbidity could have a material adverse effect on the Group's life insurance business (the "**Life**"), revenues, results and financial condition;

- The Group may not be able to accurately price the insurance products it sells;

- The Group may not be successful in developing new products and entering new markets, or the Group's business strategy may not yield the anticipated benefits;

- Reinsurance arrangement may not be available or adequate to protect the Group against losses or may only be available on unfavourable terms;

- The adoption of IFRS 17 could significantly impact the Group's reported financial results and financial position;

- There are risks associated with the Group's management controls and processes, governance policies, accounting and reporting systems and internal controls relating to the preparation of the Financial Statements (as defined below);

- The Group is exposed to the risk of a mismatch between the value of its long-term assets and liabilities resulting from changes in interest rates and credit spreads, which could have a material adverse effect on the Group's business, operating results and financial condition;

- The Group relies on its network of intermediaries to sell and distribute many of its products and may not be able to maintain a competitive distribution network;

- The termination of, or any adverse change to, the Group's arrangements with the bancassurance partners may have a material adverse effect on the Group's Life insurance business;

- The corporate client base of the Group in its non-life insurance business (the "**Non-Life**") is relatively concentrated and loss of key clients could have a material negative impact on the Group's business, financial condition and results of operations;

- The Group operates in a highly concentrated industry with strong market leaders, and a failure to compete effectively with them could adversely affect its business, financial condition and results of operations;

- Changes to the Group's customers' behaviour could reduce demand for its products;

- The Group's claims management processes may adversely affect its relationships with clients, distributors and other intermediaries or lead to additional expenses;

- The Group can be subject to fraud at point-of-sale and point-of-claim, and any failure or inability to limit its exposure to fraud could adversely affect its business, financial condition and results of operations;

- The Group faces risks related to the adverse impact of the COVID-19 pandemic;

- Implementation of the Group's strategy depends on its senior management's experience and expertise, as well as its ability to recruit and retain experienced personnel;

- The Group's business entails operational risks, including failures to adhere to compliance procedures by the Group's employees;

- Failures of the Group's IT systems or third-party intrusions into such systems could adversely affect its business;

- Failure to adequately maintain and protect customer and employee information could have a material adverse effect on the Group;

- The Group is exposed to cybersecurity risk;

- The Group could be adversely affected by risks related to intellectual property;

- The Group could suffer damage to its reputation that would lead customers to take their business elsewhere;

- The Russian insurance industry is still undergoing development and the insurance industry standards in Russia may not be as robust as in more developed insurance industries;

- The cyclicality of insurance business may lead to fluctuations in premiums and investment returns generated by the Group;

- Previously unknown risks, so-called "emerging risks", which cannot be reliably assessed, could lead to unforeseeable claims, which could have a material adverse effect on the Group's business, revenues, results and financial condition;

- Disasters, consequences of the occurrence of which are covered under the Group's insurance contracts, may occur with greater frequency;

Financial and Market Risks

- The Group's exposure to fluctuations in the fixed income and equity markets could result in a material adverse effect on its investment returns and, as a result, its financial condition and results of operations;

- Low liquidity of the Group's certain investment assets, along with its inability to upstream capital could have a material adverse effect on the Group's business;

- The Group takes credit risk on various third parties, including reinsurance counterparties and policyholders;

- Additional financing may not be available or may not be available on satisfactory terms;

- The Group may be adversely affected by fluctuations in foreign currency exchange rates against the Rouble;

Legal, Compliance and Regulatory Risks

- The financial industry in Russia, including insurance and asset management, is highly regulated, and failure to comply with these regulations or changes in the regulations could have a material adverse effect on the Group's business, financial condition and results of operations;

- The Group is required to meet certain minimum capital and solvency requirements;

- The Group is subject to litigation exposure, coverage disputes and uninsured risks and incurs litigation costs in the ordinary course of its business;

- The Group is exposed to the risk of mis-selling claims from customers who feel misled or treated unfairly;

- The Group is subject to anti-trust laws enforced by the Federal Antimonopoly Service, which may result in certain limitations being imposed on the Group's activities, the violation of which may result in civil, administrative and even criminal liability;

- Changes in applicable consumer protection or insurance legislation may impose greater compliance requirements or adversely affect profitability;

- Establishment of insurance guarantee fund may impose additional obligations on the Group which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects;

- The Group is subject to regulations related to money laundering and non-compliance with these regulations may result in revocation of the insurance licenses of the members of the Group;

- Russian insurance and financial regulation has been undergoing significant changes;

Risks Relating to the Russian Federation

- Emerging markets are subject to different risks as compared to more developed markets;

- Negative publicity concerning the Russian Federation could harm the Group's business;

- Instability in the Russian economy and Russia's history of rapid inflation;

- Economic risks could adversely affect the value of investments in Russia;

- Investments in Russia may be adversely affected by fluctuations in the global economy;

- Political risks could adversely affect the value of investments in the Russian Federation;

- Social risks could adversely affect the value of investments in the Russian Federation;

- The current political situation and related sanctions imposed by the United States and the EU or the imposition of additional sanctions by the United States and the EU or other countries may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares;

- Weaknesses in the Russian banking system and another banking crisis could place severe liquidity constraints on the Group's business;

- Alleged crime and corruption within the Russian Federation could disrupt the Group's ability to conduct business;

- The condition of physical infrastructure within the Russian Federation has the potential to disrupt normal business activity;

- Incomplete, unreliable or inaccurate official and publicly available data and statistics;

- Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and for business activity;

- The judiciary's lack of independence and inexperience, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress from any court or tribunal, which could have a material adverse effect on its business and financial condition;

- Selective or arbitrary government action in Russia may have an adverse effect on the Group's business;

- Protection of minority shareholders in the Russian Federation is limited;

- Investors could have difficulty enforcing certain rights against the Company;

- Shareholder rights provisions of Russian law may impose additional costs on the Company, which could cause the Company's financial results to suffer;

- Lack of developed corporate and securities laws and regulations in the Russian Federation may limit the rights of investors in the Ordinary Shares;

- Due to the ambiguities in the Insider Dealing Law, trading of securities and other financial instruments by the Group may inadvertently violate restrictions imposed by the law;

- The actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market and consequently the Group's business, financial condition, operating results, prospects and the trading price of the Ordinary Shares;

- Russian legal entities may be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law;

- The FATCA rules could materially affect the Group and its shareholders;

- There is a risk that the Company will be classified as a passive foreign investment company ("**PFIC**") for U.S. federal income tax purposes, and such classification could result in materially adverse U.S. federal income tax consequences for U.S. investors;

Risk factors relating to Russian taxation

- The Russian taxation system is relatively underdeveloped;

- Russian transfer pricing rules may subject the Group's transfer prices to challenge by the Russian tax authorities;

- Income in the form of material benefit from the acquisition of the Ordinary Shares below the fair market value may be subject to Russian personal income tax;

- Payment of dividends (if any) on the Ordinary Shares should be subject to Russian withholding tax;

- Capital gains from the sale of Ordinary Shares may be subject to Russian income tax;

Risks Relating to the Ordinary Shares and the Offering

- Public market, liquidity and the trading price of the Ordinary Shares may be volatile;

- If closing of the Offering does not take place, purchases of the Ordinary Shares will be disregarded and transactions effected in the Ordinary Shares will be annulled;

- Sales of additional Ordinary Shares following the Offering may result in a decline in the price of the Ordinary Shares;

- The interests of the Company's largest shareholders may conflict with those of the other shareholders;

- The Company's dividend policy may change;

- Investors may face exchange rate-associated risks;

- Investors may be subject to Russian regulatory requirements. The CBR consent for the public circulation of Ordinary Shares is subject to annual renewal, and the purchases of the Ordinary Shares by foreign investors will be restricted if the Company fails to renew the CBR consent;

- Holders of the Ordinary Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emption rights in future offerings;

- The Ordinary Shares may be downgraded or delisted;

- Investors may have limited recourse against the Group and its directors and executive officers.

Summary Consolidated Financial and Operating Information

The following tables contain the Group's selected historical consolidated financial and operating information as of the dates and for the periods indicated.

The selected consolidated statement of comprehensive income data and selected consolidated statement of cash flows data for the years ended 31 December 2020, 2019 and 2018 and for the six months ended 30 June 2021 and 2020, and selected consolidated statement of financial position data as at 31 December 2020, 2019 and 2018 and as at 30 June 2021 and 2020 have been derived, without adjustment, from the Group's audited consolidated financial statements for the year ended 31 December 2020 (the "**2020 Financial Statements**"), the Group's audited consolidated financial statements for the year ended 31 December 2019 (the "**2019 Financial Statements**"), the Group's audited consolidated financial statements for the year ended 31 December 2018 (the "**2018 Financial Statements**"), prepared in accordance with International Financial Reporting Standards ("**IFRS**") as issued by the International Accounting Standards Board, and the Group's unaudited interim condensed consolidated interim financial information for the six months ended 30 June 2021 (the "**Interim Financial Information**") prepared in accordance with the International Accounting Standard 34, Interim Financial Reporting ("**IAS 34**"), as issued by the International Accounting Standards Board (the 2018 Financial Statements, the 2019 Financial Statements, the 2020 Financial Statements and the Interim Financial Information, together the "**Financial Statements**"), as set forth on pages F-2 through F-245 of this Offering Memorandum. The financial information pertaining to the six months ended 30 June 2020 has been derived, without adjustment, from the comparatives included in the Interim Financial Information.

On 1 January 2018, the Group adopted IFRS 15, Revenue from Contracts with Customers ("**IFRS 15**"). IFRS 15 does not apply to income related to insurance contracts, financial instruments or leases, and therefore does not impact the majority of the Group's income. As a result, most of the Group's income is not affected by the adoption of this IFRS standard. For further details of IFRS 15 adoption and impact please refer to Note 2 to the 2018 Financial Statements.

In addition, on 1 January 2019, the Group adopted IFRS 16, Leases ("**IFRS 16**"). Upon adoption of IFRS 16, as at 1 January 2019, the Group recognised lease liabilities in relation to leases that had previously been classified as operating leases in accordance with IAS 17. The Group applied transition requirements and practical expedients, which have been provided for in the standard.

The Group applied the modified retrospective method without restatement of comparatives, which presumes recognition of cumulative effect of initial application at the date of the initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted as at 1 January 2019 using the lessee's incremental borrowing rate that was 9.64%. At 1 January 2020 and 1 January 2019, the Group recognised RUB 1,003 million and RUB 307 million of lease liabilities included in the borrowings and other payables, respectively. The Group applied a unified approach to all classes of lease contracts excluding short-term leases and leases of low-value assets.

Right-of-use assets were recognised in an amount equal to the lease liability, adjusted by the amount of lease payments made or accrued in advance in connection with such lease, which is recognised in the Statement of Financial Position immediately prior to the date of initial application. As at 1 January 2020 and 1 January 2019, the Group recognised RUB 1,040 million and RUB 310 million of right-of-use assets, respectively. In addition, the Group recognized RUB 3 million of prepaid expenses related to derecognition of previous operating leases in the year ended 31 December 2019.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16 were applied to these leases from 1 January 2019. The Group did not recognise assets and liabilities under operating lease agreements for which the rental payment is variable and depends on the cadastral value of the land.

For further details on IFRS 16 adoption and impact, please refer to Note 2 to the 2019 Financial Statements.

Effective 1 January 2019, the Group also changed its accounting policy to use direct method for preparing the consolidated statements of cash flows. This change was applied retrospectively and the consolidated financial information of the Group as at and for the year ended 31 December 2018 had been changed from that previously reported in the 2018 Financial Statements. For the impact of this accounting policy change, please see Note 2 to the 2019 Financial Statements.

Therefore, due to the adoption of the new accounting standards, the 2019 Financial Statements are not directly comparable with the financial information pertaining to the year ended 31 December 2018.

In the Interim Financial Information, the pension operations segment was presented as discontinued operations in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"; the figures for the six months ended 30 June 2020 were reclassified accordingly. In the 2020, 2019 and 2018 Financial Statements, these operations were not presented as discontinued operations. Accordingly, the figures for the interim and annual periods are not fully comparable in this respect. Results of pension operations segment for the years ended 31 December 2020, 2019 and 2018 are disclosed in Notes 21 and 23 to the 2020 and 2019 Financial Statements, respectively.

Selected Consolidated Statement of Comprehensive Income Data

	For the six months ended 30 June (unaudited)		For the years ended 31 December		
	2021	**2020**	**2020**	**2019**	**2018 (restated)**
			(*in millions of RUB*)		
Gross insurance premiums	47,740	34,591	82,766	71,691	70,275
Gross change in unearned premium reserve	(1,688)	1,141	366	(188)	(52)
Premium ceded	(1,350)	(1,474)	(2,699)	(2,503)	(1,971)
Change in reinsurers' share in change in unearned premiums reserve	59	231	60	265	(65)
Net premium earned	**44,760**	**34,489**	**80,492**	**69,264**	**68,187**
Insurance benefits and claims paid	(16,310)	(10,861)	(23,672)	(22,637)	(17,746)
Reinsurer's share of insurance benefits and claims paid	406	252	621	912	832
Gross change in claims reserves	(7,921)	(8,995)	(23,358)	(16,520)	(14,279)
Change in reinsurer's share of claims reserve	(46)	81	385	(220)	43
Net claims incurred	**(23,871)**	**(19,523)**	**(46,023)**	**(38,465)**	**(31,151)**
Net acquisition costs	(18,943)	(11,463)	(29,713)	(24,802)	(29,242)
Allowance for impairment of insurance and reinsurance receivables	(71)	(139)	(123)	(192)	(191)
Amortization of value of business in force	-	(22)	(44)	(222)	(246)
Result of insurance operations	**1,875**	**3,342**	**4,589**	**5,582**	**7,358**
Gains from sale, net	142	170	577	198	78
Interest income	1,891	1,699	2,990	2,963	1,870
Change in fair value of financial instruments	759	(1,398)	1,981	1,862	(77)
Deposits (more than 90 days)	387	555	1,100	1,015	490
Corporate securities	102	110	218	248	293
Banking accounts (including short-term deposits)	217	227	432	312	600
Loans	3	12	26	2	0
Other investment income	558	108	854	817	591
Total net income from investing activities	**4,059**	**1,483**	**8,179**	**7,418**	**3,845**
Other income and expense	(4,250)	(2,809)	(7,029)	(7,776)	(7,014)
Profit before tax	**1,683**	**2,015**	**5,738**	**5,224**	**4,189**
Income tax expense	(267)	(328)	(1,059)	(1,077)	(811)
Profit for the period from continuing operations	**1,416**	**1,688**	**4 ,680**	**4,147**	**3,378**
Net profit for the period	**1,332**	**1,775**	**4,680**	**4,147**	**3,378**

	For the six months ended 30 June (unaudited)		For the years ended 31 December		
	2021	2020	2020	2019	2018 (restated)
			(*in millions of RUB*)		
Net change in the fair value of available-for-sale financial assets	19	(35)	(5)	(87)	90
Translation differences	-	-	-	(104)	166
Reclassification of cumulative gains on disposal of debt instruments at fair value through other comprehensive income to the income statement	(3)	(3)	(3)	-	-
Other comprehensive income / (loss) for the year, net of tax	**16**	**(38)**	**(8)**	**(192)**	**255**
Total comprehensive income for the period	**1,348**	**1,737**	**4,671**	**3,955**	**3,633**

Note:

(1) Other items of income and expense comprise of Administrative expenses, Interest expense, Foreign exchange gains/(losses), Other operating income, Other operating expense and Result of pension operations.

Selected Consolidated Statement of Cash Flows Data

	For the six months ended 30 June (unaudited)		For the year ended 31 December		
	2021	2020	2020	2019	2018 (reclassified)
			(*in millions of RUB*)		
CASH FLOWS FROM OPERATING ACTIVITIES					
Insurance premiums received	43,502	31,356	77,200	63,158	63,766
Reinsurance premiums paid	(907)	(1,183)	(1,895)	(1,595)	(1,433)
Insurance benefits and claims paid	(15,584)	(9,876)	(21,889)	(20,741)	(15,268)
Reinsurers' share of benefits	51	30	110	394	390
Subrogations and salvages, received	640	636	1,230	1,129	968
Claim settlement expenses	(446)	(413)	(822)	(1,076)	(1,034)
Acquisition costs paid	(15,231)	(7,592)	(22,354)	(17,562)	(22,250)
Direct loss refund under Motor Third Party Liability Insurance, received from insurers	1,641	1,155	2,314	2,932	2,690
Direct loss refund under Motor Third Party Liability Insurance, paid to insurers	(1,529)	(1,516)	(2,972)	(2,819)	(3,154)
Direct loss refund under Motor Third Party Liability Insurance, paid to policyholders	(1,809)	(1,199)	(2,691)	(3,555)	(3,562)
Pension contributions received	1,891	1,657	3,244	3,189	2,850
Pension payments	(980)	(578)	(1,415)	(1,387)	(1,175)
Payments to professional associations of insurers in the form of deductions from premiums stipulated by the Russian legislation	(111)	(5)	(215)	(195)	(220)
Interest received	4,055	4,482	6,946	5,710	4,738
Interest paid	(160)	(175)	(359)	(270)	(334)
Dividends received and other similar payments	329	128	654	380	279
Purchase, sale and redemption of financial assets at fair value through profit or loss	(14,261)	(12,756)	(27,007)	(12,945)	(21,469)
Salaries and other employee benefits	(2,545)	(1,662)	(4,171)	(3,484)	(2,893)
Other administrative and operating expenses	(1,543)	(1,002)	(2,221)	(2,410)	(2,551)
Other cash flows from operating activities	595	227	751	778	756
Income taxes paid	(484)	(288)	(548)	(656)	(1,057)
Net cash flow from operating activities	**(2,885)**	**1,327**	**3,891**	**8,973**	**38**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property and equipment and intangible assets	9	0	1	-	1
Payments on purchase of property and equipment and intangible assets	(356)	(251)	(820)	(367)	(685)
Revenue from rental of investment property	116	86	210	209	208
Placement and withdrawal of deposits	2,476	305	(181)	(7,024)	(2,942)

	For the six months ended 30 June (unaudited)		For the year ended 31 December		
	2021	2020	2020	2019	2018 (reclassified)
Withdrawals and sale of available-for-sale financial assets	161	145	144	1,046	-
Purchase of securities held to maturity	-	-	-	(550)	-
Loans granted	(1,403)	(1,055)	(1,055)	(0)	-
Loans repaid	590	153	1,200	0	-
Other cash flows from investing activities	-	(0)	(2)	311	(0)
Net cash flows used in investing activities	**1,593**	**(618)**	**(503)**	**(6,375)**	**(3,418)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings and other payables, received	2,970	855	855	706	1200
Borrowings and other payables, repaid	-	(411)	(801)	(3,200)	(1,400)
Proceeds from bonds issued	-	-	-	3,000	-
Dividends paid to shareholders (net of tax)	-	-	-	-	(994)
Lease payments	(140)	(131)	(298)	(203)	(0)
Other cash flows from financing activities	-	-	-	(30)	-
Net cash flows from / (used in) financing activities	**2,830**	**313**	**(244)**	**272**	**(1,194)**
Net increase / (decrease) in cash and cash equivalents	**1,538**	**1,022**	**3,144**	**2,870**	**(4,575)**
Effect of change in the exchange rate of foreign currency to the rouble	22	(12)	95	(88)	-
Cash and cash equivalents, beginning	**13,852**	**10,613**	**10,613**	**7,831**	**12,406**
Cash and cash equivalents, ending	**15,412**	**11,623**	**13,852**	**10,613**	**7,831**

Selected Consolidated Statement of Financial Position Data

	As of			
	30 June 2021 (unaudited)	31 December 2020	31 December 2019	31 December 2018
	(*in millions of RUB*)			
Assets				
Cash and cash equivalents	13,998	13,852	10,613	7,831
Amounts due from credit institutions	16,504	19,124	18,986	11,899
Financial instruments at fair value through profit or loss	86,265	96,229	66,895	51,368
Assets of disposal group	25,567	-	-	-
Loans and other receivables	813	37	9	213
Available-for-sale financial assets	2,369	2,065	2,271	3,739
Financial assets held to maturity	-	566	553	-
Insurance and reinsurance receivables	7,603	6,112	5,862	5,139
Reinsurers' share of insurance contract liabilities	2,380	2,367	1,923	1,878
Current tax assets	113	139	470	261
Deferred tax assets	654	635	890	751
Deferred acquisition costs	9,422	8,640	9,166	8,961
Property and equipment	955	1,121	1,411	394
Investment property	1,985	1,860	1,852	1,859
Intangible assets	1,587	1,423	1,072	1,157
Goodwill	8,210	8,335	8,435	8,435
Value of business in force	-	-	44	266
Other assets[(1)]	922	1,169	1,206	1,650
Total assets	**179,347**	**163,674**	**131,658**	**105,801**
Liabilities and equity				
Liabilities				
Insurance contract liabilities	106,966	97,356	74,364	57,656
Liabilities of disposal group	23,586	-	-	
Pension liabilities	-	22,578	19,587	16,342
Other insurance liabilities	7,350	5,936	4,653	4,530

	As of			
	30 June 2021 (unaudited)	31 December 2020	31 December 2019	31 December 2018
Deferred commission income on ceded reinsurance	38	35	36	18
Debt securities issued	3,053	3,051	3,043	-
Borrowings and other payables	3,611	739	1,009	2,508
Current tax liabilities	51	212	84	22
Deferred tax liabilities	1,540	1,566	1,615	1,025
Other liabilities	1,560	1,957	1,696	2,082
Total liabilities	**147,756**	**133,430**	**106,086**	**84,184**
Equity				
Share capital	4,351	4,351	4,351	4,351
Additional capital	14,652	14,652	14,652	14,652
Revaluation reserve for available-for-sale financial assets	28	12	20	107
Translation differences	18	18	18	122
Insurance reserve of NSPF	915	902	791	674
Retained earnings	11,628	10,309	5,740	1,710
Total equity	**31,592**	**30,244**	**25,572**	**21,617**
Total liabilities and equity	**179,347**	**163,674**	**131,658**	**105,801**

Note:

(1) Other assets include prepaid expenses.

Selected Non-IFRS Measures

	For the six months ended 30 June (unaudited)		For the year ended 31 December (unaudited)		
	2021	2020	2020	2019	2018
			(in percentages)		
Selected Financial Ratios					
Loss Ratio[(1)]	53.3%	56.6%	57.2%	55.5%	45.7%
Acquisition Ratio[(2)]	42.3%	33.2%	36.9%	35.8%	42.9%
Combined Ratio[(3)]	104.6%	99.4%	103.7%	102.3%	99.3%
Administrative Expense ratio[(4)]	7.7%	8.2%	8.5%	9.4%	9.3%
Net Profit Ratio[(5)]	2.8%	5.1%	5.7%	5.8%	4.8%

Notes:

(1) Loss Ratio is calculated as net claims incurred divided by net premium earned.
(2) Acquisition Ratio is calculated as net acquisition costs divided by net premium earned.
(3) Combined Ratio is calculated as sum of (net claims incurred plus net acquisition costs plus administrative expenses plus allowance for impairment of insurance and reinsurance receivables plus other operating income plus other operating expense) divided by net premium earned.
(4) Administrative Expense Ratio is calculated as administrative expenses divided by net premium earned.
(5) Net Profit Ratio is calculated as net profit divided by gross written premiums.

Prospective investors should read the following selected consolidated financial and operating information in conjunction with the information contained in "*Risk Factors*", "*Presentation of Financial and Other Information*", "*Capitalisation and Indebtedness*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", and the Financial Statements included elsewhere in this Offering Memorandum.

RISK FACTORS

An investment in the Ordinary Shares involves a high degree of risk. Prospective investors should carefully consider the following information about these risks, as well as all the information contained elsewhere in this Offering Memorandum, before they decide to buy any Ordinary Shares. If any of the following risks actually occurs, the Group's business, financial condition, results of operations and prospects may be materially adversely affected. In such an event, the trading price of the Ordinary Shares could decline and investors could lose all or part of their investment.

The Group has described the risks and uncertainties that its management believes are material, but these risks and uncertainties are not the only potential risks relating to the Group or an investment in the Group, nor are they presented in any order of priority. Additional risks and uncertainties, including those that the Group currently does not know about or currently deems immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the price of the Ordinary Shares.

Risks Relating to the Group's Business and Industry

Insurance underwriting is inherently risky, and relies on the Group's prediction, which may not be accurate and could result in inadequate claims reserves

The insurance underwriting process involves the use of judgement and assumptions about matters that are inherently unpredictable and out of the Group's control. Therefore, it is impossible to precisely determine whether a single risk or a portfolio of risks will result in a loss, the amounts that will be paid to meet the liabilities covered by the underwriting, or the timing of the payment and settlement of these liabilities. Furthermore, the Group may be exposed to a series of claims for large losses in relation to uncorrelated and otherwise unrelated events which occur at, or around, the same time. While none of such claims may be material to the Group individually, in aggregate they may result in the Group having to recognise significant losses in a single reporting period. As such, there can be no assurance that the Group's reserves will be sufficient to cover actual claims costs.

The Group maintains reserves to cover the estimated ultimate liability for reported and unreported claims (including claims handling expenses) at the end of each accounting period. Estimating potential insurance liability involves the use of actuarial and statistical projections at a given time to predict the expected ultimate cost of the administration and settlement of claims based on facts and circumstances then known, predictions of future events, projections of future trends in claims severity and other variable factors such as inflation and new concepts of liability. The estimates are also based on other variable factors, including changes in the legal and regulatory environment, outcome of litigation proceedings, changes in medical costs, changes in the costs of repairs and replacements and general economic conditions. Statistical methods and models may not accurately quantify the Group's risk exposure if circumstances arise that were not observed in the historical data, if the data do not accurately estimate the magnitude of the impact of events or if the data otherwise prove to be inaccurate. From time to time, the Group may need to update its assumptions and actuarial risk models to reflect changes in circumstances and other new information. Therefore, the Group cannot precisely predict the exact amount of claims that it will receive and when such claims will arise. As a result, the Group cannot assure you that its insurance reserves as well as its other assets and expected future premiums will be sufficient to cover the actual claim liabilities incurred by the Group, and actual claims and claims expenses paid may vary significantly from estimates reflected in the Group's insurance reserves.

To the extent that the Group's reserves are subsequently determined to be insufficient to cover the future cost of claims (after taking into account any reinsurance), the Group will have to increase its claims reserves and incur a corresponding reduction in its net profit in the period in which the deficiency is identified, and if, in the longer term, the deficiency becomes large enough and trading conditions are unfavourable, the Group may be unable to attract new business and/or establish premium rates at levels sufficient to cover losses. Furthermore, if any of the Group's reinsurance coverage were to become uncollectible, the Group may be forced to liquidate any of its investments in unfavourable market conditions or to raise funds at unfavourable costs in order to cover losses. Any of these events could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Changes in longevity, mortality or morbidity could have a material adverse effect on the Group's Life insurance business, revenues, results and financial condition

Insurance business is exposed to the risk that the insured party lives longer than expected (longevity risk), the risk that the insured party dies sooner than expected (mortality risk) and the risk that the insured party falls seriously ill or is disabled more severely than expected (morbidity risk).

In particular, annuities and Life products are subject to longevity risk, where annuitants live longer than was projected at the time their policies were issued, with the result that the insurer must continue paying out to the annuitants for longer than anticipated (and, therefore, longer than was reflected in the price of the annuity and in the liability established for one policy).

The Group's Life insurance products are also exposed to mortality risk, especially for term Life insurance. In addition, the Group's insurance business is exposed to morbidity risk, in particular the risk that more policyholders than anticipated will suffer from long-term health impairments, and in the case of income protection or waiver of premium benefits, the risk that those who are eligible to make a claim do so for longer than anticipated (and, therefore, longer than was reflected in the price of the policies and in the liability established for the policies).

While the share of annuities in the Group's Life products portfolio is insignificant at the moment, and the average term of Life insurance is less than ten years, which significantly limits the possible impact of the above factors on the Group, they could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group may not be able to accurately price the insurance products it sells

The Group's results of operations and financial condition depend, to a significant extent, on its ability to set prices accurately. Price adequacy is necessary to generate sufficient premiums to cover losses and underwriting expenses and to earn a profit on its own underwriting. If the Group fails to appropriately assess the risks that it assumes, it may be unable to establish adequate premium rates, which could result in the Group incurring losses from its underwriting activities. Such losses could have a material adverse effect on the Group's business, financial condition and results of operations.

In order to price its products accurately, the Group must collect and properly analyse a substantial volume of data; develop, test and apply appropriate pricing formulae; closely monitor and promptly recognise emerging trends, and project both the frequency and severity of losses with reasonable accuracy. The Group's ability to undertake these efforts successfully and, as a result, to price its products accurately may be hindered by factors including, without limitations:

- the lack of availability of sufficient reliable data, including inaccurate or misleading data provided by third parties;
- incorrect or incomplete analysis of available data;
- uncertainties inherent in estimates and assumptions generally;
- the selection and application of appropriate pricing formulae or other pricing methodologies;
- unanticipated or inconsistent court decisions, legislation or regulatory action;
- ongoing changes in the Group's claim settlement practices, which can influence the amount paid on claims;
- changing driving patterns, which could affect both the frequency and severity of claims in the motor insurance sector;
- unanticipated inflation in the medical industry, resulting in changes to bodily injury or personal injury protection claim severity;

- unanticipated inflation in motor repair costs, motor parts prices and used motor prices, adversely affecting motor physical damage claim severity;
- unanticipated changes in interest rates, bond yields, asset prices and other factors that may affect investment performance;
- unanticipated changes in mortality and longevity; and
- decisions of Russian government bodies relating to insurance, including but not limited to, decisions on tariffs for compulsory (mandatory) insurance, additional documentary requirements and other initiatives.

Any or all of these factors may result in the Group's pricing being based on inadequate or inaccurate data or inappropriate analyses, assumptions or methodologies, and may cause it to estimate incorrectly future increases in the frequency and severity of claims. As a result, the Group could underprice risks, which could negatively affect its underwriting profit and commission income, or the Group could overprice risks, which could hurt the Group's competitiveness and its ability to attract new business. Moreover, the Group may price its products lower to retain or attract new customers. Any of these factors could reduce the Group's business volume and competitiveness and have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group may not be successful in developing new products and entering new markets, or the Group's business strategy may not yield the anticipated benefits.

The Group's strategy focuses on continuing business expansion and maintaining its position as one of the leaders in the Russian insurance market, achieving attractive returns for its shareholders. See "*Business—Business Strategy*". The Group views continuous digital innovation, the deepening of cooperation with its partners, as well as a combination of organic and strategic growth as essential components of its business strategy.

The Group sees its digital capabilities and continuous digitally enabled innovation as one of its key differentiating factors as compared to its competitors. The Group is committed to achieving a technological shift in its business and transforming its traditional sales channels by using automation, online scoring models and digitisation of claims handling. The Group launched a number of digital projects, including without limitations, (i) "Budu" digital health platform, which allows customers to access a wide range of online and offline medical services, (ii) an application programming interface (the "**API**")-based integration platform offering a cost-efficient and easy access to partners' ecosystems, (iii) "Renaissance Auto" mobile application which provides personal access to all auto insurance products, allows online vehicle inspection in case of a car accident and enables smooth communication between customers and the Group, as well as (iv) a digital service that is designed to simplify the claims handling process through full remote support. The digital strategy of the Group is designed to optimise the Group's costs and expand its presence in the insurance market through the improvement of operational efficiency, cultural transformation and introduction of new products through its highly efficient digital solutions. The Group considers digital sales as the key driver for growth in the Non-Life segment in the coming years and plans to ensure its online presence in all Russian regions.

While the Group believes that it offers a wide range of competitive products and services and that relatively moderate competition will facilitate the Group's successful entrance into new markets, no assurance can be given that the Group will achieve its growth target as anticipated or at all. The Group may face stronger than expected competition in new markets, consumer behaviour in new markets may differ from the expected demand and there can be no assurance that the Group's marketing strategy for its expansion would be effective.

With regard to the Life insurance line of business, the Group seeks to continue growing its customer base through services offered in ecosystems created together with its partners and through core bancassurance partnerships. The Group also developed targeted cross-selling and up-selling strategies in Life insurance and expects to further improve its cross-sale rates by utilising a new cross-selling algorithmic model based on machine learning that would allow the Group to market targeted offerings to its client base. The Group's implementation of its strategy is contingent upon a range of factors that are beyond its control, including, in particular, market conditions, general business environment, legal framework (including regulatory actions), and the activities of its main competitors, including financial groups that have captive insurance companies. Therefore, there can be no assurance that the

Group will be able to implement its current strategy in the future or that its business strategy will generally be successful.

Strategic growth (through the acquisition of other businesses) has been an important growth factor for the Group. In 2005, the Group acquired an insurance company called "Progress Neva" and a life insurance company called "Progress Neva" to expand its insurance business in Saint Petersburg and the Leningrad region, as well as other cities and regions in the territory of the Northwestern Federal District of Russia. In 2009, the Group acquired NPF Victoria-Fund, and in 2017, the former shareholder of the Group made a contribution of three insurance companies to the Group's assets in order to expand the Group's business. In addition to organic growth, the Group's acquisition strategy aims at sustainable and profitable growth through selective merger and acquisition of companies that strengthen the Group's position across business segments. However, the Group may be unable to identify suitable targets for acquisitions, alliances or investments in the future, or, if the Group does identify suitable targets, it may be unable to successfully complete an acquisition, realise the expected gains within the required time, or fail to complete any transaction on acceptable terms or at all. A failure by the Group to identify suitable acquisition targets, properly value transactions or complete transactions on a timely basis or at all could harm the Group's competitive position and its ability to maintain or increase its market share and profitability. Furthermore, any acquisitions and the subsequent integration of acquired businesses into the Group's operations would, if pursued, require significant attention from management, in particular to ensure that the acquisitions do not disrupt other business processes. The diversion of the Group's management's attention and any difficulties encountered in any integration process could have a material adverse effect on the Group's ability to manage its business. Future acquisitions could also expose the Group to potential risks, including risks associated with the integration of new operations, services and personnel, unforeseen or hidden liabilities, the diversion of resources from the Group's existing businesses and technologies, inability to generate sufficient revenue to offset the costs and expenses of acquisitions and potential loss of, or harm to, relationships with employees and external parties as a result of the integration of new businesses. Additionally, potential future acquisitions may not bring the intended outcome. Furthermore, the contemplated transfer of 51% of JSC "Renaissance Health", the Company's associated entity engaged in the "Budu" business, to the Company's existing shareholders (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*") may not yield the expected value, business or strategic results. All of the above could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Apart from further expansion via potential acquisitions, the Group expects to continue to grow organically and has developed a set of short-term and mid-term financial targets to track its progress (see "*Business—Maintaining best-in-class profitability though operational and underwriting excellence and scalable growth*"). While the Group demonstrated strong profitability and robust financial profile in recent years, there can be no assurance that the Group will be able to achieve its financial targets. Furthermore, the Group anticipates additional costs in connection with the expansion and development of its business. The expenses associated with such expansion and development may prove higher than the Group anticipates, and the Group may not succeed in increasing its revenue sufficiently to offset these expenses. If the Group's revenue declines or fails to grow at a rate sufficient to offset increases in the Group's operating expenses, the Group will not be able to achieve or maintain profitability in future periods. If any such risks occur, this could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Reinsurance arrangement may not be available or adequate to protect the Group against losses or may only be available on unfavourable terms

As part of its risk management strategy, the Group purchases reinsurance arrangements on quota share, surplus and/or excess of loss basis, to protect its financial results from significant or catastrophic losses and to increase its underwriting capacity. For these purposes the Group enters into various third-party agreements such as reinsurance agreements, quota share reinsurance agreements or surplus reinsurance agreements. These agreements generally concluded on a yearly renewable basis or automatically renewable basis. According to the terms of the agreements, and subject to the reinsurance premium paid, the reinsurer agrees to reimburse the Group for a portion of the claim paid to a policyholder or third-party claimant, in the case of quota share and/or surplus reinsurance, or a portion of a claim in excess of a certain amount, in the case of excess of loss reinsurance (see "*Business—Reinsurance*"). From time to time, market conditions beyond the Group's control may limit, and in some cases may prevent, insurers and reinsurers from obtaining the types and amounts of reinsurance that they consider adequate for their business needs, or may significantly increase the costs of doing so. Furthermore, even if the Group is able to obtain such reinsurance arrangements, it may not be able to negotiate terms that it deems appropriate or acceptable or obtain such reinsurance arrangements from entities with satisfactory creditworthiness.

The reinsurance market, like other markets, is subject to large economic cycles and is sensitive to catastrophic claim payments or negative economic factors. During a hard market phase, reinsurance providers increase their rates and reduce their capacities, which makes them reluctant to renew reinsurance agreements on existing terms. Therefore, during the hard market phase the Group is exposed to risk of increasing costs of reinsurance and reduced underwriting capacity, which, in turn, may lead to reduced margin. Although the Group has in the past been able to purchase reinsurance in sufficient amounts and from reliable providers, there can be no assurance that it will continue to be able to do so in the future on acceptable terms or at all. Furthermore, if the Group is unable to renew its reinsurance agreements in a timely manner, there is a risk that the Group may be unable to procure replacement coverage for any reinsurance agreements at rates equivalent to those of the terminated coverage and that the Group may be exposed to un-reinsured losses during any interim period between termination of the existing agreements and the start of any replacement coverage. The Group's most important reinsurance contracts are related to property, marine hull and cargo and motor vehicle insurance, among others.

A default by a reinsurer could also expose the Group to credit risk. Additionally, though the Group seeks to employ a conservative reinsurance strategy that diversifies its exposure to reinsurers and its mix of quota share, surplus and excess of loss reinsurance coverage, the Group bears credit risk with respect to its reinsurers, and if any reinsurer fails to pay the Group, or fails to pay on a timely basis, the Group could experience significant losses, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Under Russian law, the Group shall reinsure 10% of all of its reinsured obligations (subject to certain exclusions related to the type of insurance) with the state-owned Russian National Reinsurance Company ("**RNRC**"), which was established by the Russian government in 2016. The reinsurance premium paid by the Group to the RNRC amounted to RUB 249 million in 2020 and RUB 135 million in the six months ended 2021. There can be no assurance that the current share of obligatory reinsurance with the RNRC will not be increased or any additional requirements related to the mandatory reinsurance with RNRC will not be introduced in the future, which could increase the Group's costs or otherwise adversely affect its business, results of operations and financial condition or the trading price of the Ordinary Shares.

The adoption of IFRS 17 could significantly impact the Group's reported financial results and financial position

On 18 May 2017, the International Accounting Standards Board (the "**IASB**") published IFRS 17, Insurance Contracts ("**IFRS 17**"), effective from 1 January 2021. In March 2020, the IASB deferred the effective date to 1 January 2023, however, this remains subject to the IASB's consultation on recommended changes to the IFRS. This new standard introduces significant changes to the statutory reporting of insurance entities that prepare financial statements according to Industry Accounting Standards ("**OSBU**") and IFRS (such as the Group), changing the presentation and measurement of insurance contracts, including the effect of technical reserves and reinsurance on the value of insurance contracts.

Among the new requirements and depending on which accounting model applies, IFRS 17 introduces the need for the Group to generate new revenue recognition profiles, new balance sheets and revenue items using several new or revised calculations. In 2018, as part of preparations for IFRS 17, the Group introduced a new version of endowment product reserving methodology, which contributed into a significant increase in the Group's claims provisions and, as a result, a one-off decrease in the net profit and profit ratio from endowment products in 2019. In particular, the Group's net profit and profit ratio from endowment products decreased from RUB 400 million and 13% in 2018 to RUB 300 million and 7% in 2019, respectively. The effect of required changes to the Group's accounting policies as a result of the implementation of the new standard is currently being evaluated but these changes can be expected to, among other things, alter the timing of IFRS profit recognition, costs and distributable reserves, and impact the Group's reported results of operations and financial position.

There are risks associated with the Group's management controls and processes, governance policies, accounting and reporting systems and internal controls relating to the preparation of IFRS financial

statements

The Group has been preparing financial statements in accordance with IFRS since 2012. The preparation of the consolidated financial statements for the Group involves, first, the transformation of the statutory financial statements of each member of the Group into the financial statements with accounting adjustments and, second, the consolidation of all such financial statements. This process is complicated and time-intensive, and requires significant attention from the Group's senior accounting personnel. Moreover, due to significant differences between businesses that members of the Group are engaged in (see "*Business—Overview*"), the Group's accounting personnel has to consolidate the IFRS financial statements of each of the Group's entities manually (comparative to accounting personnel in many major Russian companies).

In light of the above and the Group's past and planned growth, the preparation of the annual or interim consolidated financial statements may require more time and resource than other companies and such financial statements may be subject to a greater possibility of errors or misstatements. With each acquisition the Group seeks to adapt and incorporate the financial reporting system of the acquired operations quickly and efficiently into the Group's reporting system. The Group's ability to generate accurate financial information in a timely manner and to produce consolidated financial statements is currently overly dependent on a small group of accounting professionals. To address this risk the Group has implemented numerous controls to help ensure the accuracy of the financial information generated and continues to automate its accounting processes where possible.

There can be no assurance that the Group's accounting systems and controls as currently in place will function effectively or as designed and this may adversely affect its business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group is exposed to the risk of a mismatch between the value of its long-term assets and liabilities resulting from changes in interest rates and credit spreads, which could have a material adverse effect on the Group's business, operating results and financial condition

The Group has long-term fixed income assets, such as fixed income securities and receivables, which are required to be matched against the Group's long-term insurance liabilities from its insurance products. The Group's fixed income assets are valued at fair market value in accordance with current accounting and solvency regulations and are, therefore, sensitive to interest rate and credit spread movements. However, corresponding liability valuations do not fluctuate with interest rate and credit spread movements when they are valued using a fixed accrual methodology, which may apply depending on applicable accounting, reporting and regulatory frameworks. Furthermore, even if the corresponding liabilities are valued using a market consistent methodology, they may nevertheless have limited or different sensitivity to credit spread and interest rate movements because the discount rates applied in those market valuations (in some cases, including the discount rate prescribed or determined by regulators) typically do not fully reflect sensitivities to credit spread and interest rate movements and, therefore, the value of the Group's liabilities may not match that of its fixed income assets. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Equity*". Although, according to the Group's management, the amount of its long-term receivables is not material for the Group, and generally the Group disposes of fixed income securities prior to their maturity date, the mismatch between the valuations of the fixed income assets and liabilities, depending on applicable accounting, reporting and regulatory frameworks, could have an adverse effect on the Group's available regulatory capital, business, revenues, results and financial condition.

The Group relies on its network of intermediaries to sell and distribute many of its products and may not be able to maintain a competitive distribution network

The Group relies primarily on intermediaries for distribution of its Life and Non-Life products, including financial and non-financial intermediaries, dealers and agents or sales representatives. The sales of Life insurance and Non-Life insurance products through the Group's intermediaries accounted for 73.2% and 74.6% of the Group's GWP in the years ended 31 December 2019 and 2020, respectively. For the six months ended 30 June 2021, the sales of Life insurance and Non-Life insurance products through the Group's intermediaries accounted for 74.1% of the Group's GWP. Although the Group seeks to enlarge the share of products sold by the Group directly to its customers (see "*Business—Direct Insurance*"), the majority of its products continue to be distributed through a network of intermediaries. Accordingly, the Group's ability to offer attractive and competitive products to customers depends on its relationships with various third-party distributors.

The Group does not have exclusivity agreements in place with its intermediaries so that intermediaries are free to offer products from other insurance companies as well, and there is no obligation for them to give precedence to the Group's products. An intermediary assesses which companies' products are suitable for its customers by considering, among other things, price, security of investment and prospects for future investment returns in light of a company's product offering, past investment performance, financial strength and perceived stability, company ratings, the amount of initial and recurring sales commission and fees paid by a company to the intermediary and the quality of services provided to the intermediary. An unsatisfactory assessment of the Group itself and its products by any intermediary based on any of these or other factors could result in the Group generally, or, in particular, certain of its products, not being actively marketed by intermediaries to their customers in Russia, which could have an adverse effect on the Group's financial condition and results of operations. Furthermore, the Group's ability to retain and attract new distribution partners is largely dependent upon the continued growth of the Russian economy, Russian insurance market and the Group's ability to offer competitive remuneration to its partners. If the Group is unable to maintain its existing distribution arrangements and/or enter into new successful ones, that could have a material adverse effect on the Group's financial condition or results of operations due to potential material legal expenses and diversion of management time.

New technologies accelerate the introduction and prevalence of alternative distribution channels, such as online channels. Such alternative distribution channels may also increase the possibility that new competitors whose competencies include the development and use of such alternative distribution channels may enter the markets in which the Group operates. Although the Group has strategies in place to benefit from such alternative distribution channels, including the Direct Insurance initiative (see "*Business—Direct Insurance*"), there can be no assurance that it will obtain or maintain a competitive share of such alternative distribution channels and that its overall market share and competitive position across all distribution channels will not decrease as a result. The Group is not able to accurately predict the extent to which such alternative distribution channels will replace or otherwise impact traditional distribution channels. Moreover, the successful implementation of the Direct Insurance initiative could result in a channel conflict with the Group's distribution partners. For example, if the Group offers Direct Insurance products at a discounted price, the offering of the same product without a discount through traditional distribution channels of the Group such as the Group's distribution partners could be negatively affected due to the difference in price for the same products. Although the Group believes that the potential channel conflict can be mitigated by offering Direct Insurance products under a different brand, increasing the diversity of insurance product portfolio and providing additional benefits to dealers (such as extra repairs) and agents (such as extra uncovered leads) (see "*Business—Direct Insurance*"), there can be no assurance that existing arrangements with the Group's intermediaries will not be amended on less favourable conditions or be fully terminated. A failure by the Group to maintain a competitive distribution network could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The termination of, or any adverse change to, the Group's arrangements with the bancassurance partners may have a material adverse effect on the Group's Life insurance business

The Group has entered into bancassurance agreements with a number of Russian financial institutions such as Gazprombank, MTS Bank, Asian-Pacific Bank, DOM.RF, PJSC Bank Otkritie Financial Corporation and Home Credit Bank, which are currently the primary distribution channels for the Group's Life insurance products. In the years ended 31 December 2019 and 2020, the sales of Life insurance products through bancassurance accounted for 85% and 89% of the Life GWP, respectively. In the six months ended 30 June 2021, the sales of Life insurance products through bancassurance accounted for 88% of the Life GWP.

The Group's bancassurance arrangements are non-exclusive and are limited in time. As a result, the Group may not be able to maintain the current arrangements on acceptable terms upon their expiration, and the Group may not be able to secure new bancassurance partners, which will significantly affect its profitability. In addition, the level of sales of the Group's products through banks depends on the competitiveness of the Group's products relative to those of its competitors, including pricing, benefits and other features. Competition among insurance companies that offer life insurance products to obtain and maintain bancassurance relationships remains intense notwithstanding the challenging environment. If the Group is unable to maintain its existing partnership arrangements and/or enter into new successful partnership arrangements, that could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares due to potential material legal expenses and diversion of management time.

The corporate client base of the Group in Non-Life insurance business is relatively concentrated and loss of key clients could have a material negative impact on the Group's business, financial condition and results of operations

In the years ended 31 December 2019 and 2020, the Group's ten largest customers in Non-Life insurance segment accounted for 17.2% and 18.5% of the Non-Life GWP, respectively. For the six months ended 30 June 2021, the Group's 10 largest customers in the Non-Life insurance segment accounted for 17.3% of the Non-Life GWP.

Although the Group constantly develops product offering and works on increasing client retention rate, there can be no assurance that its efforts to retain its key corporate clients will be successful. Moreover, the Group is sensitive to downturns in the sectors in which its largest customers operate, as well as adverse changes to such customers' business and financial condition. There can be no assurance that the Group will be able to achieve or maintain a greater level of diversification in its customer portfolio in the Non-Life insurance segment. The Group's failure to do so could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group operates in a highly concentrated industry with strong leaders, and a failure to compete effectively with them could adversely affect its business, financial condition and results of operations

The Russian insurance market is a highly concentrated industry with the top-five and top-10 largest insurance companies having a market share of approximately 60% and 80% by GWP in 2020, respectively, according to the CBR data. Such high concentration is driven by the large market shares of state-owned and/or captive insurance companies such as SOGAZ and VTB Insurance, the largest state-owned insurance companies in Russia, Alfa Insurance, a captive insurance company of Alfa Bank PJSC, the largest private bank in Russia by assets, Sberbank Insurance, a captive insurance company of PJSC Sberbank ("**Sberbank of Russia**"), the largest state-owned bank in Russia by assets, and, whose market shares were 24.4%, 13.0% and 8.3% by GWP, respectively, in 2020 according to the CBR. The Group had a 5.4% market share by GWP in 2020, while the market shares of competitive private insurance companies such as Ingosstrakh, RESO Insurance, VSK Insurance and Soglasie were 7.4%, 7.3%, 5.8% and 2.5% by GWP, respectively, in 2020 according to the CBR. See also "*Business—Competition*".

The Group's competitors currently offer or may in the future offer the same or similar products and services as the Group and may utilize similar business strategies. The entry into, or the targeting of, the markets in which the Group operates, by insurers with greater financial resources, better brand recognition, greater pricing flexibility or risk tolerance than the Group could adversely affect its ability to obtain new or retain existing customers, which could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, any consolidation of the Group's competitors could enhance their competitive position by broadening their product and services ranges and increasing their distribution channels and access to capital, which could put additional pressure on the Group's margins and capital position, any of which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

In addition, the competition that the Group faces from existing Russian insurance companies, financial service institutions, and new providers of digitised online insurance services may be intensified as the market continues to grow and competitors develop and roll out new products and services (see also "*—The Group relies on its network of intermediaries to sell and distribute many of its products and may not be able to maintain a competitive distribution network*").

Furthermore, starting from 22 August 2021, foreign insurance companies are allowed to conduct insurance business in Russia through branches (see "*Regulation of the Russian Insurance Sector—Foreign Investments in Insurance Companies*"). Foreign insurers are entitled to offer CMTPL and most of the types of voluntary insurance to customers, which is expected to further increase competition in the Russian insurance market.

If the Group does not manage to respond quickly and adequately to the changing market environment and changes in customer behaviour, technology and regulations, for example, by developing new or growing existing successful business lines, the Group's business might shrink or become less profitable. Generally, the Group could lose market share, incur losses on some or all of its activities and experience slower growth if it is unable to offer competitive, attractive and innovative products and services that are also profitable or if it does not adopt the right product offering or distribution strategies or fails to implement such strategies successfully.

In addition, the Group's competitive position could be materially adversely impacted if it is unable to reduce and/or control its operating expenses, and thus unable to follow the market trend by offering products at lower prices compared to its competitors. Any increase in competition could also increase pressure on product pricing and commissions pricing (see "—*The Group may not be able to accurately price the insurance products it sells*"), harm the Group's ability to maintain or increase its market share, and thus have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Changes to the Group's customers' behaviour could reduce demand for its products

The Group is exposed to changes in the behaviour of its customers and the markets in which it sells its insurance and other products. Technological, regulatory or economic changes could significantly alter customers' actual or perceived need for insurance and the types of insurance sought. Changes in technology could also give rise to new types of entrants into the insurance and/or insurance sales markets, or the development of new distribution channels requiring further adaptation of the Group's business and operations. Such changes could result in reduced demand for the Group's current products and require the Group to expend resources to develop its product offering and build new risk and pricing models. Such changes may also require substantial investment to modify the Group's operating and IT systems and/or retrain or hire new people. All and any such changes could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Particularly, the Group bears risk with respect to changes in the behaviour of customers in relation to the purchase of motor insurance, as motor insurance represents a significant share of its Non-Life insurance. Potential revolutionary changes could require management to expend significant resources and incur significant capital or operational expenditure to change the Group's product offering, build new risk and pricing models, modify or update the Group's operating and IT systems and/or retrain or hire new people. There can be no assurance that the Group will be able to respond to any of these changes effectively or in a timely manner and the failure to do so could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group's claims management processes may adversely affect its relationships with clients, distributors and other intermediaries or lead to additional expenses

One of the key assumptions used in the pricing of the Group's insurance products as well as the provisions for claims is the relative time and efficiency with which claims will be notified, processed and paid. Efficient and effective claims management depends, among other things, on well-trained personnel making accurate and timely decisions with respect to claims handling.

The Group focuses on efficient claims management and introduced an innovative automated claims handling system. Although the automated claims handling system allows the Group to increase claims handling efficiency and reduce the number of claims handling employees in the motor insurance segment from 254 as of December 2018 to 148 as of December 2020 without sacrificing either the claims handling speed or the overall number of claims handled, the risk of inefficiencies in claims management still exists .

Inefficiencies in managing and paying claims can lead to issues such as inappropriate indemnity decisions, inappropriate claims reserving and/or payment decisions, increased fraud and distorted management information for reserves and pricing, resulting in additional claims costs and claims handling-related expenses as well as increased risk that claims reserves and/or pricing models will be inappropriate. This risk increases as the time lag between claim and payment becomes longer. If the Group's claims management processes prove to be inefficient or ineffective, the Group could be forced to refine its pricing models and/or increase prices, potentially resulting in a loss of business, and/or an increase in its technical claims reserves. Such additional costs could harm the Group's profitability, which would have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, the Group's relationships with clients, distributors and other intermediaries could be adversely affected as a result of inefficient or ineffective claims management processes, which could, in turn, have an overall adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group can be subject to fraud at point-of-sale and point-of-claim, and any failure or inability to limit its exposure to fraud could adversely affect its business, financial condition and results of operations

The Group is vulnerable to internal and external fraud from a variety of sources such as employees, suppliers, intermediaries, customers and other third parties. This includes both policy (i.e., application related) fraud and claims fraud. Although the Group employs fraud detection processes to help monitor and combat fraud through anti-fraud IT systems and the Group's counter-fraud team, the Group is still at risk of customers misrepresenting or failing to provide full disclosure of the risks covered before policy is purchased, policyholders filing fraudulent or exaggerated claims, and a range of other fraudulent behaviors such as the fraudulent use of Group-related confidential information.

Additionally, the Group is subject to risk from employees and staff members committing fraud in cases where internal procedures designed to prevent fraudulent activities are not followed or are circumvented. Furthermore, the techniques used to perpetuate fraud are constantly evolving which may make instances of fraud more difficult to detect. The occurrence or persistence of fraud in any aspect of the Group's business could damage the Group's reputation and brands, and could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group faces risks related to the adverse impact of the COVID-19 pandemic

In recent years, there have been outbreaks of epidemics in various countries throughout the world. On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic, which has spread rapidly to many parts of the world, including Russia. Governments in affected areas have imposed a number of measures designed to contain the outbreak, including business closures, travel restrictions, stay at home orders and prohibition of gatherings and events. For example, in March 2020, to slow the spread of the COVID-19 pandemic, the Russian Government placed a country-wide lockdown, introducing several "non-working weeks", bans on public events, closures of public areas, border controls and travel and other restrictions. In December 2020, the Russian Government launched a free of charge coronavirus vaccination programme for the entire population.

Since May 2021, Russia and a number other countries have experienced the third wave of the COVID-19 pandemic associated with the more virulent Delta variant first identified in India. In Russia, infection rates accelerated sharply from late spring and into summer 2021, with the infection rate rising at a faster pace than in the first and second waves experienced in 2020. In response, Russian authorities introduced the certain new restrictions (including QR-code check-ins at certain public places and travel restrictions for non-vaccinated persons).

The COVID-19 pandemic has disrupted the normal flow of travel and business operations both globally and locally, affected global supply chains, manufacturing, consumer spending and asset prices, as well as led to general concern and uncertainty. In Russia, the COVID-19 pandemic has adversely affected revenues in most sectors of the economy and was primarily responsible for the drop in gross domestic product ("**GDP**") by 3.1% in 2020, a rise in unemployment from 4.6% in 2019 to 5.8% in 2020 and a deterioration of the population spending power (the real disposable income declined by 3.5% in 2020 year-on-year).

The spread of COVID-19 has resulted in a sharp economic downturn in Russia and the global economy more widely, as well as causing increased volatility and declines in financial markets. Although the Group's investments are generally composed of fixed income instruments with high credit ratings which are less sensitive to financial markets downturns, the performance of the Group's investments was negatively affected due to economic turmoil caused by the COVID-19 pandemic and a general decline in the stock market. If the COVID-19 pandemic is prolonged, or further diseases emerge that would give rise to similar effects, the adverse impact on the global economy could be deepened and result in further declines in the Group's investments.

The Group has been also impacted by the COVID-19 pandemic as a result of the drop in sales of insurance products offered through the Group's financial and non-financial intermediaries, including car dealers, agents and brokers due to lockdown measures. Although such drop in sales of the Group's insurance products during the COVID-19 lockdown was partially offset by a decrease in the number of claims incurred and an increase of sales through Direct Insurance (see "*Business—Direct Insurance*"), there is no guarantee that the COVID-19 pandemic or any future health epidemic and related crises will not have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Moreover, the Group's results of operations may be adversely and materially affected, to the extent that the COVID-19 pandemic is prolonged or further diseases emerge in Russia and/or globally. Any potential impact to the Group's results will depend on, to a large extent, future developments and new information that may emerge regarding the duration and severity of the COVID-19 pandemic and the actions taken by government authorities and other entities to contain the COVID-19 pandemic or treat its impact, almost all of which are beyond the Group's control. Potential impacts include, but are not limited to, the following:

- temporary closure of offices, travel restrictions or suspension of services of the Group's customers and suppliers have negatively affected, and could continue to negatively affect, the demand for the Group's services;

- the Group's customers in industries that are negatively impacted by the COVID-19 pandemic, including the healthcare, travel, transportation and real estate sectors, may reduce their budgets on purchase of insurance products, which may materially adversely impact the Group's financial condition and results of operations;

- the Group's customers may require additional time to pay the Group or fail to pay the Group at all, which could significantly increase the amount of accounts receivable and require the Group to record additional allowances for doubtful accounts;

- certain of the Group's customers, distributors, suppliers and other partners may be particularly vulnerable to the slowing macroeconomic conditions arising from the COVID-19 pandemic and may not be in a position to resume business as usual after a prolonged outbreak, which may have a material adverse impact on the Group's revenues and business operations;

- the global stock markets have experienced, and may continue to experience, significant decline from the COVID-19 pandemic and the private and public companies that the Group has invested in could be materially adversely affected, which may lead to significant impairment in the fair values of the Group's investments and, in turn, materially adversely affect the Group's financial condition and operating results; and

- the Group's exposure to risks relating to extensive working from home, including cyber and data loss.

Any of these factors could have a material adverse impact on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Implementation of the Group's strategy depends on its senior management's experience and expertise, as well as its ability to recruit and retain experienced personnel

The Group's growth depends, in part, on its ability to continue to attract, retain and motivate qualified personnel, particularly management and other key staff. The ability to continue to attract and retain such people, in large part, is dependent upon the continued growth of the Russian economy, Russian insurance market and the Group's ability to remunerate and develop its employees. The loss or diminution in the services of one or more of its senior management personnel or a failure to attract and retain qualified personnel could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. The Group's success also depends on its ability to attract, train and retain highly qualified management, technical and other personnel. However, due to intense competition in Russia for personnel with relevant expertise, the Group may suffer from a lack of qualified personnel and may not be able to recruit personnel with appropriate qualifications at a reasonable cost or at all. The Group provides certain training programmes for its personnel, but there can be no assurance that employees will not be hired by competitors and that the Group will not lose the benefit of its investment in such training. If the Group is unable to attract and retain experienced, capable and reliable personnel, especially senior and middle management with appropriate professional qualifications, or if it fails to recruit skilled professional and technical staff in line with the Group's growth, the Group may need to increase expenditure on recruiting, salaries, training and incentives, which may adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group's business entails operational risks, including failures to adhere to compliance procedures by the Group's employees

The Group is exposed to several types of operational risk, including the risk of unauthorised transactions by employees or operational errors, including clerical or record keeping errors, errors resulting from faulty computer or telecommunications systems and the risk that the Group will be used for money laundering and financing of terrorist activities. Given the Group's high transaction volume and developing IT systems, errors may be repeated or compounded before they are discovered and rectified. Moreover, possibility of errors increases with remote working and discovery thereof may take longer. The Group maintains a system of controls designed to keep operational risk at appropriate levels. However, there can be no assurance that the Group will not suffer losses from failure of these controls to detect or contain operational risk in the future.

The Group is exposed to the risk that its employees will not adhere to its compliance procedures and limits on risk related activities. The Group takes various precautions to prevent and detect misconduct; however, these may not be effective in all cases. Misconduct by existing employees could include binding the Group to transactions that exceed authorised limits or present unacceptable risks, or concealing unauthorised or unsuccessful activities, which, in either case, may result in unknown and unmanaged risks or losses. Employee misconduct, including the improper use or disclosure of confidential information or failure to appropriately implement anti money laundering regulations, could result in regulatory and legal sanctions and significant reputational or financial harm, which in turn could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Failures of the Group's IT systems or third-party intrusions into such systems could adversely affect its business

The Group's business is dependent on the uninterrupted, proper functioning of its IT systems and the ability to increase their capacity to support the Group's business expansion and to support new products and services to facilitate the Group's growth and achievement of its strategy. The Group has invested in upgrading its technologies, centralising its information systems and controlling the operation of its hardware and software, taking into account international best practices. However, the Group cannot provide any assurance that its IT systems will continue to function in a manner that will not result in significant disruptions or temporary loss of functionality, and the possibility of a system failure that may adversely affect its operational activities and lead to expenses that may materially and adversely affect its financial performance cannot be eliminated. The Group's IT systems may be vulnerable to a number of problems, such as software or hardware malfunctions, malicious hacking, physical damage to vital IT centres and computer virus infection. These factors may result in a lack of information or potential information inaccuracies that could cause disruptions in the Group's decision-making process, as well as deterioration in the quality of the Group's operational and financial reporting and the overall manageability of the Group.

The Group's IT systems need regular upgrading to meet changing business and regulatory requirements, to adequately support the increased scale of the Group's operations and to maintain the efficiency of its network's operations, all of which needs to be done in a cost-effective manner. A number of IT systems or applications are provided by third-party service providers and, therefore, the Group relies on such service providers for the continued support and maintenance. The Group's costs may rise if third parties increase fees or the Group may be forced to seek alternative suppliers of IT services if contractual arrangements with existing suppliers are terminated for whatever reason.

The Group plans to further develop its existing IT systems and add new IT systems. The Group continues to implement new technologies, which may at times operate in unpredictable patterns and cause disruptions when integrated into more traditional IT systems. The implementation of such plans may take longer than expected, may cost more than initially expected or result in unexpected disruption to the Group's system operations, any of which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Failure to adequately maintain and protect customer and employee information could have a material adverse effect on the Group

The Group collects and processes personal data (including name, address, age, bank details and other personal data) from its customers, third-party claimants, business contacts and employees as part of the operation of its business, and it must comply with data protection and privacy laws and industry standards in Russia.

According to Federal Law No. 152-FZ "On Personal Data" dated 27 July 27 2006 (the "**Personal Data Law**"), an entity that, separately or jointly with other entities, arranges for the processing of personal data and determines the purposes of such processing, scope of personal data to be processed and actions (operations) performed on personal data is defined as a data operator (data controller). As at the date of this Offering Memorandum, the Company, "Renaissance Health" JSC and Renaissance Life are registered as data operators in the specific register, maintained by the Russian Federal Service for Supervision of Information Technologies and Communications ("Roskomnadzor"), the principal Russian data protection authority.

The Personal Data Law requires the Company, "Renaissance Health" JSC and Renaissance Life, among other things, to conduct certain types of processing of personal data of Russian citizens (when collecting such personal data) with the use of Russian databases (this obligation is referred to as the "Russian data localization rules").

Roskomnadzor, among its other functions, supervises compliance with the data protection legislation and conducts scheduled and unscheduled audits over activities of data operators, maintains the register of personal data operators, infringers of personal data processing requirements and blocked websites, initiates legal proceedings in cases of violations, and imposes fines or other penalties. Roskomnadzor may require the Company, "Renaissance Health" JSC or Renaissance Life to improve the data-related policies and security measures, which may adversely affect the Group's ability to manage its business or make it costlier to do so. If audits by Roskomnadzor result in a determination that the Group fails to comply with data-related legislation, including the Russian data localization rules, the Group could experience financial losses, and it could be restricted from providing certain types of services until it comply with the relevant requirements. Failure to comply with the data privacy laws may lead to civil and administrative liability and, in extreme cases, criminal liability may follow for individuals. Such liability may take the form of fines (currently, the maximum fine for violation of Russian data localization requirements is RUB 18 million), or, in extreme cases, suspension of activities and/or blocking of the Group's resources for access from the territory of Russia.

Russia is continuing to develop its legal framework, including with respect to data privacy and data protection. For example, in March 2021, new rules that restrict the usage of publicly available personal data (including data available on the internet) were adopted. These require, among other things, obtaining a user's consent in a specific form for the processing of such data and changing processing rules and procedures. The Group is also subject to certain data protection industry standards and may be contractually required to comply with those standards. There is a risk that certain types of data security breaches could subject the Group to liability, contractual penalties and/or entail damage to the Group's reputation.

In addition, the Group is exposed to the risk that the personal data it controls could be wrongfully accessed and/or used, whether by employees, agents or other third parties, or otherwise lost or disclosed or processed in breach of data protection regulations.

If the Group fails to comply with data protection regulations, this could also result in damage to the Group's reputation as well as the loss of business, any of which could have a material adverse effect on its business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group is exposed to cybersecurity risk

In recent years, information security risks have generally increased, particularly because of the proliferation of new technologies and the use of the Internet, and the increased sophistication and activity of organized crime, hackers, terrorists, activists, cybercriminals and other external parties. Cybersecurity attacks are becoming more sophisticated and include malicious software, phishing and spear phishing attacks, wire fraud and payment diversion, account and email takeover attacks, ransomware, attempts to gain unauthorized access to data and other electronic security breaches. Cybersecurity attacks, including attacks that are not ultimately successful, could lead to disruptions in the Group's critical systems, unauthorized release of confidential or otherwise protected information or corruption of the Group's data, and could also substantially damage its reputation. Although the Group has not experienced any significant cybersecurity breaches in the past, there could be no assurance that none will happen in the future.

Any person who circumvents the Group's security measures could steal proprietary or confidential information and cause interruptions in the Group's operations, which could cause the Group to be unable to provide its services or operate its business. The Group incurs significant expenses to protect against security breaches and other cybersecurity attacks and may incur significant additional costs to address issues caused by any breaches or cybersecurity attacks. The Group's failure to prevent future security breaches or cybersecurity attacks could significantly harm the Group's reputation, which could, in turn, have an overall adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group could be adversely affected by risks related to intellectual property

The Group's proprietary rights may be difficult to enforce, which could enable others to copy or use aspects of its proprietary software or other intellectual property without compensating the Group. Despite the Group's efforts to protect its proprietary rights, unauthorised parties may attempt to copy aspects of its proprietary software or other intellectual property or obtain and use information that the Group regards as proprietary. The Group generally limits access to and distribution of its proprietary information. However, there can be no assurance that the steps taken by the Group will prevent misappropriation of its proprietary software or other intellectual property. Policing unauthorised use of its proprietary software or other intellectual property is difficult. If the Group is unable to protect its proprietary rights to intellectual property, it may find itself at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create the innovative proprietary software or other intellectual property that have enabled it to be successful to date.

The Group could suffer damage to its reputation that would lead customers to take their business elsewhere

The Group's success and results are, in part, dependent on the integrity of its brand and its reputation for quality of service for its business, and the Group believes favourable recognition of its brand is important to maintaining a key position in an industry where trust and confidence with customers are paramount. Nevertheless, factors affecting brand recognition and its reputation are often outside the Group's control. The Group is exposed to possible brand and reputational damage resulting from, among other factors, poor performance in terms of customer service or product dissatisfaction, any litigation or other legal proceeding against the Group's shareholders or key personnel, employee misconduct, operational failures, the outcome of regulatory or other investigations or actions, the reputations and actions of the Group's business partners or one or more of its competitors. Any negative publicity, including factually inaccurate negative publicity, could adversely affect the Group's reputation, cause existing customers to take their business elsewhere and lead potential customers to take their business to the Group's competitors and lead to greater regulatory scrutiny. Negative publicity could arise from any number of sources, including litigation, press speculation, employee misconduct, operational failures, and current and future investigations by regulatory authorities.

A decline in favourable recognition of the Group's brand or its reputation could impact its ability to attract or retain new customers as well as distributors and other third parties, with whom the Group operates, which could result in a decrease of sale of the Group's products and services. Furthermore, this could influence the rating agencies' perception of the Group, which could make it more difficult for the Group to maintain its credit rating. Any of these could adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Russian insurance industry is still undergoing development and the insurance industry standards in Russia may not be as robust as in more developed insurance industries

The independent retail insurance industry in the Russian Federation has only been in existence since the early 1990s. Over the years, the Russian government has taken a number of measures aimed at liberalisation of the Russian insurance market, including the introduction of a control system over solvency of insurance companies, implementation of international accounting standards and taxation schemes specific to insurance business. Another regulatory driver in strengthening the Russian insurance market was the introduction of different types of compulsory insurance, including CMTPL and compulsory social insurance. See also "*—Risks relating to the Russian legal system and legislation—Russian insurance and financial regulation has been undergoing significant changes*".

Notwithstanding the above-mentioned state measures and development of insurance regulations, the Russian insurance industry is still undergoing development and there can be no assurance that the standards currently followed in the Russian insurance industry related to underwriting and risk management, among others, are as robust as in more developed European jurisdictions. Any material weaknesses in such industry standards may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The cyclicality of insurance business may lead to fluctuations in premiums and investment returns generated by the Group

Historically, the insurance market has experienced significant fluctuations in operating results due to macroeconomic factors and general economic conditions, the competitive environment, as well as frequency or severity of catastrophic events and other factors. The supply of insurance capacity is related to, among other factors, prevailing prices, the level of insured losses and the level of industry profitability and capital surplus which, in turn, may fluctuate in response to changes in inflation rates, the rates of return on investments being earned by the insurance industry, as well as other social, economic, legal and political changes. As a result, the insurance and reinsurance business historically has been characterised by periods of intense price competition due to excessive underwriting capacity as well as periods when shortages of insurance capacity have permitted favourable premium levels. Increases in the supply of insurance (whether through an increase in the number of competitors, an increase in the capitalisation available to insurers or otherwise) and, similarly, reduction in consumer demand for insurance, could have adverse consequences for the Group, including fewer contracts written, lower premium rates, increased expenses for customer acquisition and retention, and less favourable policy terms and conditions for the Group, any of which could have a material adverse effect on the Group's business, revenues, results and financial condition. Although the Group may be able to control certain of these factors and the Group is trying to navigate through all economic cycles, its insurance business will be influenced by this cyclical pattern with profitability increasing during periods of lower underwriting capacity, increased premium rates and/or higher quality insured risk, and profitability declining in periods of higher underwriting capacity, decreased premium rates and/or lower quality insured risk.

In addition, the insurance business is sensitive to business and financial market conditions and economic cycles. In particular, the Group, as a provider of life insurance products, requires a significant amount of long-term fixed income assets to be matched against its long-term liabilities, which subjects the Group to an investment risk as in a low interest rate environment the Group may not be able to invest in assets with high return profile. See also "—*Financial and Market Risks—The Group's exposure to fluctuations in the fixed income and equity markets could result in a material adverse effect on its investment returns and, as a result, its financial condition and results of operations*". Any reduction in profitability and investment returns on the Group's investments may adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Previously unknown risks, so-called "emerging risks", which cannot be reliably assessed, could lead to unforeseeable claims, which could have a material adverse effect on the Group's business, revenues, results and financial condition

The term "emerging risks" is used in the insurance industry to refer to previously unknown risks that could cause substantial future losses and, therefore, are of major concern to insurance companies. Even more so than traditional risks, emerging risks are difficult to analyse because they often exist as hidden risks. Insurance premiums for emerging risks are difficult to calculate due to a lack of historical data about, or experience with, such risks or their consequences. At present, the consequences of potential worldwide climate change are considered emerging risks. There is a wide scientific consensus, and a growing public conviction, that globally increasing emissions of greenhouse gases, especially carbon dioxide, are causing an increase in average worldwide surface temperatures. This increase in average temperatures could change weather patterns and increase the frequency of hurricanes, floods, droughts and forest fires, and could cause sea levels to rise due to the melting of the polar ice caps. Other examples of emerging risks which could affect the Group are demographic changes (such as the aging of the population), cybercrime, epidemics and pandemics, job related diseases (such as, for example, asbestosis), and risks that may arise from the development of nanotechnology and genetic engineering.

Despite its efforts at early identification and continuous monitoring of emerging risks, the Group cannot give any assurance that it has been or will be able to identify all emerging risks and to implement pricing and reserving measures to avoid or minimise claims exposure to them. Defects and inadequacies in the identification and response to emerging risks could lead to unforeseen policy claims and benefits and could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Disasters, consequences of the occurrence of which are covered under the Group's insurance contracts, may occur with greater frequency

The Group's property and casualty insurance contracts may cover events such as windstorms, hailstorms, earthquakes, volcanic eruptions, fires, industrial explosions, freezes, floods, acts of terrorism and other natural or man-made disasters. Because the Group underwrites property and casualty insurance and thereby has significant aggregate exposures to certain natural and man-made disasters, its loss experience generally will include infrequent events of great severity. The frequency and severity of catastrophic losses are inherently unpredictable. Increases in the values and geographic concentrations of insured property and the effects of inflation have historically resulted in increased severity of industry losses in recent years and the Group expects that those factors will increase the severity of catastrophic losses in the future. Although the Group purchases reinsurance to protect its financial results from significant or catastrophic losses, the occurrence of losses from catastrophic or extreme events could materially adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Financial and Market Risks

The Group's exposure to fluctuations in the fixed income and equity markets could result in a material adverse effect on its investment returns and, as a result, its financial condition and results of operations

The Group has long-term fixed income assets, such as fixed income securities and receivables, which are required to be matched against the Group's long-term insurance liabilities from its insurance products. As at 31 December 2020, the Group's investments amounted to RUB 134 billion, of which 62.7% consisted of bonds, 24.6% – of cash and deposits and 10.4% – of equity. As of 30 June 2021, the Group's investments (excluding pensions investment assets: in the Interim Financial Statements the pension operations segment was presented as discontinued operations in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations" due to the sale of the pensions business in 2021) amounted to RUB 122 billion, of which 54.1% consisted of bonds, 25.4% – of cash and deposits and 15.6% – of equity (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Investments*").

The value of the Group's fixed income portfolio could be affected by the level of interest rates, changes in the credit rating of the issuer of the securities as well as by liquidity in the bond markets. Generally, investment income may be reduced during sustained periods of lower interest rates as higher-yielding fixed-income securities are called, mature or are sold and the proceeds are reinvested at lower rates, even though prices of fixed-income securities tend to be higher and gains realised upon their sale tend to increase under such circumstances. During periods of rising interest rates, prices of fixed income securities tend to fall, and realised gains upon their sale are reduced or realised losses are increased, but reinvestments take place at a higher yield. Further, any decrease in the credit rating of the issuer of debt securities could result in a decline in the value of the fixed income securities. The Group is also exposed to changes in the level and volatility of equity prices, as well as the value of securities or instruments that derive their value from a particular equity security, a basket of equity securities or a stock index. Any of these factors described above could have a material adverse effect on the performance of the Group's investments and, as a result, its financial condition and results of operations, including its level of solvency capital.

The Group's fixed income assets are valued at fair market value in accordance with current accounting and solvency regulations and are, therefore, sensitive to interest rate and credit spread movements. However, corresponding liability valuations do not fluctuate with interest rate and credit spread movements when they are valued using a fixed accrual methodology, which may apply depending on applicable accounting, reporting and regulatory frameworks. Furthermore, even if the corresponding liabilities are valued using a market consistent methodology, they may nevertheless have limited or different sensitivity to credit spread and interest rate movements because the discount rates applied in those market valuations (in some cases, including the discount rate prescribed or determined by regulators) typically do not fully reflect sensitivities to credit spread and interest rate movements and, therefore, the value of the Group's liabilities may not match that of its fixed income assets. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Equity*". Although the amount of its long-term receivables is not material for the Group, and generally the Group disposes of fixed income securities prior to their maturity date, the mismatch between the valuations of the fixed income assets and liabilities, depending on applicable accounting, reporting and regulatory frameworks, could have an adverse effect on the Group's available regulatory capital, business, revenues, results and financial condition.

In the year ended 31 December 2020, the performance of the Group's investments were negatively affected due to economic turmoil caused by the COVID-19 pandemic and a general decline in the stock market. See also "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the COVID-19 Pandemic*". Additionally, the types of investments that the Group may make are regulated by Russian insurance laws and regulations (see "*Regulation of the Russian Insurance Sector—Regulation of Insurance Business—Key Requirements for Insurers*"). If the Group does not structure its investments so that it is appropriately matched with its insurance and reinsurance liabilities, it may be forced to liquidate certain of its debt fixed income investments prior to maturity or its equity securities or real estate assets at a significant loss to cover such liabilities. Investment losses could significantly decrease its assets and equity base, thereby affecting its ability to conduct business. Moreover, the Group may not be able to realise its investment objectives, which could reduce its net profit significantly and, as a result, its shareholders' equity which could, in turn, have an overall adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Low liquidity of the Group's certain investment assets, along with its inability to upstream capital could have a material adverse effect on the Group's business

Given the inherently risky nature of insurance underwriting, the Group is exposed to the risk that it may be forced to fund its obligations by unexpectedly liquidating investments in unfavourable market conditions or by raising funds at unfavourable costs. In particular, the Group is exposed to the risk that it cannot sell an asset without significantly affecting the market price of the asset due to insufficient supply and demand, and to the risk of market disruption, changes in applicable haircuts and market value or uncertainty about the time required to sell an asset or exit a trading position.

Most of the Group's investment assets have high liquidity, meaning that they can be converted into cash relatively quickly, while other assets, such as medium-term and long-term deposits, investment properties, loans and other receivables, other financial assets available for sale and some number of bonds of the same series, generally have low liquidity. As of 30 June 2021, assets of low liquidity accounted for 16% of the Group's investment assets. The low liquidity of certain investment assets could prevent the Group from selling investments at fair prices in a timely manner. Due to the low liquidity in the capital markets for certain assets, which may intensify and affect previously liquid assets during times of market disruption, the Group may be unable to sell or buy assets at market efficient prices and may, therefore, realise investment losses, demand deposit amounts prior to their maturity date with the loss of accrued interest or be obliged to issue securities or obtain other funding at higher financing costs, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group takes credit risk on various third parties, including reinsurance counterparties and policyholders

The Group is exposed to credit risk in a number of aspects of its business. The Group faces exposure in relation to, without limitations, amounts receivable from assets within its investments, amounts held as cash, and amounts due from suppliers, distribution agents, policyholders and from other relationships. Changes in the financial position of any of the Group's counterparties (including the issuers of securities held by the Group), their rating downgrades or late performance of their contractual obligations could increase the amount of the Group's required capital in accordance with applicable regulation and negatively impact the Group's financial condition. In addition, the Group's credit risk may be exacerbated when the collateral held by the Group cannot be realised upon disposal or liquidation or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. Any of these events, individually or collectively, could have an adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares. See also "*Risks Relating to the Group's Business and Industry—Reinsurance may not be available or adequate to protect the Group against losses or may only be available on unfavourable terms*".

Additional financing may not be available or may not be available on satisfactory terms

The Group's future capital requirements depend on many factors, including regulatory changes to capital requirements and the Group's ability to write new business successfully and to establish premium rates and reserves at levels sufficient to cover losses in order to obtain a desired rating from international or other rating agencies or otherwise to fulfil its business objectives. To the extent that current capital is insufficient to meet such requirements, the Group may seek to raise additional funds through external financings, which may not be available on satisfactory terms or at all. Equity financing may result in dilution of the Group's existing shareholders unless any available pre-emption rights are exercised by existing shareholders. Any failure to obtain necessary capital on favourable terms may adversely affect its business, financial condition or results of operations and could result in the failure to meet applicable regulatory requirements and, consequently, the loss of the Group's insurance licenses.

Further, the Group needs liquidity to pay operating expenses and dividends and to meet its liabilities (including insurance claims). The Group's principal sources of liquidity are premiums, deposit funds and cash flow from its investments and assets, consisting mainly of cash or assets that are readily convertible into cash. In the event that the Group's current sources of liquidity do not satisfy its ongoing needs, it may have to seek external financing.

The availability of external sources of financing will depend on a variety of factors including the Group's credit ratings and credit capacity, as well as the possibility that customers or lenders could develop a negative perception of the Group's financial prospects. Credit rating agencies continuously revise the criteria that they use to determine the credit ratings of debt obligations and/or change their credit ratings of companies and their rated obligations. Any change in the methodology used by rating agencies could result in a change of outlook, or a downgrade in the ratings of a company or its rated obligations. Any downgrade in the ratings of the Group and/or its rated obligations could make it more difficult and/or expensive for it to raise capital going forward and may adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group may be adversely affected by fluctuations in foreign currency exchange rates against the Rouble

The Group's exposure to foreign exchange risk arises from changes in spot prices, forward prices and volatilities of currency rates and insurance liabilities of the Group nominated in foreign currencies. For example, the Group has undertakings under certain motor insurance policies to repair the client's motor vehicles and as a result, the Group is obliged to make related expenses on purchases of motor vehicle spare parts that are mostly nominated in euro or US dollars. Although the amount of such expenses is relatively low, the Group's business, financial condition and results of operations or the trading price of the Ordinary Shares may be affected by fluctuations in the values of other foreign currencies, including euro or US dollars.

Legal, Compliance and Regulatory Risks

The financial industry in Russia, including insurance and asset management, is highly regulated, and failure to comply with these regulations or changes in the regulations could have a material adverse effect on the Group's business, financial condition and results of operations

The Group is subject to comprehensive insurance, investment management and other financial services laws and regulations, and to supervision by regulatory authorities that have broad administrative and discretionary power over the Group. Among others, the laws and regulations to which the Group is subject relate to: licensing and ongoing licensing requirements; capital adequacy requirements; liquidity requirements; permitted investments; the distribution of dividends; product and sales suitability; recordkeeping and financial reporting; business reputation and professional qualifications of management. Any failure to comply with these rules and regulations could lead to disciplinary action, the imposition of fines or the revocation of such licences, permissions or authorisations, any of which could have a material adverse effect on the Group's ability to conduct its business and its financial condition, results of operations or the trading price of the Ordinary Shares.

Over the past few years, the insurance industry in Russia has been, and may in the future be, subject to increased scrutiny by regulatory bodies. This scrutiny has led to changes in certain legal and regulatory provisions that govern the operations of the Group, and further reviews and changes to applicable laws and regulations may occur in the future. The Group cannot predict the full effect that any proposed or future law or regulation may have on the financial condition or results of operations of the Group. The regulatory framework may be changed in a matter adverse to the Group and any such changes may materially and adversely affect the Group's capitalisation requirements, internal policies or business activities including its ability to write certain types of insurance or to obtain sufficient rates of return on existing business lines. Supervision of the insurance industry in Russia is based on Russian Accounting Standards ("**RAS**") rather than IFRS and does not address the substance of the insurance activities or supervise insurers on a consolidated basis as, for example, in Europe.

In January 2020, CBR issued Regulation No. 710-P "On certain requirements for insurer's financial sustainability and solvency" (the "**Regulation No. 710-P**") effective from 1 July 2021, except for certain provisions that will become effective in the period from 2022 to 2025, which, among others, sets out new solvency and capital requirements for insurers. See "*Risk Factors—Legal, Compliance and Regulatory Risks—The Group is required to meet certain minimum capital and solvency requirements*".

In addition, due to the lack of knowledge and understanding of life insurance products by retail clients, the CBR announced that it is planning to introduce a new market regulation in the second half of 2021, according to which clients are divided into (i) those lacking sufficient qualification or understanding of financial products and (ii) qualified clients, to whom any life insurance products can be offered. It is expected that proposed regulatory changes will not have drastic consequences for the life insurance market, except for a short-term negative impact associated with technical adaptation of the market. In the long run, improved transparency of life insurance products and the introduction of the base value of insurance products for retail clients may make them more attractive.

Any amendment to the currently applicable supervision rules, including the solvency rules that insurers must comply with, may lead to a reduction in the number of insurers operating in the market, which may result in a decline in confidence in the insurance sector. Also, the regulator and its regional bodies may take different views in relation to compliance with regulations by the Group and may issue orders concerning such alleged non-compliance with rules. Such uncertainties and possible activities of the regulatory authorities may have a material adverse effect on the Group's results and the value of the Ordinary Shares.

As the laws and regulations applicable to the Group's operations are complex and continually evolving, there can be no assurance that the Group's systems and controls will prevent any violations of any applicable laws and regulations. Reviewing internal procedures and ensuring that staff are provided with the necessary compliance training increases the Group's costs in respect of regulatory compliance and may limit or restrict the products or services the Group distributes. Any breach of regulatory or legal requirements may subject the Group's business to the possibility of regulatory actions or proceedings and could damage the Group's reputation, operational profits or return on capital.

Moreover, if the Group is found not to be in compliance with the regulatory or legal requirements, this may result in the imposition of restrictions on its activities, revocation of insurance or asset management licenses issued to the Company and/or its subsidiaries. In particular, the CBR is entitled to restrict and/or prohibit the Company and/or its respective subsidiaries to transact in securities or derivative instruments, execute certain transactions (e.g., contribute assets into charter capitals of companies, borrow funds, assign claims and pledge assets) for a period not exceeding five months if, for instance, the CBR found that the Company and/or its respective subsidiaries submitted inaccurate information to the CBR. The CBR may revoke any license issued to the Company and/or its respective subsidiaries for a breach of regulatory guidelines that, among others, may relate to incompliance with the asset allocation rules, inability of the Company or any of its subsidiaries to meet the minimum capital and solvency requirements or repeated violations of insurance or other applicable regulations. Revocation of any license issued to the Company or any of its subsidiaries could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group is required to meet certain minimum capital and solvency requirements

The Group is subject to certain minimum capital and solvency requirements. In particular, the Company need to ensure that its Actual Solvency Margin (as defined below) shall not be less than the required solvency margin (i.e., the ratio between Actual Solvency Margin and Statutory Solvency Margin (as defined below)) under Russian laws and regulations. As of 30 June 2021, the Group's adjusted Actual Solvency Margin (calculated in accordance with Regulation No. 710-P – see below) exceeded the required Statutory Solvency Margin amount by RUB 4.2 billion or 40.6%, and the Group's Solvency Ratio (as defined below) amounted to 141%. The Group's capital position and its ability to meet the minimum capital and solvency requirements applicable to its business can be adversely impacted by a number of factors, in particular, factors that may reduce the amount of capital resources available to the Group and factors that may impact the mix of risks to which it can be exposed. In addition, any external event which might affect the Group's current profitability, reduce its future profitability or increase the volatility of the Group's profitability over time could impact its current capital position, and could impact the Group's ability to meet the minimum capital and solvency requirements under applicable Russian laws and regulations.

Additionally, regulatory capital requirements are subject to change, and such changes may have a significant impact on the Group's ability to meet the minimum capital and solvency requirements. The Group may also be subject to changes to the broader regulatory environment, including the change of the government supervisory entities in charge of the interpretation of current laws and regulations and the promulgation of new regulations, as well as the application of such laws and regulations to the Group, which may significantly differ from the Group's own calculation of the level of capital it is required to hold under current law.

In January 2020, the CBR issued Regulation No. 710-P, which implements new approaches to assessing insurers' financial sustainability and solvency and calculating their equity (capital). Furthermore, the new regulation takes into account the risk of changes in asset and liability values when the capital adequacy ratio is determined. As opposed to the current regulation, in which the asset requirements only refer to the amount of insurance reserves and the insurer's equity, the new regulation factors in all assets of the insurer in the calculation of its equity (which is the difference between its assets and liabilities). Moreover, in addition to the indicator characterising the insurance risks borne by an insurer (the required solvency margin), the new regulation provides for a new indicator characterising the amount of risks borne by the insurer in connection with its investment activity. Additionally, the impact of risks is assessed over a one-year horizon and takes into account the influence of various factors including concentration risk, credit spread risk, interest rate risk, equity price risk, exchange rate risk, real estate price risk, credit risk and the risk of changes in the value of other assets. Regulation No. 710-P will be implemented on a step-by-step basis: (i) starting from 1 July 2021, equity calculation is required to take into account the required solvency margin and the assessment of the impact of concentration risk; (ii) starting from 1 July 2022, the influence of all risks provided for by the new regulation are required to be assessed when evaluating an insurer's solvency to a limited extent; and (iii) from 1 July 2023 to 1 July 2025, increased quantitative requirements for assessing the impact of risks and capital requirements will be adopted.

Starting from 1 July 2021, Regulation No. 710-P provides, among other things, that non-life solvency margin for insurance risk needs to be calculated separately for each line of business and then summed up, and capital charges for credit and market risks are added to insurance risk. Coefficients in formulas for newly introduced capital charges will increase over the period between 2021 and 2025, while thresholds on asset concentration will decrease during the same period, for purposes of enhancing market players' financial stability. Under Regulation No. 710-P, a requirement of a 5% cushion on top of calculated solvency margin will be further introduced.

According to the Group's estimates, the implementation of Regulation No. 710-P may have an adverse impact on its capital position. In particular, under the new requirements, liabilities of the Group are taken into account in calculating the Group's equity (capital), which decreases the Group's capital and, as a result, limits the amount of retained earnings that the Group may distribute to its shareholders. Moreover, Regulation No. 710-P contemplates that the calculation of the regulatory capital shall take into account certain risk adjustments attributable to the Group's assets, which could result in a decrease in the Group's equity (capital). As a result, the implementation of Regulation No. 710-P may affect asset allocation practices currently adopted by the Group with respect to its investments, and may require the Group to take a more conservative approach towards its investments, such as increasing the Group's insurance reserves. In addition, compliance to the new requirements under Regulation No. 710-P may entail the conduct of a more complicated analysis with respect to the Group's investments, and there can be no assurance that the Group's employees will be able to conduct such an analysis in a timely manner and without mistakes. Any of these risks may have a material adverse effect on the Group's investments performance, results of operations and financial condition.

If the Group or any of its subsidiaries is unable to meet the applicable regulatory capital requirements, the Group would have to take measures to protect and, where necessary, reinstate its required capital and solvency position, which might include reallocating existing capital within the corporate structure of the Group, increasing premium, reducing the volume of, or types of, business underwritten, increasing reinsurance coverage, divesting parts of its business, or other external capital market activities, any of which may be difficult or costly or result in a significant loss, particularly in cases where such measures are required to be undertaken quickly. If the Group is unable to meet the mandatory minimum capital requirements, the Group's regulators may withdraw permission for it to continue operating its business.

Furthermore, the Group's ability to receive dividends from its subsidiaries is dependent on their compliance with regulatory capital requirements. If the Group is unable to receive dividends from its subsidiaries, it may be unable to maintain its capital position, which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group is subject to litigation exposure, coverage disputes and uninsured risks and incurs litigation costs in the ordinary course of its business

In the ordinary course of its business the Group may become involved in lawsuits, arbitrations and other dispute resolution procedures (whether formal or informal), the outcomes of which may determine its rights and obligations under insurance, reinsurance and other contractual agreements or other legal obligations.

These proceedings may involve coverage disputes, disputes with reinsurance counterparties, disputes with other service providers or other matters. Provisions such as limitations on, or exclusions from coverage contained within insurance policies written by the Group may not be enforceable in the way expected or intended.

The Group may also become involved in investigations and regulatory actions, some of which could result in adverse judgments, settlements, fines or other outcomes. The Group is also exposed to litigation risks arising from any potential employee misconduct, including non-compliance with internal policies and procedures. Any such litigation or other proceedings may harm the Group's reputation, result in financial liability and prevent it from offering some services or products. As a result, litigation exposure could materially adversely affect the Group's business, financial condition or results of operations or could cause significant reputational harm, which, in turn, could seriously affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group is exposed to the risk of mis-selling claims from customers who feel misled or treated unfairly

The Group's insurance products are exposed to mis-selling claims. Mis-selling claims are claims from customers who believe that they received misleading advice from advisers or intermediaries (internal and external) as to which products were most appropriate for them, or that the terms and conditions of the products, the nature of the products or the circumstances under which the products were sold were misrepresented to them. The Group distributes a substantial amount of its insurance policies through intermediaries. Customers (whether individual or group customers) that believe they have been misled or misinformed by the intermediary may seek compensation from the Group for the discrepancy between the misrepresentation and the actual product or services purchased. Customers who are, for any reason, dissatisfied with their product may hold the Group accountable for representations made by an intermediary, even though the Group didn't authorize the intermediary to make such representation on its behalf and thus is not legally bound by such representation. Complaints or negative publicity may also arise in respect of any other aspect of the Group's business if customers feel that they have not been treated reasonably or fairly (whether or not their complaints are substantiated or well founded) or that the Group has not complied with its duty of care. Furthermore, customers' views of what is fair and reasonable could change over time.

Although the Group makes efforts to treat its customers reasonably and fairly, including by way of ensuring communication channels to customers are open and available, there can be no assurance that customers (individually or on a collective basis) will not seek to void their insurance policies or claim damages, which could in each case have an impact on the Group's business, reputation and financial condition. The negative publicity associated with any predatory sales tactics utilized by intermediaries and any damages payable in response to any such customer complaints has had in the past, and may continue to have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Moreover, the CBR has published consultation papers proposing new financial regulations in order to redress existing mis-selling practices. The proposed regulations will provide a further disclosure requirement in addition to the existing obligations of financial institutions and their intermediaries to provide customers with a full description of offered financial products, risks related to financial products and information on commission gained by financial institutions and their intermediaries. Although the Group and its intermediaries currently make efforts to furnish sufficient information to the Group's customers, the adoption of new regulations on disclosure of additional information to customers may potentially affect the Group's sales of insurance products, which, in turn, may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group is subject to anti-trust laws enforced by the Federal Antimonopoly Service, which may result in certain limitations being imposed on the Group's activities, the violation of which may result in civil, administrative and even criminal liability

Federal Law No. 135-FZ "On Protection of Competition" dated 26 July 2006, as amended, (the "**Competition Law**") generally prohibits any concerted action, agreement or coordination of business activity that results or may result in, among other things, (a) price fixing, discounts, extra charges or margins; (b) coordination of auction bids; (c) partition of a commodity market by territory, volume of sales or purchases, types of goods, customers or suppliers; (d) refusal to enter into contracts with buyers (customers) for reasons other than economic or technological reasons; (e) imposing unfavourable contractual terms; (f) fixing disparate prices for the same goods, for reasons other than economic or technological reasons; (g) creation of barriers to enter or exit a market; and (h) restriction of competition in any other ways. There is no established court interpretation on what concerted actions or coordination of business activity is and courts interpret these concepts inconsistently. As a result, there is significant uncertainty as to what actions may be viewed as a violation of the Competition Law. In a number of precedents, Russian courts found concerted actions where market participants acted in a similar way within the same period of time, although, arguably, there have been legitimate economic reasons for such action and the action was not aimed at restricting competition. Therefore, there is a risk that the Group can be found in violation of the Competition Law if its market behavior is viewed as being similar to behaviour of the Group's competitors and perceived by the Federal Antimonopoly Service (the "**FAS**") as a purported restriction of competition. Such broad interpretations of the Competition Law may result in the FAS imposing substantial restrictions on the Group's activities and imposing civil, administrative and even criminal liabilities.

Furthermore, the Group has expanded its business through mergers and acquisition of companies that are incorporated and have operations in Russia or have assets located in Russia. Some of these acquisitions were in the past, or will be subject to pre-acquisition approval or post-acquisition notification requirements of the FAS. See "*Regulation of the Russian Insurance Sector—Investment in Insurance Companies*". Certain portions of these requirements are vaguely worded and there can be no assurance that the Group will be able to comply fully or that the FAS will not challenge the Group's past statutory filings or other activities related to mergers and acquisitions, which could result in administrative sanctions, forced divestitures or restrictions on operations.

If the Group's activities are found to be in violation of the Competition Law in any of the cases described above or in any other cases, the Group could be subject to monetary damages or governmental or legal injunctions as a result of which the Group is forced to change its business operations in a manner that increases costs or reduces revenue, which can adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares. In addition, anti-trust restrictions may also limit the Group's expansion via mergers and acquisitions if the FAS finds that any of such transactions may restrict competition.

Changes in applicable consumer protection or insurance legislation may impose greater compliance requirements or adversely affect profitability

In recent years, there has been a significant increase in consumer protection initiatives in Russia aimed at challenging certain terms of consumer contracts, some of which are or were previously present in the Group's standard policy terms. In addition to initiatives taken by consumers, the Consumer Protection Agency of the Russian Federation ("**Rospotrebnadzor**") regularly initiates administrative proceedings against Russian banks and financial institutions for violations of consumer rights, which in some instances result in fines and invalidation of certain contractual terms by the Russian courts on the basis that such terms contradict the provisions of the Federal Law No. 2300-1 "On Consumer Protection" dated 7 February 1992, as amended (the "**Consumer Protection Law**"). The CBR is also actively involved in the protection of the rights of consumers of financial services (such as insurance).

More recently, Russian legislators adopted the amendments to the Federal Law No. 353-FZ "On Consumer Credit" dated 21 December 2013, as amended (the "**Consumer Credit Law**") aimed at protecting consumers' interest in financing. Starting from 1 September 2020, upon early fulfillment by the consumer of its payment obligations under a consumer credit agreement whereby a consumer purchased a credit life insurance or other insurance products providing coverage for consumer credit agreement, the consumer is entitled to request the insurer to pay back the insurance premium for the time period during which the credit life insurance coverage is not applicable. Given that the commission paid by the Group to the financial institutions under bancassurance agreements ranges from 5% to 92% of received insurance premiums and the majority bancassurance agreements do not contain carve-out with respect to such reimbursed insurance premium, the repayment of insurance premiums to consumers in accordance with the new adopted amendments to the Consumer Credit Law could adversely affect the Group's profitability.

Institutions operating in the financial services sector have in the past faced sanctions and monetary loss as a result of regulators' and customers' initiatives to protect consumer rights. Due to the nature of its business, the Group may, from time to time, be involved in litigation with customers, Rospotrebnadzor, "FAS" or the CBR or be subject to administrative proceedings. These court cases and administrative proceedings could result in negative publicity, pressure to improve standard consumer contractual terms, administrative fines, lost revenue streams and losses from un-recouped fees or commissions, all of which could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Major amendments to consumer protection regulations, shifts in court practice relating to cases that the Group is or may become involved in, changes in regulator's interpretation of relevant laws resulting in investigations or court and administrative proceedings against market participants, and greater frequencies of consumer borrowers across different regions of Russia in filing claims against the Group to protect their rights as consumers could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Establishment of insurance guarantee fund may impose additional obligations on the Group which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects

In October 2019, the CBR announced that it started developing a state insurance guarantee fund aimed at protecting policyholders against insolvency (bankruptcy) of insurance companies. It is proposed that in case of an insurer's insolvency (bankruptcy), the insurance guarantee fund would compensate claims of individuals who hold life insurance policies. Similarly to the state fund of deposits and pension accumulations, the amount of compensation payable by the insurance guarantee fund is expected to be limited to RUB 1.4 million. All insurance companies operating in Russia will be required to participate in the insurance guarantee fund.

At this stage, it is unclear when the announced initiative will be implemented or whether it will be implemented at all, and, as a result, it is difficult to estimate the potential impact of this initiative on the Group's business. If such initiative is implemented, the Group might be required to make contributions into the insurance guarantee fund which could increase the Group's costs and expenses. The Group might also be subject to additional compliance scrutiny in connection with the participation in the insurance guarantee fund, and failure to comply with such requirements could result in the introduction of administrative measures such as fines against the Group.

The Group is subject to regulations related to money laundering and non-compliance with these regulations may result in the revocation of the insurance licenses of members of the Group

Russia is a member country of the Financial Action Task Force on Money Laundering ("**FATF**") and the Egmond Group, and has enacted laws and regulations to combat money laundering, terrorist financing and other financial crimes. In Russia, insurance companies and their employees are obliged to implement and fulfil certain requirements regarding the treatment of activities that may be referred to as money laundering. The Federal Law No. 115-FZ "On Countermeasures Against Laundering of Criminal Profits and the Financing of Terrorism" of 7 August 2001, as amended (the "**Anti-Money Laundering Law**") and implementing legislation set forth the framework for this requirement and other anti-money laundering procedures.

Minimum standards and duties pursuant to the Anti-Money Laundering Law include customer identification, record keeping, suspicious activity reporting, employee training, an internal audit function and designation of a compliance officer. Suspicious ("unusual") transactions must be reported on a daily basis to the Federal Service for Financial Monitoring.

To ensure that the Group is not unwittingly used as an intermediary in any money laundering process or other related criminal activities, the Group complies with the CBR's anti-money laundering rules. This program includes written anti-bribery and anti-money laundering policies. Noncompliance with Russian money laundering legislation may result in the revocation of Group's insurance licenses and, as a result, a material adverse impact on the Group's business, financial position or results of operations.

Russian insurance and financial regulation has been undergoing significant changes

Most of Russia's laws on insurance and insurance activity were adopted in the 1990s and early 2000s. The main insurance laws and regulations include the Law of the Russian Federation No. 4015-1 "On Organisation of Insurance Industry in Russian Federation" dated 27 November 1992, as amended (the "**Insurance Law**"), the Federal Law No. 40-FZ "On Compulsory Insurance of Third Party Liability of Motor Vehicle Owners" dated 25 April 2002, as amended, the Federal Law No. 225-FZ "On Compulsory General and Employers' Liability Insurance of an Owner of a Hazardous Object for Damages in Case of an Accident Involving the Hazardous Object" dated 27 July 2010, as amended, and Chapter 48 (Insurance) of the Civil Code. The Russian Federation continues to develop new insurance and financial legislation. Recent changes in Russian insurance regulation include, among others, regulations on regulatory capital requirements to bring them in line with international standards, mainly Solvency II framework. See "*Risk Factors—Legal, compliance, regulatory risks—The Group is required to meet certain minimum capital and solvency requirements*". Moreover, the CBR has announced a high-level concept of risk-oriented regulation focusing on capital requirements of insurers and proposing further changes to quantitative solvency requirements, corporate governance (including own risk and solvency assessment) and disclosure. The general goal of the CBR is to implement the principles of the EU Solvency II Directive, a world-leading standard that requires insurers to focus on managing all of the risks facing their organisations, into Russian insurance regulations. Appreciating it is a complex task, the CBR is working on gradual transition. On 1 July 2021, certain quantitative solvency requirements were introduced by the Bank of Russia with more to follow or to be tightened through 2025. Regulation on reserve requirements, which will set new rules for insurance reserves calculation and will set the procedure for calculating the lower limit of insurance reserves, is expected to be approved by the end of 2021 and become effective in 2023.

New regulations could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to quantitative solvency requirements, corporate governance and disclosure of insurance companies.

As part of the reform to Russian civil legislation, large-scale amendments to the Civil Code were adopted. These amendments revised certain basic concepts and rules of Russian civil legislation. Although the amendments generally aim to clarify and streamline the existing rules and institutions, their implementation may create uncertainties in the Russian legal requirement for business activities and investments. A potential interpretation of these amendments by Russian state authorities, including courts, as well as their impact on the Group's activities, is not yet clear.

The recent changes in the Russian insurance and financial regulation are aimed at bringing the regime more in line with that of more developed countries. However, because of these changes, insurers and other financial organisations now operate in a new and relatively unclear regulatory environment. Although the Group believes that it currently conducts its business in compliance with the applicable laws and regulations currently in place, no assurance can be given that its actions will not be challenged by the relevant authorities and held illegal. Further, it is difficult to forecast how the changes in the insurance and financial regulation will affect the Russian insurance industry, and no assurance can be given that the regulatory system will not change in a way that will increase the Group's expenses or impair the Group's ability to provide its clients with a full range of insurance products or to compete effectively. For instance, the regulatory framework in Russia governing the CMTPL is undergoing a reform. Most recently, the Federal Law No. 161-FZ dated 25 May 2020, also known as the "CMTPL Liberalisation Law" (the "**CMTPL Liberalisation Law**") amending the Federal Law No. 40-FZ "On Compulsory Civil Insurance of Owners of Means of Transport" dated 25 April 2002 (the "**CMTPL Law**") was adopted. The CMTPL Liberalisation Law, among other things, introduces higher coverage limits, tariff range, individual tariff coefficient and mandatory online sales. According to the CMTPL Liberalisation Law, the rates relating to motor vehicle's engine capacity and the rates relating to territories where there is heavy reliance on motor vehicles are excluded from the calculation of insurance premiums, which could result in a reduction of the Group's revenue. There can be no assurance that further changes in the insurance and financial regulation may not negatively affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Risks Relating to the Russian Federation

Emerging markets are subject to different risks as compared to more developed markets

Substantially all of the Group's assets are located in Russia, which is an emerging market. Emerging markets, such as Russia, are subject to different risks as compared to more developed markets, including, in some cases, increased political, economic and legal risks. Emerging market governments and judiciaries may exercise broad, unchecked discretion and are susceptible to abuse of power and corruption. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved in, and are familiar with investing in, emerging markets. Emerging markets such as the Russian Federation are subject to rapid change, and the information set out herein may become quickly outdated.

Financial turmoil in any emerging market country tends to materially adversely affect the value of investments because investors tend to move their money to more stable, developed markets in such circumstances. Financial problems or an increase in the perceived risks associated with investing in emerging economies may dampen foreign investment in the Russian Federation and materially adversely affect its economy. Companies in emerging markets may face severe liquidity constraints as foreign investors relocate capital elsewhere. Any of these factors may materially adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Negative publicity concerning the Russian Federation could harm the Group's business

The local and international press has reported high levels of corruption and extortion in the Russian Federation, including selective investigations and prosecutions to further the personal or commercial interests of certain favoured companies or individuals. There is also a tendency among the local and international press to generate speculative reports that contain allegations of criminal conduct or corruption on the part of Russian companies or individuals within Russian companies or the Russian government. In addition, the Russian press and other non-traditional media are suspected of publishing biased articles and reports in return for payment. Such negative publicity could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Political, social and economic risks

Instability in the Russian economy and Russia's history of rapid inflation

Since the dissolution of the Soviet Union, the Russian economy has been undergoing a rapid transformation and has experienced at various times:

- significant declines in gross domestic product ("**GDP**") and consumption;
- hyperinflation;
- sudden price declines in the natural resource sector;
- an unstable currency, including periods of significant decline in the value of the Rouble against foreign currencies;
- high governmental debt relative to GDP;
- significant decline in the gold and currency reserves of the CBR;
- lack of reform in the banking sector and a weak banking system providing limited liquidity to Russian enterprises;
- a large number of loss-making enterprises that continued to operate due to the lack of effective bankruptcy proceedings and the use of fraudulent bankruptcy actions to take unlawful possession of property;

- significant use of barter transactions and illiquid promissory notes to settle commercial transactions;
- frequent tax evasion;
- growth of black and grey market economies;
- pervasive capital flight;
- high levels of corruption and the penetration of organised crime into the economy;
- significant increases in unemployment and underemployment; and
- the impoverishment of a large portion of the population.

In addition, the Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia and Russian businesses could face severe liquidity constraints, further materially adversely affecting the Russian economy.

Additionally, because Russia produces and exports large amounts of crude oil, natural gas, metal products and other commodities, the Russian economy is especially vulnerable to the price of commodities on the world market, and a decline in the price of commodities could slow or disrupt the Russian economy or undermine the value of the Rouble against foreign currencies. Brent crude oil prices were relatively stable in 2017, 2018 and 2019. However, most recently, oil prices fell with the price of Brent crude declining from a high of US$ 69.96 per barrel on 6 January 2020 to US$ 31 per barrel on 9 March 2020 and dropping to US$ 27 per barrel on 20 April 2020 as a result of Russia and OPEC failing to reach an agreement over proposed oil production cuts and falling demand for oil triggered by the significant slowdown of business activity and a deteriorating global macro outlook caused by the spread of the COVID-19 pandemic. While a coalition of 23 nations led by Saudi Arabia and Russia subsequently agreed to reduce production of crude oil by 10 million barrels per day in May and June 2020 and 8 million barrels per day from July to December 2020, crude oil prices have remained depressed. As of 30 June 2021, the price of Brent crude was US$ 76.94 per barrel.

The Russian economy experienced relatively high rates of inflation in 2014–2016 as a result of the deteriorating economic conditions, depreciating Rouble and restrictive measures on certain imports. During the period 2014–2020, the consumer prices index in Russia measured by the Russian Federal State Statistics Service ("**Rosstat**") was 11.4% in 2014, 12.9% in 2015, 5.4% in 2016, 2.5% in 2017, 4.3% in 2018, 3.1% in 2019 and 4.9% in 2020. A return to heavy and sustained inflation could lead to market instability, new financial crises, reductions in consumer purchasing power and the erosion of consumer confidence, any of which could have a negative effect on demand for the Group's products and services.

In addition, as a result of the COVID-19 pandemic, travel restrictions, quarantines, city and country lockdowns and similar measures taken by governments and companies around the world have been introduced which have affected the Russian economy. Although the Russian Government has adopted measures to mitigate the effects of the COVID-19 pandemic, there can be no assurance that such measures will be successful or will result in a sustainable recovery of the Russian economy (see "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group faces risks related to the adverse impact of the COVID-19 pandemic*"). Therefore, any continued economic instability could have a material adverse effect on the Russian economy and, consequently, on the Group's business, financial condition, results of operations or the trading price of the Ordinary Shares.

Economic risks could adversely affect the value of investments in Russia

The Russian economy has been subject to abrupt downturns in the past. Russia produces and exports large quantities of crude oil, natural gas, metal products and other commodities. For this reason the Russian economy is particularly vulnerable to fluctuations in the prices of commodities globally.

The Russian economy and banking sector in particular faced serious challenges in 2014 and 2015. Starting from July 2014 to the end of 2015, oil prices decreased by more than half, which caused a shock to the Russian economy due to the deterioration in trade conditions for Russia and the Rouble depreciated sharply against the US dollar.

This, in turn, had a negative impact on already weakening consumer confidence. The cost of credit increased as a result of actions of the CBR to tighten the monetary policy, which resulted in further freezing of lending and a reduction of bank margins. The geopolitical tensions that began in March 2014 with respect to Ukraine led to economic sanctions adopted against Russia by, among other things, the EU and the United States. Against the background of this tension, investors have become more cautious about investing in Russia and the cost of foreign loans for Russian financial institutions and companies rose significantly. These negative developments continued to affect the Russian economy from 2014 onward, aggravated by the impact of the current political and economic crisis in Ukraine and related sanctions imposed on certain Russian individuals and legal entities by the United States and the EU, as well as a sharp decrease in oil prices and depreciation of the Rouble against the US dollar. See "*Risk Factors—Risks Relating to the Russian Federation—The current political situation and related sanctions imposed by the United States and the EU or the imposition of additional sanctions by the United States and the EU or other countries may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares*".

Investments in Russia may be adversely affected by fluctuations in the global economy

The Russian economy is vulnerable to market downturns and economic slowdowns elsewhere in the world. Since Russia is one of the world's largest producers and exporters of oil, natural gas, metal products and other commodities, the Russian economy is especially sensitive to commodity prices globally. The sharp decrease in prices for natural resources in 2008 and 2014 resulted in a significant decrease in revenues of the Russian Government, which had a negative effect on the Russian economy.

Since the beginning of 2020, oil prices have been falling and, in early March, there was a substantial drop in oil prices (the price of Brent Crude fell from US$ 45.3 per barrel on 6 March 2020 to US$ 33.3 per barrel on 12 March 2020) as a result of Russia and OPEC failing to reach an agreement over proposed oil production cuts. As at 30 June 2021, the price of Brent Crude stood at US$ 76.94 per barrel. The Rouble depreciated against the US dollar as a result of the decline in oil prices from RUB 69.47 per US$ 1.00 as at 31 December 2019 to RUB 73.88 per US$ 1.00 as at 31 December 2020, and from RUB 69.95 per US$ 1.00 as at 30 June 2020 to RUB 72.37 per US$ 1.00 as at 30 June 2021.

Commodity prices continue to be volatile and future fluctuations in the global markets could substantially limit the Group's access to capital and could materially adversely affect the financial condition of the Group's customers, which could result in a decrease of the GWP. Moreover, returns on the Group's investments may be negatively affected by global economic turmoil and volatility in the global markets. See "*Risk Factors—Financial and Market Risks—The Group's exposure to fluctuations in the fixed income and equity markets could result in a material adverse effect on its investment returns and, as a result, its financial condition and results of operations*". These developments could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Political risks could adversely affect the value of investments in the Russian Federation

While the political situation in the Russian Federation has been relatively stable since 2000, future policy and regulation may be less predictable than in less volatile markets. Any future political instability could result in a worsening overall economic situation, including capital flight and a slowdown of investment and business activity. In addition, any change in the Russian Government or its programs or lack of consensus between the Russian President, the Prime Minister, the Russian Government, the Parliament and powerful political, social, religious, regional, economic or ethnic groups could lead to political instability and a deterioration in Russia's investment climate that might limit the Group's ability to obtain financing in the international capital markets, and the Group's business, financial condition and results of operations or the trading price of the Ordinary Shares could be materially and adversely affected.

In January 2020, the current Russian President, Vladimir Putin, proposed a number of constitutional reforms aimed at altering the balance of power between the legislative, executive and judicial branches and introducing certain other changes to the Constitution of the Russian Federation. The suggested amendments to the Constitution of the Russian Federation envisaged, among other things, the prioritisation of the Constitution of the Russian Federation over international treaties and the decisions of international bodies, strengthening of the Russian State Council as an advisory board to the Russian President and granting the Russian Federal Council with authority to terminate the powers of the judges of the Constitutional Court of Russia upon the recommendation of the Russian

President. In addition, further amendments were proposed in March 2020, under which the previous and/or current President of the Russian Federation is allowed to participate in presidential elections for two terms following the amendment of the Constitution, with previous presidential terms, which were served or started prior to these amendments becoming effective, will not be accounted for. The amendments were approved in a nationwide vote held from 25 June 2020 to 1 July 2020 and were effective from 4 July 2020. These amendments may have a significant impact on the Russian political landscape and regulatory environment and lead to other changes that are currently difficult to predict.

According to some commentators, politically motivated actions, including claims brought by the Russian authorities and state-owned companies against several major Russian companies, as well as certain cases of confiscation or renationalisation of assets, have called into question the security and enforceability of property and contractual rights, the independence of the judiciary and the certainty of legislation. This has, in turn, had a negative impact on foreign investments in the Russian economy, over and above the general market turmoil recently. Any similar actions by the Russian authorities which result in a further negative effect on investor confidence in Russia's business and legal environment could have a further material adverse effect on the Russian securities market and prices of Russian securities or securities issued or backed by Russian entities, including the shares. Russia is a federative state consisting of 85 constituent entities, or "subjects". The Russian Constitution reserves some governmental powers for the Russian Government, some for the subjects and some for areas of joint competence. In addition, eight "federal districts" (*federal'nye okruga*), which are overseen by a plenipotentiary representative of the President, supplement the country's federal system. The delineation of authority among and within the subjects is, in many instances, unclear and contested, particularly with respect to the division of tax revenues and authority over regulatory matters. Subjects have enacted conflicting laws in areas such as privatisation, land ownership and licensing. For these reasons, the Russian political system is vulnerable to tension and conflict between federal, subject and local authorities. This tension creates uncertainties in the operating environment in Russia, which may prevent businesses from carrying out their strategy effectively.

In addition, ethnic, religious, historical and other divisions have on occasion given rise to tensions and, in certain cases, military conflict. Moreover, various acts of terrorism have been committed within the Russian Federation. The risks associated with these events or potential events could materially and adversely affect the investment environment and overall consumer and entrepreneurial confidence in the Russian Federation, and the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares could be materially and adversely affected.

Social risks could adversely affect the value of investments in the Russian Federation

Emerging markets such as the Russian Federation are prone to social risks and increased lawlessness. High levels of corruption reportedly exist in Russia, including the bribing of officials for the purpose of initiating investigations by government agencies. For example, should the Group enter into legal proceedings to settle the claims, the other parties may engage in illegal measures, including corruption, to obstruct proceedings in relation to such claim. Whilst the Group's internal monitoring of operational risks and "know your customer" procedures are designed to recognise suspicious and illegal activity, there can be no assurance that corruption or other illegal activity will not affect the Group's business in the future. Corruption and other illegal activities could disrupt the Group's ability to conduct its business effectively, and claims that the Group was involved in such corruption or illegal activities could generate negative publicity, either of which could harm the Group's business.

Rising unemployment, forced unpaid leave, wages in arrears and weakening economies have in some cases in the past led to and could in the future lead again to labour and social unrest, a mood of protest and a rise in nationalism against migrant workers. For example, recently, the Russian Federation has undergone the pension reform that was initiated by the Russian Government in order to increase the existing retirement age by five years to 65 years for men and 60 years for women. This reform resulted in a series of large country-wide protests and demonstrations against the reform and policy of the Russian Government. Any such labour and social unrest could disrupt ordinary business operations, which also could materially adversely affect the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The current political situation and related sanctions imposed by the United States and the EU or the imposition of additional sanctions by the United States and the EU or other countries may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary

Shares

In response to certain geopolitical tensions, a number of countries, including the United States, EU countries and Canada, imposed a variety of trade and economic sanctions aimed at Russia as well as certain individuals and entities within Russia and Ukraine. In December 2014, the President of the United States issued Executive Order Number 13685, which established a region-specific embargo under US law for the Crimea region. Among other things, this embargo generally prohibits US persons and US companies from engaging in investments in the Crimea region or most import or export trade in goods and services with parties in the Crimea region. Pursuant to Executive Order Number 13685, the US Department of the Treasury, Office of Foreign Assets Control ("**OFAC**"), has also placed parties operating in the Crimea region on the OFAC list of Specially Designated Nationals and Blocked Persons ("**SDN List**"). US persons and US companies are generally prohibited from engaging in most transactions or dealings with parties on the SDN List. Although the Group is obliged under applicable laws and regulations to offer some of its insurance products, such as retail CMTPL products, to all customers, including, without limitation, residents of Crimea, the Group's activities relating to this region are de minimis. In particular, less than 1% of the Group's clients are located in the Crimea region as of the date of this Offering Memorandum and less than 1% of the Group's GWP has been generated from this region since 2018. The Group does not have any offices in the Crimea region and sales are done online or through the Group's partners.

During the course of 2014, the United States and the EU (as well as other states, such as Canada, Switzerland, Australia and Japan) imposed sanctions on a number of Russian and Ukrainian persons and entities, including current and former officials and individuals, companies, banks and businessmen, with the consequence that entities and individuals in the United States and EU cannot do business with them or provide funds or economic resources to them, with assets in the relevant sanctioning jurisdictions subject to a freeze and the individuals to visa bans. In addition, the United States and EU have applied "sectoral" sanctions. These sanctions have imposed restrictions on the ability of several Russian leading state-controlled banks to access the capital markets or otherwise obtain funding from persons in the United States and EU. Similar sanctions have been imposed on major companies in the oil and gas and defence sectors of the Russian economy. Moreover, the EU and United States prohibited the provision, exportation or re-exportation, directly or indirectly, of goods, services (except for financial services) or technology in support of exploration or production for deepwater, Arctic offshore or shale projects that have the potential to produce oil in the Russian Federation and that involve certain companies in the Russian energy sector.

On 3 April 2014 and 18 December 2014, the US President signed into law bills passed by the US Congress which introduced certain discretionary sanctions and secondary sanctions in relation to Russia. These laws were amended when, on 2 August 2017, the US President signed into law the Countering America's Adversaries Through Sanctions Act ("**CAATSA**") that includes additional, and modifies existing, Russia-related US sanctions. CAATSA, inter alia, (a) codifies the existing sanctions against Russian persons established by former President Obama's executive orders, reduces the permitted terms of financing under the existing sectoral sanctions and restricts supplies of equipment and services for new deepwater, Arctic offshore or shale projects anywhere in the world in which a Russian sanctioned entity holds a 33% or more interest; (b) gives the US Treasury Secretary the power to extend sectoral sanctions to further sectors of the Russian economy, including railways, metals and mining, and introduce additional sanctions against new persons; (c) requires the US President, subject to the ability to claim a national interest waiver, to impose secondary sanctions on non-US persons for, inter alia, investing in or supporting special Russian crude oil, engaging in significant transactions involving the Russian defence, intelligence and energy sectors projects and facilitating significant financial and other transactions for or on behalf of Russian sanctions persons; (d) allows the US President to introduce secondary sanctions on non-US persons (including those that invest in the construction or servicing of Russian energy export pipelines); and (e) requires the US President, subject to the ability to claim a national interest waiver, to impose secondary sanctions on any person who knowingly engages in significant activities that undermine the cybersecurity of any person or government, including a democratic institution, on behalf of the Russian government. Depending on the extent of their implementation by US authorities, these sanctions may disrupt economic ties and business operations between Russian and foreign businesses, as well as have a material adverse effect on the Russian financial markets and investment climate and the Russian economy generally. In addition, CAATSA requires the US administration to submit various reports to US Congress. Beginning in late January 2018, several such reports have been published, including a report under Section 241 of CAATSA that identified certain Russian individuals and parastatal entities, as well as a report under Section 242 of CAATSA on the effects of expanding sanctions to include sovereign debt and derivative products. Although the identification of any individuals or entities in such reports do not automatically lead to the imposition of new sanctions and it is not possible to predict whether any such identification could have an impact on the trading price of the Ordinary Shares, there can be no assurance that such price may not be adversely affected.

On 6 April 2018, OFAC added 38 Russian businessmen (including, among others, Oleg Deripaska and Victor Vekselberg), officials and entities (including EN+ Group plc, United Company RUSAL plc and Renova Group, among other businesses, of which several entities have securities listed on the London Stock Exchange, the Hong Kong Stock Exchange and the Moscow Stock Exchange) to its List of Specially Designated Nationals and Blocked Persons, issued guidance on the application of these new sanctions and published General Licence 12 and General Licence 13 for the wind-down of certain activities related to these SDNs. These sanctions have significantly impacted the business dealings of the respective SDNs and the entities in which these SDNs have interests. Further, the sanctions may have heralded a new course of implementation and interpretation of US sanctions targeting Russia due to the nature of the targets, the scope of the prohibitions and the potentially unpredictable ramifications. It is currently unclear how long these sanctions will remain in place. On 27 January 2019, however, the sanctions that had been previously imposed on EN+ Group plc, United Company RUSAL plc and JSC EuroSibEnergo were lifted following negotiations between the US Department of Treasury's Office of Foreign Assets Control and the above companies, which have agreed to provide additional information regarding their operations. In February and March 2020, OFAC also targeted two Swiss subsidiaries of Rosneft for operating in the oil sector of the Venezuelan economy by brokering crude oil shipments. Further Russia-related designations continue to be made from time to time.

In August 2018, the US State Department imposed new sanctions on Russia under the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991 (the "**CBW Act**"). The initial set of sanctions under the CBW Act includes, among other things, termination of sales of any defence articles and services and prohibition on the export to Russia of certain national security-sensitive goods and technology. In November 2018, the US Department of State declared its intention to impose further sanctions following Russia's alleged failure to provide the respective assurances, and, on 2 August 2019, pursuant to the CBW Act, the OFAC issued a Russia-related Directive prohibiting the US banks to participate in the primary market of non-rouble denominated bonds issued by, and lending non-rouble denominated funds to, any Russian ministry, agency or sovereign fund, including the Central Bank of Russia, the National Wealth Fund and the Ministry of Finance of the Russian Federation with effect from 26 August 2019. On 13 February 2019, a bipartisan group of US senators introduced an updated and expanded version of the sanctions bill initially proposed in August 2018, Defending American Security from Kremlin Aggression Act ("**DASKA**"). Among other measures, DASKA (i) introduces a prohibition for US persons to hold and deal in Russian sovereign debt with a maturity exceeding 14 days; (ii) envisages the sanctioning of persons making a substantial investment in liquefied natural gas export facilities or other energy projects outside Russia if such facilities and projects are supported by a Russian parastatal entity or an entity owned or controlled by the Russian Government; and (iii) proposes to introduce blocking sanctions in respect of Russian financial institutions that provide financial or other support to Russian government interference in democratic processes and elections outside Russia. If imposed, such sanctions may have an adverse impact on the Russian economy in general and, thus, may negatively affect the Group's operations.

On 1 January 2021, the National Defense Authorization Act for Fiscal Year 2021 (the "**Defence Budget 2021**") and the Protecting Europe's Energy Security Clarification Act of 2020 ("**PEESCA**") as part of the Defence Budget 2021, were enacted into law when the US Congress overrode the US President's veto of the legislation. The Defence Budget 2021 and PEESCA mandate the imposition of sanctions on persons providing vessels for pipe-laying activities for the construction of the Nord Stream 2 and the TurkStream gas export pipelines, persons who facilitate providing those vessels, and persons who provide underwriting, insurance or reinsurance services for those vessels, various technology upgrades, or tethering of those vessels, or provide testing, inspections or certifications for the Nord Stream 2 pipeline.

As at the date of this Offering Memorandum, several draft bills directed at amplifying US sanctions against the Russian Federation have been introduced in the US Congress and are currently under consideration. The current initiatives, if enacted, could affect, among other things, Russian sovereign debt, Russian energy projects and the Russian energy and financial sectors. It is currently unclear at which point, if at all, any of these bills could be signed into law and what would be the scope of any new sanctions that may be imposed pursuant to any such laws.

The latest sanctions imposed by the United States on 15 April 2021 include the designation by OFAC of a number of companies and individuals on the SDN List and the prohibition of US financial institutions, from 14 June 2021, from participating in the primary market for any new rouble or non-rouble denominated bonds issued by, or lending any rouble or non-rouble denominated funds to, the Central Bank of the Russian Federation, the National Wealth Fund of the Russian Federation, or the Ministry of Finance of the Russian Federation.

Like many major Russian companies, the Group may from time to time engage with entities that are subject to sanctions. In particular, the Group's investments includes investments in corporate bonds and shares of, and bank deposits and cash and cash equivalents with, leading Russian state-controlled banks (Gazprombank, Sberbank of Russia and VTB) and certain companies in the Russian energy sector (Rosneft and Transneft), which are subject to "sectoral" sanctions. The Group estimates that dealings with the sanctioned entities are not material in the context of the overall business of the Group. Particularly, investments involving Russian state-controlled banks and Russian energy companies accounted for 7% of the Group's investment assets as at the date of the Offering Memorandum. To manage potential risks related to dealings with sanctioned counterparties, the Group has approved and implemented its Sanctions Risk Management Policy.

No sanctions have been imposed in respect of the Group, any individual related to the Group, or any of the Group's subsidiaries by either the United States or the EU. However, no assurance can be given that any of those persons or entities will not become subjected to sanctions in the future, or that broader sanctions against Russia that affect the Group would not be imposed.

Non-compliance with applicable US and EU regulations by the Group or its subsidiaries could result in, among other things, debarment from the ability to contract with the US and EU governments or their agencies, additional liability, imposition of significant fines and negative publicity and reputational damage with respect to the Group and/or its personnel. In addition, should the Group's dealings with sanctioned counterparties become material, the Group's ability to transact with US or EU persons could be affected, even if such dealings complied with applicable law. As a result, the ability of the Group to raise funding from international financial institutions or the international capital markets could become inhibited which could, in turn, have an overall adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Weaknesses in the Russian banking system and another banking crisis could place severe liquidity constraints on the Group's business

Russia's banking and other financial systems are in a period of ongoing development. There are currently a limited number of creditworthy Russian banks, most of which are headquartered in Moscow, with the capacity to service companies of the size of those found in the Group. Although the CBR has the mandate and authority to suspend banking licences of insolvent banks, many insolvent banks still operate. Many Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still does not meet all internationally accepted norms. In the autumn of 2017, the CBR announced its decision to implement measures aimed at improving the financial stability of several Russian banks, including PJSC "Bank Otkritie Financial" Corporation and PJSC "B&N Bank". Furthermore, on 15 December 2017, the CBR announced the adoption of similar measures with respect to Promsvyazbank (then Russia's ninth largest lender by assets). In light of these developments, there has been recent media coverage relating to significant increase in withdrawals by state-owned corporations from Russian private banks. Liquidity difficulties on the market could arise among the privately and state owned banks in Russia, which could undermine investors' confidence and lead to instability of the Russian banking system. There can be no assurance that such banks would not be subject to rehabilitation measures by the CBR, which would further exacerbate difficulties in the banking sector and the local financial markets.

The serious deficiencies in the Russian banking sector, combined with the deterioration in the credit portfolios of Russian banks, may result in the banking sector being more susceptible to the current worldwide credit market downturn and economic slowdown. A prolonged or serious banking crisis or the bankruptcy of a number of large Russian banks could, should they occur in the future, have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

The Group maintains cash deposits with major state-owned Russian banks and 21.8% of the Group's investments comprised deposits and cash as at 30 June 2021. Further, the Group partially relies on debt financing from Russian banks. The Group's business and financial position could be adversely affected by any further deterioration and increased instability of the Russian banking sector. The revocation of the licenses or insolvency of any major banks with which the Group maintains its accounts and which it uses for settlement operations could result in material losses for the Group. Furthermore, any funding shortages or other banking disruptions experienced by the Group’s major bank partners could have a material adverse effect on its ability to execute planned developments or to obtain financing required for the Group’s operations, which could have a material adverse effect on the Group’s business, results of operations and financial condition or the trading price of the Ordinary Shares.

Alleged crime and corruption within the Russian Federation could disrupt the Group’s ability to conduct business

The political and economic changes in Russia since the early 1990s have led, among other things, to reduced policing of society and increased lawlessness. Organised criminal activity, particularly property crimes in large metropolitan centres, has reportedly increased significantly since the dissolution of the Soviet Union. In addition, the Russian and international media have reported high levels of corruption in Russia and elsewhere in the Commonwealth of Independent States. Press reports have also described instances in which governmental officials have engaged in selective investigations and prosecutions to further the interest of the Government and individual officials or business groups. Moreover, certain members of the Russian media appear to have published biased articles in exchange for payment. Although the Group adheres to a business ethics policy and internal compliance procedures to counteract the effects of crime and corruption, illegal activities, demands of corrupt officials, allegations that the Group or its management have been involved in illegal activities or biased articles and negative publicity could materially adversely affect the Group’s business, results of operations and financial condition or the trading price of the Ordinary Shares.

The condition of physical infrastructure within the Russian Federation has the potential to disrupt normal business activity

Russia’s physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained since the dissolution of the Soviet Union. Particularly affected are the rail and road networks, power generation and transmission, communications systems and building stock. Road conditions throughout Russia are also poor, with many roads not meeting modern quality requirements. Some areas within Russia, particularly those surrounding ageing nuclear power plants, are potentially hazardous. In addition to the Government actively pursuing plans to reorganise the electricity sector, it is also seeking to reorganise its rail, telephone and other infrastructure systems, as well as the public utilities. Any such reorganisations may result in increased charges and tariffs while failing to generate the anticipated capital investment that is needed to repair, maintain and improve these systems.

The deterioration of the physical infrastructure in Russia harms its national economy, disrupts the transportation of goods and supplies, adds costs to doing business and can interrupt business operations. For instance, electricity blackouts may hinder the Group’s ability to carry out online underwriting, claims handling and reporting activities or other activities dependent upon its IT systems, while the poor condition of road infrastructure may result in an increase in the number of claims under the Company’s MOD policies. The Group does not carry business interruption insurance and so may not receive compensation for any losses arising from such events. Further deterioration in the physical infrastructure could have a material adverse effect on the Group’s business, results of operations and financial condition or the trading price of the Ordinary Shares.

Incomplete, unreliable or inaccurate official and publicly available data and statistics

The Group has derived substantially all of the information contained in this Offering Memorandum concerning its competitors and market share from publicly available information and has relied on the accuracy of this information without independent verification.

Some of the information contained in this Offering Memorandum has been derived from official data of Russian government agencies and the CBR. Some of the official data published by Russian federal, regional and local governments may not be complete or researched to the standard of Western countries. The veracity of some official data released by the Russian Government may be inaccurate. Official statistics, including those produced by the CBR, may be produced to a different standard than those used in Western countries. Any discussion of matters relating to Russia in this Offering Memorandum must, therefore, be subject to uncertainty due to the potential inaccuracy of available official and public information.

Risks relating to the Russian legal system and legislation

Weaknesses relating to the Russian legal system and Russian law create an uncertain environment for investment and for business activity

The Russian Federation is still developing the legal framework required by a market economy. The Group's business is subject to the rules of federal laws and decrees, orders and regulations issued by the President, the Russian Government, the federal ministries and regulatory authorities, which are, in turn, complemented by regional and local rules and regulations. These legal norms at times overlap or contradict one another. Several fundamental Russian laws have only become effective within the past decade, and many have recently been amended.

However, the legal system in the Russian Federation is still subject to the following:

- inconsistencies between and among laws, presidential decrees, edicts and governmental and ministerial orders and resolutions;
- conflicting local, regional and federal rules and regulations;
- the lack of judicial or administrative guidance regarding the interpretation of the applicable rules;
- the untested nature of the independence of the judiciary and its immunity from political, social and commercial influences;
- the relative inexperience of jurists, judges and courts in interpreting recently enacted legislation and complex commercial arrangements;
- a high degree of unchecked discretion on the part of governmental authorities;
- substantial gaps in the regulatory structure due to delays in or absence of implementing regulations;
- problematic and time-consuming enforcement of both Russian and non-Russian judicial orders and international arbitration awards;
- alleged corruption within the judiciary and the government authorities;
- bankruptcy procedures that are not well-developed and are subject to abuse; and
- a lack of binding judicial precedent.

All of these weaknesses affect the Group's ability to protect and enforce its legal rights, including rights under contracts, and to defend against claims by others.

The relatively recent enactment of many laws, the lack of consensus about the scope, content and pace of political and economic reform and the rapid evolution of legal systems in ways that may not always coincide with market developments have resulted in ambiguities, inconsistencies and anomalies and, in certain cases, the enactment of laws without a clear constitutional or legislative basis. Russian legislation also often contemplates implementing regulations that have not yet been promulgated, leaving substantial gaps in the regulatory infrastructure. Existing legal and bureaucratic obstacles and corruption could potentially hinder the Group's further development. These characteristics give rise to investment risks that do not exist in countries with more developed legal systems. The developing nature of the legal systems in Russia could result in the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares being materially adversely affected.

The judiciary's lack of independence and inexperience, the difficulty of enforcing court decisions and governmental discretion in instigating, joining and enforcing claims could prevent the Group from obtaining effective redress from any court or tribunal, which could have a material adverse effect on its business and

financial condition

Russia is still developing the legal framework required to support a market economy. The risks described above create uncertainties with respect to the legal and business decisions that the Group makes, many of which do not exist in countries with more developed market economies.

Additionally, the independence of the judicial system and the prosecutor general's office and their immunity from economic, political and nationalistic influences in Russia is less than complete. The court system is understaffed and underfunded; judges and courts are generally inexperienced in the areas of business and corporate law. Russia is a civil law jurisdiction where judicial precedents generally have no binding effect on subsequent decisions; and most court decisions are not readily available to the public. Russian judiciary can be slow or unjustifiably swift, and enforcement of court judgements can, in practice, be difficult. All of these factors make judicial decisions in Russia difficult to predict and effective redress uncertain. Additionally, court claims are often used in furtherance of political aims, and law enforcement agencies do not always enforce or follow court judgements. Further, the Russian government may attempt to invalidate judgments by retroactively applying relevant legislative changes. The Group may be subject to such claims and may not be able to receive fair trials or to enforce any judgements in the Group's favour.

These uncertainties also extend to property rights. During its transition from a centrally-planned economy to a market economy, Russia has enacted laws to protect private property against expropriation and nationalisation. However, due to a lack of experience in enforcing these provisions and political pressure, Russian courts might not enforce these protections in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of the Group, any of the Group's assets or portions thereof, potentially without adequate compensation, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Selective or arbitrary government action in Russia may have an adverse effect on the Group's business

State authorities have a high degree of discretion in Russia and, at times, act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is inconsistent with legislation or influenced by political or commercial considerations. Moreover, the state has the power in certain circumstances, by regulation or act, to interfere with the performance of, nullify or terminate contracts. Selective or arbitrary state actions have included withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Federal and local government entities used common defects in matters surrounding documentation of financing activities as pretexts for court claims and other demands to invalidate such activities and/or to void transactions. The Russian tax authorities have actively brought tax evasion claims relating to the use by Russian companies of tax-optimisation schemes, and press reports have speculated that these enforcement actions have been selective. Selective or arbitrary state action, if directed at the Group, could have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares.

Protection of minority shareholders in the Russian Federation is limited

In general, minority shareholder protection under Russian law derives from supermajority shareholder approval requirements for certain corporate actions, as well as from the ability of a shareholder to demand that the Company purchase the shares held by that shareholder if that shareholder voted against or did not participate in voting on certain types of action. Companies are also required by Russian law to obtain the approval of disinterested shareholders for certain transactions with interested parties. While these protections are similar to the types of protections available to minority shareholders in US corporations or UK companies, in practice, corporate governance standards for many Russian companies have proven to be poor, and minority shareholders in Russian companies have suffered losses due to abusive share dilutions, asset transfers and transfer pricing practices. General shareholders' meetings have been irregularly conducted, and management has not always respected shareholders' resolutions. Shareholders of some companies have also suffered as a result of fraudulent bankruptcies initiated by hostile creditors.

In addition, the supermajority shareholder approval requirement is met by a vote of 75% of all voting shares that are present at a general shareholders' meeting. Thus, controlling shareholders owning slightly less than 75% of outstanding shares of a company may have a 75% or more voting power if certain minority shareholders are not present at the meeting. In situations where controlling shareholders effectively have 75% or more of voting power at a general shareholders' meeting, they are in a position to approve amendments to the charter of the Company, which could be prejudicial to the interests of minority shareholders. There can be no assurance that the Company's majority shareholders and its management in the future will run the Company for the benefit of minority shareholders.

Disclosure and reporting requirements, as well as anti-fraud legislation, have only recently been enacted in the Russian Federation. Most Russian companies and managers are not accustomed to restrictions on their activities arising from these requirements. The concept of fiduciary duties of management or directors to their companies and shareholders is also relatively new and is not well developed. Violations of disclosure and reporting requirements or breaches of fiduciary duties to the Company and its subsidiaries or to the Company's shareholders could materially adversely affect the value of the Company's shares.

While the Federal Law "On Joint Stock Companies" No. 208-FZ dated 26 December 1995 (as amended) (the "**Joint Stock Companies Law**") provides that shareholders owning not less than 1% of a company's shares may bring an action for damages on behalf of such company, Russian courts to date have limited experience with respect to such lawsuits. Russian rules on class action litigations are relatively recent, are different from the ones that may be seen in the United States or certain other jurisdictions where such actions are common. They also lack interpretative guidance and have been insufficiently tested in courts. Accordingly, investors' ability to pursue legal redress may be limited.

Investors could have difficulty enforcing certain rights against the Company

The Company's place of registration and principal place of business are in the Russian Federation, and all the executive officers and most of the directors of the Company reside in the Russian Federation. The entire Group's assets and a substantial portion of the directors' and executive officers' assets are located in the Russian Federation. As a result, investors may not be able to effect service of process within the investors' jurisdiction on any of these persons. Moreover, it may not be possible for investors to enforce in the Russian Federation a judgment of state courts or arbitral awards obtained against the Company or such other persons in the courts of the Russian Federation.

Judgments rendered by a court in any jurisdiction outside the Russian Federation will be recognised by courts and state authorities in Russia only if (i) an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered and (ii) a federal law of the Russian Federation provides for the recognition and enforcement of foreign court judgments on the basis of an international treaty or reciprocity.

The Russian Federation is not party to multilateral or bilateral treaties with most Western jurisdictions for the mutual recognition or enforcement of foreign court judgments. In particular, no such treaty that directly provides for the reciprocal enforcement of foreign court judgments in civil and commercial cases exists between the United Kingdom, on the one hand, and the Russian Federation, on the other. Even if such a treaty were in place, Russian courts might nonetheless refuse to recognise or enforce a foreign court judgment on the grounds set forth in such treaty and in Russian law in effect on the date on which such recognition or enforcement was sought. Consequently, should a judgment be obtained from a court in any such jurisdiction, it is highly unlikely to be given direct effect in Russian courts.

Shareholder rights provisions of Russian law may impose additional costs on the Company, which could cause the Company's financial results to suffer

Under Russian law, the Company may be primarily liable for the obligations of its Russian subsidiaries jointly and severally with such entities if: (i) the Company has the ability to make decisions for such Russian subsidiaries as a result of its ownership interest, the terms of a binding contract or in any other way and (ii) the relevant Russian subsidiary concluded the transaction giving rise to the obligations pursuant to the Company's instructions or with the consent of the Company, save for (i) voting of a parent company on approval of a transaction as shareholder or participant of the subsidiary in the general meeting or (ii) approval of transaction to be entered by the subsidiary given by the parent's corporate bodies under the charter of the parent and/or of the subsidiary. In addition, the Company may have secondary liability for the obligations of its Russian subsidiaries if the subsidiary becomes insolvent or bankrupt as a result of the action of the Company. Any agreement that seeks to limit or waive such liability is invalid.

If the Company becomes liable for its subsidiaries' debts, it could have a material adverse effect on the Group's business, results of operations, financial condition or the trading price of the Ordinary Shares.

Lack of developed corporate and securities laws and regulations in the Russian Federation may limit the rights of investors in the Ordinary Shares

The regulation and supervision of the securities market, financial intermediaries and issuers are considerably less developed in the Russian Federation than in the United States and Western European countries. Securities laws, including those relating to corporate governance, disclosure and reporting requirements, have only recently been adopted, whereas laws relating to anti-fraud safeguards, insider trading restrictions and fiduciary duties are rudimentary. In addition, the Russian securities market is regulated by several different authorities, which are often in competition with each other. These include:

- the Ministry of Finance of the Russian Federation;
- the FAS;
- the CBR; and
- various professional self-regulatory organisations.

Furthermore, Russian corporate and securities rules and regulations can change rapidly, which may materially adversely affect the Group's ability to conduct securities-related transactions. While some important areas are subject to virtually no oversight, the regulatory requirements imposed on Russian issuers can result in delays in conducting securities offerings and in accessing the capital markets. It is often unclear whether or how regulations, decisions and letters issued by the various regulatory authorities apply to the Group. As a result, the Group may be subject to fines or other enforcement measures despite its best efforts at compliance.

Due to the ambiguities in the Insider Dealing Law, trading of securities and other financial instruments by the Group may inadvertently violate restrictions imposed by the law

The restrictions imposed by the law "On Counteracting the Abuse of Inside Information and Market Manipulation and Amendment of Certain Legislative Acts of the Russian Federation" No. 224-FZ dated 27 July 2010 (as amended) (the "**Insider Dealing Law**") prohibit the disclosure of any price-sensitive non-public information (the "**Inside Information**") to third parties and the use of Inside Information in connection with any trading of securities, commodities, currency or other financial instruments admitted to trading on a Russian stock exchange. The Insider Dealing Law enumerates categories of persons that can be considered insiders, including, among other things, issuers and management companies, as well as professional market participants (including brokers and dealers) and other persons who transact on behalf of their clients in financial instruments, foreign currency and/or goods, and have received Inside Information from such clients. Under the Insider Dealing Law, any person who illegally uses Inside Information and publishes misleading information may be held liable for misuse of information and/or market manipulation.

A number of the provisions of the Insider Dealing Law are vague and might be subject to varying interpretation by courts and state authorities. Furthermore, the Insider Dealing Law has been recently amended resulting, among other things, in the expansion of the CBR's authorities in supervising the compliance with the Insider Dealing Law.

The Group may invest in bonds issued by publicly traded companies as part of its treasury operations. Should one part of the Group come into possession of Inside Information about a publicly traded company, whilst another part of the Group independently enters into a trade with respect to the securities of such company, the Group might be considered by the authorities to be in violation of the Insider Dealing Law. This, in turn, could result in the imposition of certain civil, administrative and other liability on the Group and could have a material adverse effect on its business, results of operations and financial condition or the trading price of the Ordinary Shares.

The actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market and consequently the Group's business, financial condition, operating results, prospects and the

trading price of the Ordinary Shares

The actions of the Russian legislative, executive and judicial authorities can affect the Russian securities market as well as banks and other businesses operating in Russia. In particular, the events surrounding claims brought by the Russian authorities against several major Russian companies led to questions being raised regarding the progress of market and political reforms in Russia and have resulted in significant fluctuations in the market price of Russian securities and a negative impact on foreign direct and portfolio investment in the Russian economy, over and above the general market turmoil recently. Any similar actions by the Russian authorities that result in a further negative effect on investor confidence in Russia's business and legal environment could have a further material adverse effect on the Russian securities market and price of Russian securities, or securities issued or backed by Russian entities, including the Ordinary Shares, as well as on the Group's business, its ability to obtain financing in the international markets, results of operations and its financial condition or the trading price of the Ordinary Shares.

Russian legal entities may be forced into liquidation on the basis of formal non-compliance with certain requirements of Russian law

Certain provisions of Russian law may allow a court to order the liquidation of a Russian legal entity on the basis of its non-compliance with certain formalities that are required to be observed during its formation, reorganisation or in conducting its operations. There have been cases in the past in which formal deficiencies in the establishment process of a Russian legal entity or non-compliance with certain provisions of Russian law have been used by Russian courts as a basis for the liquidation of that entity. Some Russian courts, in deciding whether to order the liquidation of a company, have looked beyond the fact that the company failed to comply fully with all applicable legal requirements and have taken into account other factors, such as the financial standing of the company and its ability to meet its tax obligations, as well as the expected economic and social consequences of such liquidation.

Under Russian legislation, if the net assets of a Russian joint stock company (determined in accordance with the RAS) fall below its charter capital at the end of the third year following its incorporation, or at the end of any subsequent reporting year where it was also below the charter capital at the end of the previous reporting year, the company is required to voluntarily liquidate itself or decrease its charter capital to match its net assets. In addition, if the net assets of a Russian joint-stock company, at the end of its second or any subsequent reporting year, fall below the statutory minimum share capital requirement, then the company must liquidate itself. If a company fails to comply with either of the requirements stated above within six months after the end of the relevant reporting year, the company's creditors may accelerate their claims and seek to require the company to perform its obligations early and pay damages, and governmental authorities may seek the involuntary liquidation of the company. Substantially similar rules apply if the net assets of a limited liability company fall below the charter capital. It should be noted that, according to the temporary government measures imposed due to the COVID-19 pandemic, a decrease in the net assets of a Russian joint stock company or limited liability company below the required charter capital amount as at the end of the reporting year ended 31 December 2020 does not require the company to voluntarily liquidate itself or decrease its charter capital. Courts have on occasion ordered the involuntary liquidation of a company for having insufficient net assets, even where the company continued to fulfil its obligations and had net assets in excess of the minimum amount at the time of liquidation.

In addition, if the net assets of a joint stock company (as stated in its RAS statutory accounting reports) fall below its equity capital by more than 25% at the end of any quarter in a reporting year following its second (or each subsequent) reporting year, the company is required to make two publications disclosing information to that effect. Creditors whose rights of claim arose before such publication may, within 30 days after the last publication, require the company to perform its obligations early and pay damages. A court may refuse to satisfy a creditor's claim if the company establishes that: (i) a decrease in the net assets does not violate the creditor's rights; or (ii) the obligation is adequately secured.

Many Russian companies have negative net assets due to very low historical asset values reflected on their RAS balance sheets; however, their solvency is not adversely affected by such negative net assets. If an involuntary liquidation or claims for the early repayment of its obligations were to occur in respect of the Group's subsidiaries in Russia, the Group could be forced to reorganise the operations it conducts through such subsidiaries, which, in turn, could have a material adverse effect on the Group's business, financial condition, results of operations and financial condition or the trading price of the Ordinary Shares.

The FATCA rules could materially affect the Group and its shareholders.

Sections 1471 through 1474 of the US Internal Revenue Code of 1986, as amended (the provisions commonly known as "**FATCA**"), require foreign financial institutions to provide information to the United States Internal Revenue Service (the "**IRS**") about U.S. customers and investors. This is achieved through a comprehensive information reporting regime that requires foreign financial institutions to conduct diligence on their account holders and investors to determine whether their accounts are "U.S. accounts", and either provide detailed information about these U.S. accounts to the IRS or suffer a 30% withholding tax on certain payments. Although the U.S. Treasury Department has released final regulations clarifying the statutory language of FATCA, these regulations do not currently provide guidance on a number of issues. Accordingly, the scope and application of FATCA is uncertain at this time. It is possible that if the Company were to become a foreign financial institution, FATCA could operate to impose U.S. withholding tax on payments to the Company or members of the Group in respect of certain types of income from sources in the United States and, subject to the proposed regulations below, of gross proceeds from the disposition of, among other things, securities that give rise to United States source income if the Company is not compliant with FATCA, and, subject to the proposed regulations below, (a) certain "foreign passthru payments" to the Company, if the Company is not compliant with FATCA, or (b) payments made in respect of the Ordinary Shares to the extent such payments are considered to be "foreign passthru payments" and are made to non-US financial institutions (including intermediaries) that have not entered into agreements with the US Treasury pursuant to FATCA or otherwise established an exemption from FATCA, or to other holders that fail to provide sufficient identifying information. Under current guidance, the term "foreign passthru payment" is not defined. FATCA is particularly complex and its application to the Ordinary Shares is uncertain at this time. The United States has entered into intergovernmental agreements (the "**IGAs**") with many non-US jurisdictions implementing FATCA, which change the application of FATCA described above. Each prospective investor should consult its tax adviser regarding any potential application of FATCA to the investment in the Ordinary Shares in view of such investor's particular circumstances.

There is a risk that the Company will be classified as a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, and such classification could result in materially adverse U.S. federal income tax consequences for U.S. investors

If the Company is classified as a PFIC for any taxable year, U.S. investors may be subject to adverse U.S. federal income tax consequences, described below under "*Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company*." In general, the Company will be a PFIC for U.S. federal income tax purposes for any taxable year if at least (i) 75% of its gross income is classified as "passive income" (the "income test") or (ii) 50% of the value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income (the "asset test"). For these purposes, cash is considered a passive asset. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it holds a 25% or greater interest (the "look-thru rule").

Because the Company and its affiliates are in the insurance business, the Company maintains a certain quantum of passive assets on its consolidated balance sheet, which, absent an exception from being considered passive assets for purposes of the asset test, could cause the Company to be a PFIC in a given tax year. There is an exception to PFIC status potentially available under certain rules applicable to "qualifying insurance corporations," and the Company's PFIC status may depend on whether it and potentially one or more of its subsidiaries qualify for the qualifying insurance corporation exception from the PFIC rules. Under the qualifying insurance corporation rules, income is not treated as passive if it is derived from the "active conduct" of an insurance business by a "qualifying insurance corporation" and certain other conditions are satisfied, and any assets of a qualifying insurance corporation that are available to satisfy liabilities related to its insurance business are likewise not treated as passive assets for purposes of the PFIC rules.

The Company has not made any determinations regarding its PFIC status. Based on the historic and anticipated composition of income, assets and operations of the Company, expected price of the Ordinary Shares and expectations as to the insurance business operation of the Company going forward, there is a risk that the Company was a PFIC for its most recent taxable year, is a PFIC for the current taxable year, and will be a PFIC for the foreseeable future if it is not eligible to apply this qualifying insurance corporation rules to itself or to one of its subsidiaries. The application of the qualifying insurance corporation exception to holding companies is complicated and itself is subject to various fact-intensive exceptions. In addition, the qualifying insurance corporation exception is based on recently promulgated Treasury Regulations, the application of which remains subject to uncertainties in several material respects and can give rise to conflicting interpretations, including with respect to a proper application of the look-thru rule to subsidiaries that are qualifying insurance corporations. The determination of whether the Company is a PFIC is made annually. Therefore, there cannot be any assurance that the Company has qualified or will qualify for the qualifying insurance corporation exception in the current taxable year or for the foreseeable future. Moreover, the value of the Company's assets for purposes of the PFIC determination will generally be determined by reference to the public price of the Ordinary Shares, which may fluctuate significantly. Therefore, there is no assurance that the Company would not be a PFIC in the future due to, for example, changes in the composition of the Company's assets or income, as well as changes in the Company's market capitalisation.

Certain adverse U.S. federal income tax consequences could apply to a U.S. Holder (as defined in "Certain United States federal income tax considerations") if the Company is treated as a PFIC for any taxable year during which such U.S. Holder holds the Ordinary Shares. U.S. Holders should assume that they will not be able to make a qualified electing fund election with respect to any of the Ordinary Shares. U.S. investors are urged to consult their tax advisors regarding the possible application of the PFIC rules. For a more detailed discussion of the U.S. federal income tax consequences of PFIC classification to U.S. investors, see "*Taxation—U.S. Federal Income Tax Considerations—Passive Foreign Investment Company*."

Risk factors relating to Russian taxation

The Russian taxation system is relatively underdeveloped

The Russian Government is continually reforming the tax system by redrafting parts of the Tax Code of the Russian Federation (the "**Russian Tax Code**"). Since 1 January 2009, the corporate profits tax rate has been 20%. From 1 January 2021, personal income tax from most types of income of individuals who are tax residents of Russia is levied at progressive scale of rates. In particular, annual income up to RUB 5 million is subject to tax at the rate of 13% and annual income of more than RUB 5 million at 15%. Since 1 January 2019, the general rate of VAT has been 20%.

Russian tax laws, regulations and court practice are subject to frequent change, varying interpretations and inconsistent and selective enforcement. In accordance with the Constitution of the Russian Federation, laws that introduce new taxes or worsen a taxpayer's position cannot be applied retrospectively. Nonetheless, there have been instances when rules worsening taxpayers' position have been introduced and applied retrospectively.

There is a possibility that Russia could impose arbitrary or onerous taxes and penalties in the future. For instance, regional legislatures are currently empowered to provide wide-ranging incentives such as reduced income tax rates for business units operating within a region's territory. However, in 2019, amendments to the Russian Tax Code reducing regional authority to enact preferential taxation came into force. Thus, a reduction of the corporate profits tax rate at the regional level is available solely for specific federally-defined taxpayers. The current reduced regional profits tax rates will remain in effect until no later than 1 January 2023.

These conditions complicate tax forecasting and related business decisions. The consequent uncertainties could also expose the Group to significant fines and penalties and potentially severe enforcement measures despite the Group's best efforts at compliance, and could result in a greater than expected tax burden. This, in turn, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Generally, taxpayers are subject to tax audit for a period of three calendar years immediately preceding the year in which the decision to carry out a tax audit was taken. In certain circumstances, repeated tax audits (i.e. audits with respect to the same taxes and the same periods) are possible. Generally, the statute of limitations for a tax offense is three years after the date on which the tax offense was committed or from the date following the end of the tax period during which the tax offense was committed (depending on the nature of the tax offense). Nevertheless, according to the Russian Tax Code and based on current judicial interpretation, there may be cases where the statute of limitations for tax offences may extend beyond three years.

Tax audits or inspections may result in additional costs to the Group, in particular if the relevant tax authorities conclude that the Group did not satisfy its tax obligations in any given year. Tax audits may also impose additional burdens on the Group by diverting the attention of the management.

In October 2006, the Plenum of the Supreme Arbitrazh Court of the Russian Federation issued a resolution concerning judicial practice with respect to unjustified tax benefits. The resolution provides that where the true economic intent of business operations is inconsistent with the manner in which it has been taken into account for tax purposes, a tax benefit may be deemed to be unjustified. As a result, a tax benefit cannot be regarded as a separate business objective. On the other hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little case law applicable to distinguishing between lawful tax optimisation and tax avoidance or evasion. The above Arbitrazh Court approach was to a certain extent further implemented in Article 54.1 of the Russian Tax Code and became effective on 19 August 2017.

Under these provisions, a taxpayer is not able to reduce the tax base and/or the amount of tax payable by misrepresenting information regarding economic events or the objects of taxation which are required to be disclosed in a taxpayer's tax and/or accounting records or tax statements. As a result of these rules, it is possible that despite the best efforts of the Group to comply with Russian tax laws and regulations, certain transactions and activities of the Group that have not been challenged in the past may be challenged in the future, resulting in a greater than expected tax burden, exposure to significant fines and penalties and potentially severe enforcement measures for the Group.

Recent developments show that the Russian tax authorities are scrutinizing various tax planning and mitigation techniques used by taxpayers, including international tax planning. In particular, Russia introduced "controlled foreign companies" (the "**CFC**") rules, the concept of "tax residency for an organisation" and the "beneficial ownership" concept, and is increasingly engaged in the international exchange of tax and financial information (including through country-by-country reporting standards and common reporting standards developed and approved by the Organisation for Economic Co-operation and Development (the "**OECD**")).

In 2017, the Russian Federation signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS (the "**MLI**") implementing a series of tax treaty measures to update international tax rules and lessen the opportunity for tax avoidance. On 1 October 2019, the Russian Federation ratified MLI. However, it will come into effect only after special conditions reflected in article 35 of MLI are met. In particular, both Russia and the relevant double tax treaty (the "**DTT**") partner country, are required to exchange notices and deliver a notice to the OECD, affirming completion of national MLI adoption legislative procedures. Russia notified the OECD on the completion of internal procedures for the entry into effect of the provisions of the MLI on 26 November 2020. MLI became enforceable in Russia from 1 January 2021 in respect of taxes with sources within the Russian Federation.

In March 2020, the president of Russia proposed to cancel tax benefits with certain DTT partner countries and increase the tax rates on income withholding on dividends and interest to 15%, noting that Russia is ready to withdraw from DTTs with countries that do not agree with such measures. Russia has signed amendments to the DTTs with Malta, Cyprus (effective as of 1 January 2021) and Luxembourg (to become effective as of 1 January 2022). In accordance with these amendments, no withholding tax rate on interest (for Cyprus and Luxembourg) or 5% withholding tax on interest (for Malta) and on dividends will apply to certain categories of recipients of income, such as insurance companies and pension funds, government authorities and with respect to interest on external bonds (Eurobond). The Russian Ministry of Finance has announced that DTTs with Hong Kong, Singapore and Switzerland could be revised as well. In September 2021, it was announced that the Ministry of Finance of the Russian Federation initiated the revision of the DTT with Switzerland. It is possible that some other DTTs will also be renegotiated by the Russian Ministry of Finance.

In December 2020 the Russian Ministry of Finance announced the denouncement process of the DTT with the Netherlands. The Russian Ministry of Finance proposed to increase the tax on dividends and income tax to 15%, but negotiations were unsuccessful. Russia has unilaterally terminated DTT with the Netherlands due to the fact that the Netherlands does not agree to a tax increase and termination will enter into force on 01 January 2022.

Furthermore, Russian tax legislation is consistently becoming more sophisticated. It is possible that new revenue-raising measures could be introduced. Although it is unclear how any new measures would operate, the introduction of such measures may affect the Group's overall tax efficiency and may result in significant additional taxes becoming payable. No assurance can be given that no additional tax exposures will arise for the Group.

All the aforesaid evolving tax conditions create tax risks in Russia that are greater than the tax risks typically found in countries with more developed taxation, legislative and judicial systems. These tax risks impose additional burdens and costs on the Group's operations, including the Group's management resources.

While the Group believes that it undertakes appropriate measures aimed at minimising tax risks and strives to comply with the Russian tax laws and regulations, including, when appropriate, by taking provisions or reserves for potential tax risks in its financial statements, there can be no assurance that the Group would not be required to make substantially larger tax payments in the future and that certain transactions and activities of the Group that have not been challenged in the past will not be challenged in the future, resulting in a greater than expected tax burden. These risks and uncertainties complicate tax planning as well as related business decisions, and could possibly expose the Group's subsidiaries to significant fines, penalties and enforcement measures, despite the Group's best efforts at compliance, and could result in a greater than expected tax burden.

Any of the above factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Russian transfer pricing rules may subject the Group's transfer prices to challenge by the Russian tax authorities

Certain transactions by the Group are subject to Russian transfer pricing rules. Russian transfer pricing legislation allows the Russian tax authorities to make transfer pricing adjustments and impose additional tax liabilities with respect to "controlled" transactions. The list of "controlled" transactions under the transfer pricing legislation includes transactions performed with related parties (excluding transactions between related parties that are located in Russia and apply the same corporate profits tax rate (i.e. 20%)) and certain types of cross-border transactions with unrelated parties. Legislation also shifts the burden of proving market prices from the Russian tax authorities to the taxpayer. Although Russian transfer pricing rules were modelled based on the transfer pricing principles developed by the OECD, there are some peculiarities as to how the OECD transfer pricing principles are reflected in the Russian rules. Special transfer pricing rules continue to apply to transactions with securities and derivatives.

Accordingly, due to uncertainties in the interpretation of the Russian transfer pricing legislation and undeveloped court practice, no assurance can be given that the Russian tax authorities will not challenge the Group's transfer pricing transactions and require adjustments, which could adversely affect the Group's tax position. As such, the Russian transfer pricing rules could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Income in the form of material benefit from the acquisition of the Ordinary Shares below the fair market value may be subject to Russian personal income tax

Generally, no Russian tax implications should arise for shareholders, whether resident in Russia or not, upon the purchase of the Ordinary Shares. However, in certain circumstances, taxable income in the form of a so-called material benefit (imputed income) may arise for shareholders who are individuals if the Ordinary Shares are purchased at a price below market value. The difference may become subject to Russian personal income tax at the rate of 13% or 15% (if an individual's annual income is over RUB 5 million) for Russian Resident Holders – Individuals (as defined in "*Taxation—Russian Tax Considerations*") and, if treated as Russian-source income, 30% (or such other tax rate as may be effective at the time of acquisition) for Non-Resident Holders – Individuals (as defined in "*Taxation—Russian Tax Considerations*"), which may be subject to reduction or elimination under an applicable DTT. See "*Taxation—Russian Tax Considerations*".

Payment of dividends (if any) on the Ordinary Shares should be subject to Russian withholding tax

In general, payments of dividends by the Company to a Russian Resident Holder (as defined in "*Taxation—Russian Tax Considerations*") that is an individual or a legal entity should generally be subject to tax in Russia, and such tax should not exceed 13% of the gross dividend amount payable to each Russian Resident Holder. However, from 1 January 2021, for individuals, who are Russian Resident Holders and annual income of whom more than RUB 5 million, the tax rate is increased to 15%.

Dividends paid to Non-Resident Holders (as defined in "*Taxation—Russian Tax Considerations*") are subject to Russian withholding tax at a rate of 15%. Such Russian withholding tax may be subject to reduction pursuant to the terms of an applicable DTT between Russia and the country of tax residence of the Non-Resident Holder to the extent such Non-Resident Holder is the beneficial owner of the dividends received and is entitled to benefit from the relevant DTT. However, no assurance can be given that any available DTT relief (or a refund of any taxes withheld) will be available for a Non-Resident Holder.

Capital gains from the sale of Ordinary Shares may be subject to Russian income tax

The proceeds (capital gain) of a Non-Resident Holder – Legal Entity (as defined in "*Taxation—Russian Tax Considerations*") from the sale (or other disposal) of the Ordinary Shares should not be subject to Russian withholding tax, provided that (a) the Ordinary Shares qualify as securities traded on an organized securities market as defined in the Russian Tax Code, or (b) not more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in Russia. While the Company believes this to be the case, there is a risk that certain criteria for the recognition of the Ordinary Shares as securities traded on an organised securities market as defined in the Tax Code of the Russian Federation are not fulfilled as at the trade date or that a Russian tax withholding agent may not have sufficient information with respect to the Company's asset base composition and may therefore seek to apply a 20% Russian withholding tax rate (or such other tax rate as may be effective at the time of such sale or other disposal) to the amount of consideration paid to, or capital gain realized by, a Non-Resident Holder – Legal Entity that sells (or otherwise disposes of) the Shares.

Where the proceeds from the sale (or other disposal) of the Ordinary Shares are treated as received from a source within the Russia by a Non-Resident Holder – Individual (as defined in "*Taxation—Russian Tax Considerations*"), Russian personal income tax at the rate of 30% (or such other tax rate as is effective at the time of such sale or other disposal) will apply to the gross amount of proceeds from the sale or other proceeds from the disposition of the Ordinary Shares less any available deduction of expenses incurred by the shareholder (which includes the purchase price of the Ordinary Shares) subject to any available DTT relief.

The imposition or possibility of imposition of the above tax liabilities in Russia, as applicable, could adversely affect the value of the Ordinary Shares. In addition, while some shareholders might be eligible for an exemption from or a reduction in Russian withholding tax under an applicable DTT, there is no assurance that such exemption or reduction will be available in practice.

Risks Relating to the Ordinary Shares and the Offering

Public market, liquidity and the trading price of the Ordinary Shares may be volatile

Prior to the Offering, there has been no public trading market for the Shares. There can be no assurance that, after completion of the Offering, a liquid market will develop or be sustained for the Ordinary Shares. The lack of an active market may impair investors' ability to sell their Ordinary Shares at the time they wish to sell them or at a price they consider reasonable. The lack of an active market may also reduce the market value of the Ordinary Shares.

In addition, a material adverse effect on the value of the Ordinary Shares could arise from, among other things, the following factors:

- variations in the Group's operating results and those of other Russian companies, including its competitors;
- securities analysts' or investors' expectations that such operating results will not be met by the Group;
- the Group's performance vis-à-vis its competitors;
- issuance of new or amended analyst reports and researches;
- variations in national and industry growth rates;
- changes in governmental legislation or regulation;

- regulatory actions that affect the Group's business;
- depth and liquidity of the market for the Ordinary Shares;
- general economic conditions in Russia or in the insurance sector;
- market conditions in the broader stock market, or extreme price, liquidity and volume fluctuations on the Russian or other emerging market stock exchanges;
- publicised statements by the Group's significant shareholders or managers; and
- the inclusion of Ordinary Shares in any stock market index or exchange-traded fund and any subsequent reweighting (or exclusion) of shares from any such index or fund.

The Russian stock markets have experienced and may continue to experience extreme price and volume volatility, and any of these events could have a material adverse effect on the trading price of the Ordinary Shares.

If closing of the Offering does not take place, purchases of the Ordinary Shares will be disregarded and transactions effected in the Ordinary Shares will be annulled

The Ordinary Shares are expected to be admitted to trading on the "Level 1" part of the List of Securities Admitted to Trading on the Moscow Exchange under the symbol "RENI" on or about 15 October 2021. Subject to acceleration or extension of the timetable for the Offering, the Company expects that the trading on an "as-if-and-when-issued and delivered" basis in the Ordinary Shares on the Moscow Exchange will commence on or about the First Trading Date. Settlement may not take place on the Settlement Date or at all, if certain conditions of events referred to in the Underwriting Agreement, as described in "Plan of Distribution", are not satisfied or waived or occur on or prior to such date. Trading in the Ordinary Shares before Settlement will take place subject to the condition that, if Settlement does not take place, the Offering will be withdrawn, all subscriptions for the Ordinary Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on the Moscow Exchange will be annulled. Any transactions in the Ordinary Shares prior to Settlement are at the sole risk of the parties concerned. The Company and the Underwriters do not accept any responsibility or liability towards any loss incurred by any person as a result of a withdrawal of the Offering or the (related) annulment of any transaction in the Ordinary Shares on the Moscow Exchange.

Sales of additional Ordinary Shares following the Offering may result in a decline in the price of the Ordinary Shares

The Company and the Principal Shareholders (as defined below) have each agreed that, until the expiry of a period of 180 days after the Settlement Date, neither it or they, nor any person acting on its or their behalf, will, subject to certain exemptions, without the prior written consent of the Underwriters, (i) offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, Ordinary Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to Ordinary Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying securities, including equity swaps, forward sales and options or global depositary receipts representing the right to receive any such securities; (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Ordinary Shares; or (iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to, enter into any transaction described above, whether any such transaction described above is to be settled by delivery of Ordinary Shares or such other securities, in cash or otherwise (the "**Lock-Up Agreement**"). Upon the expiry of the Lock-Up Agreement, the sale of a substantial number of the Ordinary Shares or any other securities representing the Ordinary Shares, or the perception that such sales could occur, could materially and adversely affect the market price of the Ordinary Shares and could also impede the Company's ability to raise capital through the issue of equity securities in the future.

Moreover, the Company may in the future issue new Ordinary Shares or any other securities convertible or exchangeable into the Ordinary Shares. Any such issue could result in an effective dilution for investors purchasing the securities. Any of these events could adversely affect the price of the securities. As a result, investors who purchase the securities could lose all or part of their investment in such securities.

The interests of the Company's largest shareholders may conflict with those of the other shareholders

The Company's shareholders as of the date of this Offering Memorandum are LLC "Holding Renaissance Insurance", NOTIVIA LTD, Centimus Investments Limited, Laypine LTD, Sputnik Management Services Limited, Bladeglow Limited and Mr. Andrey Gorodilov (the "**Principal Shareholders**") (see "*Principal Shareholders*"). The Principal Shareholders have the ability to influence the Group's business and certain actions requiring shareholders' approval, including, but not limited to, the election of directors, the declaration of dividends, the appointment of senior management and other policy decisions. The interests of the Principal Shareholders may, in certain circumstances, differ significantly from, or conflict, or compete with, the interests of the other shareholders or the Company, which could have a material adverse effect on a prospective investor's investment in the Company's securities. While the Company has a conflict of interest risk management policy, it is not focused on addressing conflicts described above. Any such conflicts could have a material adverse effect on the Group's business, results of operations and the financial condition or the trading price of the Ordinary Shares.

The Company's dividend policy may change

If justified by the Company's net profit, the Board of Directors may recommend that the Company declares dividends and recommend the amount thereof, and the shareholders may approve the payment of dividends on the basis of this recommendation. Any payment of dividends by the Group to holders of the Ordinary Shares would depend (in addition to applicable regulatory requirements) on, among other things, its future profits, financial position and capital requirements, general economic conditions, and other factors that the Board of Directors and the shareholders would deem to be important from time to time. See "*Dividend Policy*". Should the Board of Directors and/or the shareholders decide in the future not to declare or pay dividends on the Ordinary Shares, their trading price may be adversely affected.

Investors may face exchange rate-associated risks

The Company intends to pay dividends, if any, on the Ordinary Shares in Russian Roubles. See "*Dividend Policy*". Currently, Russian currency control legislation pertaining to the payment of dividends does not prohibit payment of Rouble dividends on shares to non-Russian residents. However, there can be no assurance that it will not be reversed in the future. The ability to convert Russian Roubles into US dollars or other foreign currencies is subject to the availability of US dollars or such other foreign currencies on Russia's currency markets. Although there is an existing market within Russia for the conversion of Russian Roubles into US dollars or other foreign currencies, including the interbank currency exchange and OTC and currency future markets, the market for the conversion of Russian Roubles into foreign currencies outside Russia is limited and, therefore, non-Russian holders of the Ordinary Shares wishing to convert Rouble dividends paid on the Ordinary Shares into local currencies outside Russia may not be able to do so at a favourable exchange rate, or at all, which may also adversely affect trading price of the Ordinary Shares.

Investors may be subject to Russian regulatory requirements. The CBR consent for the public circulation of Ordinary Shares is subject to annual renewal, and the purchases of the Ordinary Shares by foreign investors will be restricted if the Company fails to renew the CBR consent

Russian law provisions with respect to various governmental consents (such as antimonopoly clearance and approval of the acquisition of control (or, in certain cases, blocking power), reporting requirements, mandatory public tender offer rules and similar requirements) apply to all holders of the Ordinary Shares irrespective of the place of their registration and/or location.

In addition, Russian law contains specific requirements (including an obligation to submit documents confirming good financial standing and/or business reputation of the acquirer of shares) that apply to the acquisition of more than 10% of shares in an insurance organisation (such as Renaissance Insurance). Holders of more than 10% of the Ordinary Shares are required to comply with the relevant rules. Otherwise, the CBR may impose restriction measures on the ability of such shareholders to exercise their voting rights until they dispose of the shares in an insurance organisation to third parties. Moreover, the Russian court may invalidate the respective purchase of the

Ordinary Shares. See "*Regulation of the Russian Insurance Sector—Investment in Insurance Companies*" for more detail on the application of respective restrictions and requirements.

Furthermore, there is a limit on foreign investments in the Russian insurance sector (currently set by the Insurance Law at 50%) (the "**Foreign Investment Limit**"), such that if the aggregate foreign capital investments exceed the Foreign Investment Limit, the CBR will cease to issue insurance licenses to Russian companies that are controlled by foreign investors or more than 49% owned by them.

Due to the existence of the Foreign Investment Limit, Russian insurance companies and their Russian shareholders need to obtain a CBR consent to issue or sell shares to foreign investors. The application for such consent must be accompanied by a set of documents related to a foreign investor, including proof of it carrying out insurance business for at least five years in its home jurisdiction. If the shares are offered to an unlimited number of persons on a stock exchange, the application for the CBR consent to the sale of shares in such offering (the "**Public Offering Consent**") does not need to be accompanied by documents related to foreign investors that may potentially acquire shares in the offering. The application for the Public Offering Consent should be reviewed by the CBR within 30 days of its submission, and, if granted, the Public Offering Consent is valid for one year.

On 14 September 2021, the Company obtained a Public Offering Consent for the disposal of 100% of Ordinary Shares to third parties, including foreign investors, on the stock exchange and in over-the-counter circulation. As set out in amendments to the Company's Russian regulatory prospectus in connection with the Offering that were registered by the CBR on 8 October 2021 (the "**Russian Prospectus Amendments**"), such Public Offering Consent (together with relevant consents obtained by its Russian Selling Shareholders) is sufficient for the completion of the Offering and the subsequent public trading in the Ordinary Shares on a stock exchange and over-the-counter for the entire term of the Public Offering Consent (i.e. one year).

As set out in the Russian Prospectus Amendments, pursuant to applicable Russian legislation, the new Public Offering Consent may only be denied by the CBR if the Foreign Investment Limit is exceeded. According to the CBR, as of 1 January 2020 and 1 January 2021, foreign investments into Russian insurance companies amounted to 10.83% and 10.40% of the aggregate charter capital of Russian insurers, respectively. Taking into account, among other factors, recent amendments to Russian legislation that allow foreign insurers to write a number of types of insurance directly (without establishing or investing in a Russian company), the Company believes that as at the date of this Offering Memorandum there are no reasons to expect significant growth of foreign investments into Russian insurance companies. The Company is planning to apply for the Public Offering Consent on an annual basis (unless the legislation requiring it is struck down). Taking into account the reported historical amounts of foreign investments into Russian insurance companies, the Company believes that the risk of failure to renew the consent is minimal. In the unlikely scenario that the Public Offering Consent is not granted, purchases of the Ordinary Shares by foreign investors will be restricted pending the Company obtaining the Public Offering Consent or the relevant legislative requirements being lifted. Such restrictions could have a material adverse effect on the liquidity and trading price of the Ordinary Shares.

Holders of the Ordinary Shares in certain jurisdictions may be subject to restrictions regarding the exercise of pre-emption rights in future offerings

In order to raise funding in the future, the Group may issue additional Ordinary Shares. Generally, existing holders of shares in Russian public joint stock companies (such as the Company) are, in certain circumstances, entitled to pre-emption rights on issuances of new shares in that company as described in "*Description of Share Capital and Certain Requirements of Russian Legislation—Description of Share Capital—Rights Attaching to Ordinary Shares—Pre-emption Rights*". However, holders of the Ordinary Shares in certain jurisdictions (including the United States) may not be able to exercise pre-emption rights with respect to any new equity issuances by the Company unless the applicable securities law requirements in such jurisdiction (including, in the United States, in some circumstances, the filing of a registration statement under the Securities Act) are adhered to or an exemption from such requirements is available. The Company is unlikely to adhere to such requirements and an exemption from such requirements may not be available. Accordingly, such holders may not be able to exercise their pre-emption rights on future issuances of the Ordinary Shares and, as a result, their percentage ownership in the Company would be reduced due to dilution.

The Ordinary Shares may be downgraded or delisted

In order to maintain the listing level of the Ordinary Shares on the Moscow Exchange, the Company is required to comply with listing requirements, including, among others, compliance with Russian securities laws and the CBR regulations, as well as certain minimum corporate governance requirements, while also maintaining minimum trading volumes. A material failure to comply with the listing rules and requirements may constitute grounds for downgrade of the listing level or delisting of the Ordinary Shares. Such downgrade or delisting would have a material adverse effect on the liquidity and trading price of the Ordinary Shares.

Investors may have limited recourse against the Group and its directors and executive officers

Judgments rendered by a court in any jurisdiction outside Russia will generally be recognised by Russian courts only if an international treaty providing for recognition and enforcement of judgments in civil or commercial cases exists between Russia and the country where the judgment is rendered, or if a federal law is adopted in Russia providing for the recognition and enforcement of foreign court judgments.

As of the date of this Offering Memorandum, there is no treaty between the United States or the United Kingdom and Russia providing for the reciprocal recognition and enforcement of court judgments in civil and commercial matters, and no relevant federal law on enforcement of foreign court judgments exists in Russia. In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While Russian courts have recently recognised and enforced English court judgments on these grounds, existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court. These limitations may deprive investors of effective legal recourse for claims related to their investment in the Ordinary Shares. The Company's presence outside the United Kingdom and the United States may limit the legal recourse of investors in the Ordinary Shares against the Group and its directors and executive officers. The Company is incorporated under Russian laws. The majority of its directors and executive officers reside outside the United Kingdom and the United States. As a result, investors may not be able to effect service of process within the United Kingdom and the United States upon the Group or its directors and executive officers. Furthermore, the majority of the Group's assets are located outside the United Kingdom and the United States, principally in the Russian Federation. As a result, investors may not be able to enforce United Kingdom and United States court judgments obtained against the Group or its directors and executive officers in jurisdictions outside the United Kingdom and the United States. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions outside the United Kingdom and the United States, judgments obtained under United Kingdom and United States securities laws

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

Presentation of Financial Information

The Company's financial information set forth has, unless otherwise indicated, been extracted, without material adjustment, from the Interim Financial Information, and the Company's annual financial information as at and for the years ended 31 December 2020, 2019 and 2018 set out in this Offering Memorandum has, except where noted otherwise and subject to rounding, been derived from or calculated based on the Financial Statements. The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements included in this Offering Memorandum have been prepared in accordance with IFRS. The 2018 Financial Statements, the 2019 Financial Statements and the 2020 Financial Statements were audited in accordance with International Standards on Auditing by Ernst & Young LLC, the Company's independent auditors.

The Interim Financial Information included in this Offering Memorandum has been prepared in accordance with IAS 34. The Interim Financial Information was reviewed by Ernst & Young LLC in accordance with International Standard on Review Engagements 2410 (the "**ISRE 2410**"), Review of Interim Financial Information Performed by the Independent Auditor of the Entity.

On 1 January 2018, the Group adopted IFRS 15. Provided that IFRS 15 does not apply to income related to insurance contracts, financial instruments or leases, and therefore does not impact the majority of the Group's income. As a result, most of the Group's income is not affected by the adoption of this IFRS standard. For further details of IFRS 15 adoption and impact please refer to Note 2 to the 2018 Financial Statements. In addition, on 1 January 2019, the Group adopted IFRS 16. Upon adoption of IFRS 16 as at 1 January 2019 the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases in accordance with IAS 17. The Group applied transition requirements and practical expedients, which have been provided for in the standard.

The Group applied the modified retrospective method without restatement of comparatives which presumes recognition of cumulative effect of initial application at the date of the initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted as at 1 January 2019 using the lessee's incremental borrowing rate that was 9.64%. At 1 January 2020 and 1 January 2019, the Group recognised RUB 1,003 million and RUB 307 million of lease liabilities included in the borrowings and other payables, respectively. The Group applied a unified approach to all classes of lease contracts excluding short-term leases and leases of low-value assets.

Right-of-use assets were recognised in an amount equal to the lease liability, adjusted by the amount of lease payments made or accrued in advance in connection with such lease, which is recognised in the Statement of Financial Position immediately prior to the date of initial application. At 1 January 2020 and 1 January 2019, the Group recognised RUB 1,040 million and RUB 310 million of right-of-use assets, respectively. In addition, the Group recognized RUB 3 million of prepaid expenses related to derecognition of previous operating leases in the year ended 31 December 2019.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16 were applied to these leases from 1 January 2019. The Group did not recognise assets and liabilities under operating lease agreements for which the rental payment is variable and depends on the cadastral value of the land.

For further details on IFRS 16 adoption and impact, please refer to Note 2 to the 2019 Financial Statements.

Effective 1 January 2019, the Group also changed its accounting policy to use direct method for preparing the consolidated statements of cash flows. This change has been applied retrospectively and the consolidated financial information of the Group as at and for the year ended 31 December 2018 has been changed from that previously reported in the 2018 Financial Statements. For impact of this accounting policy change, please see Note 2 to the 2019 Financial Statements.

Therefore, due to the adoption of the new accounting standards, the 2019 Financial Statements are not directly comparable with the 2018 Financial Statements.

In accordance with IAS 17, rent expenses were recognised within administrative expenses in 2018 Financial Statements, no right-of-use assets or rent liabilities were recognised in Consolidated Statement of Financial Position. After adoption of IFRS 16 expenses, related to long-term rent where Group is a lessee are recognised as depreciation of right-of-use assets and interest expenses and corresponding assets and liabilities are recognised in Consolidated Statement of Financial Position.

In the Interim Financial Information, the pension operations segment was presented as discontinued operations in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"; the figures for the six months ended 30 June 2020 were reclassified accordingly. In the 2020, 2019 and 2018 Financial Statements, these operations were not presented as discontinued operations. Accordingly, the figures for the interim and annual periods are not fully comparable in this respect. Results of pension operations segment for the years ended 31 December 2020, 2019 and 2018 are disclosed in Notes 21 and 23 to the 2020 and 2019 Financial Statements, respectively.

The Group applies accounting policy based on IAS 39 "Financial Instruments: Recognition and Measurement" for financial assets and liabilities since the Group is eligible for temporary exemption from application of IFRS 9 "Financial instruments" due to the fact that Group's activities are predominantly connected with insurance. The temporary exemption permits to continue to apply IAS 39 "Financial Instruments: Recognition and Measurement" while Group defer the application of IFRS 9 "Financial Instruments" until 1 January 2023 at the latest and apply IFRS 9 "Financial Instruments" together with IFRS 17 "Insurance contracts" starting 1 January 2023.

Non-IFRS Financial Measures

This Offering Memorandum includes certain financial measures that are not measures of performance specifically defined by IFRS. These include Acquisition Ratio, Commission Ratio, Administrative Expense Ratio, Administrative Cost Ratio, Underwriting Result, Underwriting Profit Ratio, Combined Ratio, Investment (or investment assets), Total net income from investing activities, Investment Return, Non-current Debt, Total Capitalisation and Indebtedness, Total Capitalisation, Non-Current Debt, Operating expenses, Operating Expense Ratio, Net Profit Ratio, Return on Average Tangible Equity (RoATE), Underwriting Quality, Loss Ratio, Statutory Solvency Margin, Actual Solvency Margin, Adjusted Solvency Margin and Solvency Ratio.

Although the non-IFRS measures disclosed in this Offering Memorandum are not measures of operating income, operating performance or liquidity derived in accordance with IFRS, the Group has presented these measures in this Offering Memorandum because it understands that similarly titled measures may be used by some investors and analysts. The non-IFRS measures disclosed in this Offering Memorandum should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The non-IFRS measures disclosed in this Offering Memorandum are not measures specifically defined by IFRS and the Group's use of these measures may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures by other companies in its industry.

We define:

Metric	**Definition**	**Reconciliations**	**Rationale for inclusion**
Acquisition Ratio	Financial measure to express the level of acquisition costs as compared to net premium earned	Net acquisition costs *divided by* Net premium earned	Measure of operating performance
Commission Ratio	Financial measure to express the level of acquisition costs in comparison with gross written premiums	Total acquisition costs *divided by* Gross insurance premiums	Measure of operating performance
Administrative Expense Ratio	Financial measure to express the level of administrative expense as related to gross written premiums	Administrative expenses *divided by* Net premium earned	Measure of operating performance
Administrative Cost Ratio	Financial measure to express the level of administrative expense as related to net premium earned	Administrative expenses *divided by* Gross insurance premiums	Measure of operating performance
Underwriting Result	Financial measure to express profitability before the effects of administrative expenses, income	Net profit for the period *less* Administrative expenses *less* Income tax expense	Measure of operating performance

Metric	Definition	Reconciliations	Rationale for inclusion
	taxes, depreciation, amortisation and certain other items and items of non-cash nature		
Underwriting Profit Ratio	Financial measure to express the Underwriting Result in comparison with gross written premiums	Underwriting Result *divided by* Gross insurance premiums	Measure of operating performance
Combined Ratio	Financial measure to express the level of expenses as related to net premium earned	Sum of (Net claims incurred *plus* Net acquisition costs *plus* Administrative expenses *plus* Allowance for impairment of insurance and reinsurance receivables *plus* Other operating income *plus* Other operating expense) *divided by* Net premium earned	Measure of operating performance
Investments (or investment assets)	Financial measure used to evaluate the investments	Cash and cash equivalents *plus* Amounts due from credit institutions *plus* Loans and other receivables *plus* Financial assets at fair value through profit or loss *plus* Available-for-sale financial assets *plus* Financial assets held to maturity *plus* Investment property	Measure of investing performance
Total net income from investing activities	Financial measure used to evaluate the efficiency or profitability of investments	Gains from financial assets at fair value through profit or loss, net *plus* Other income from investing activities, net	Measure of investing performance
Investment Return	Financial measure used to evaluate the efficiency or profitability of investments	Total net income from investing activities (including income allocated to funds of depositors of Pension business) *divided by* the average of Investment assets for the reporting period	Measure of investing performance
Non-current Debt	Long-term debt and borrowings, net of current portion	Borrowings and other payables, net of current portion	Measure of investing performance
Total Capitalisation and Indebtedness	Sum of debt securities issued, debt and total equity	The sum of Debt securities issued *plus* Borrowings *plus* Other payables *plus* Total equity	Measure of financing performance
Total Capitalisation	Sum of Non-current debt and total equity	Non-current debt *plus* Total equity	Measure of investing performance
Operating Expenses	Financial measure to express the volume of Operating Expenses not directly related to insurance contracts	Administrative expenses *plus* Other operating expenses *plus* Other operating income	Measure of operating performance
Operating Expense Ratio	Financial measure to express the level of Operating Expenses as related to net premium earned	Operating Expenses *divided by* Net premium earned	Measure of operating performance
Net Profit Ratio	Financial measure to express the level of profitability in relation to gross written premiums	Net profit *divided by* Gross insurance premiums	Measure of profitability
Return on Average Tangible Equity (RoATE)	Financial measure to express profitability before the effects of amortization of value of business in force as related to tangible equity	Sum of Net profit for the last 12 months *adjusted for* Amortization of value of business in force *divided by* the average Total equity *adjusted for* Goodwill *plus* Intangible assets *plus* Value of business in force for the specified period	Measure of profitability
Underwriting Quality	Financial measure to express the quality of underwriting	Sum of Acquisition Ratio and Loss Ratio	Measure of operating performance
Loss Ratio	Financial measure to express the level of claims as compared to net premium earned	Net claims incurred *divided by* Net premium earned	Measure of operating performance
Statutory Solvency Margin	Required capital in accordance with statutory regulation	Minimum excess of an assets over liabilities calculated under the Instruction of the Bank of Russia "Procedure of Standard Equity to Debt Ratio Calculation by Insurers" dated 28 July 2015, as amended, ("**3743-U Instruction of the Bank of Russia**")	Regulatory measure of capital adequacy

Metric	Definition	Reconciliations	Rationale for inclusion
Actual Solvency margin	Actual capital in accordance with statutory regulation	Actual excess on assets over liabilities calculated under 3743-U Instruction of the Bank of Russia	Regulatory measure of capital adequacy
Adjusted Solvency Margin	Measure used by management to estimate capital adequacy	Under old regulation: total assets available for coverage of Statutory Solvency Margin. Under new regulation: capital calculated in compliance with Regulation No. 710-P	Measure for analysis of capital adequacy by management
Solvency Ratio	Measures the extent to which assets cover commitments for future payments, the liabilities	Adjusted Solvency Margin *divided by* Statutory Solvency Margin	Measure for analysis of capital adequacy

The non-IFRS measures disclosed in this Offering Memorandum are unaudited supplementary measures of the Group's performance and liquidity that are not required by, or presented in accordance with, IFRS. Although the non-IFRS measures disclosed in this Offering Memorandum are not measures of operating income, operating performance, liquidity or asset quality derived in accordance with IFRS, the Group has presented these measures in this Offering Memorandum because it believes that similarly titled measures may be used by some investors and analysts. The non-IFRS measures disclosed in this Offering Memorandum should not, however, be considered as an alternative to, in isolation from or as substitutes for financial information reported under IFRS. The non-IFRS measures disclosed in this Offering Memorandum are not measures specifically defined by IFRS and the Group's use of these measures may vary from other companies in its industry due to differences in accounting policies or differences in the calculation methodology of similar measures.

Certain Definitions and Currency

In this Offering Memorandum, all references to:

- "**CIS**" are to the Commonwealth of Independent States and its member states (excluding Russia) as at the date of this Offering Memorandum, being Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Turkmenistan, Ukraine and Uzbekistan;
- "**EU**" are to the European Union;
- "**Russia**" and "**Russian**" pertain to the Russian Federation.
- In this Offering Memorandum, the following currency terms are used: "**RUB**", "**Russian Roubles**", "**Rouble**" or "**rouble**" means the lawful currency of the Russian Federation;
- "**U.S.$**" or "**U.S. dollar**" means the lawful currency of the United States of America (the "**United States**" or the "**U.S.**");
- "**EUR**", "**Euro**" or "**euro**" means the lawful currency of the participating Member States in the third stage of the European and Economic Monetary Union pursuant to the Treaty establishing the European Community, as amended from time to time.

Functional currency is determined separately for each of the Group's entities. The reporting currency is Russian Rouble.

This Offering Memorandum contains conversions of certain amounts relating to particular transactions from the currency in which the transaction was effected into U.S. dollars. These conversions were effected at the relevant foreign currency to U.S. dollar rate in effect as of the date of the transaction unless otherwise stated. No representation is made that the rouble or U.S. dollar amounts referred to herein could have been or could be converted into Russian Roubles or U.S. dollars, as the case may be, at these rates, at any particular rate or at all.

The table below sets forth, for the periods and dates indicated, the high, low, period end and period average exchange rate between the Rouble and the U.S. dollar, based on the official exchange rate quoted by the CBR for the relevant year. Fluctuations in the exchange rate between the Rouble and the U.S. dollar in the past are not necessarily indicative of fluctuations that may occur in the future. These rates may also differ from the actual rates used in the preparation of the Financial Statements and other financial information presented in this Offering Memorandum.

	RUB per U.S.$1.00			
	High	Low	Period average(1)	Period end
Year				
2013	33.47	29.93	31.90	32.73
2014	67.79	32.66	38.42	56.26
2015	72.88	49.18	60.96	72.88
2016	83.59	60.27	66.21	60.66
2017	60.75	55.85	58.35	57.60
2018	69.97	55.67	62.71	69.47
2019	67.19	61.72	64.62	61.91
2020	80.88	60.95	72.15	73.88
six months ended 30 June 2021	77.77	71.68	72.85	72.37

Source: www.cbr.ru (CBR)

Note:

(1) The average rates are calculated as the average of the daily exchange rates on each business day (which rate is announced by the CBR for each such business day) and on each non-business day (which rate is equal to the exchange rate on the previous business day).

References to the Company

In this Offering Memorandum, references to "Group" mean the Company and its consolidated subsidiaries, unless the context requires otherwise. References to the Company are to Renaissance Insurance Group Public Joint Stock Company only.

Rounding

Some numerical figures included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, numerical figures shown for the same category presented in different tables may vary slightly and numerical figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that preceded them.

Presentation of Third-Party Statistical and Other Information

The Company has derived certain information and statistics in this Offering Memorandum, including certain information and statistics concerning the Russian retail sector and its competitors, from private and publicly available information, including principally annual reports, industry publications, market research, press releases, filings under various securities laws, official data published by certain Russian government agencies, such as the CBR, the Rosstat, and the Ministry of Economic Development of Russia, and data published by private agencies such as "Sravni.ru", Rus Opros, Masmi, Economist Intelligence Unit, Statista, All-Russian Union of Insurers, "Banki.ru" and VEB Ventures. Such information and statistics have not been independently verified. Such information is contained in this Offering Memorandum under the captions "*Summary*", "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*", "*Industry*" and "*Business*". Where third-party information is set out, it has been sourced. Such information has been accurately reproduced and, as far as the Company is aware and are able to ascertain from information published by third parties that no facts have been omitted which would render the reproduced information inaccurate or misleading. None of the Underwriters, "Sravni.ru", Rus Opros, Masmi, Economist Intelligence Unit, Statista, All-Russian Union of Insurers, "Banki.ru" and VEB Ventures accepts liability for the accuracy of any such information and prospective investors are advised to use such information with caution.

KPMG Report

All statistical and market information provided by KPMG, an independent consultant in the insurance industry ("**KPMG**"), and presented in this Offering Memorandum under the headings "Summary", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry", "Business" and elsewhere in the Offering Memorandum has been reproduced from a report dated 12 July 2021 prepared by KPMG at the request of the Group (the "**KPMG Report**") in accordance with the scope of services and terms of reference contract set out in the engagement contract No. C-MSKZ-20-00517 dated 31 August 2020 (the "**KPMG Report Contract**"). KPMG is a joint-stock company with its registered office at 16 Olympyiskiy prospect bld. 5, floor 3, premises I, room 24e, Moscow, 129110, Russia.

The KPMG Report is valid on the date of its issuance as mentioned hereby. KPMG has not undertaken to update the KPMG Report for events or circumstances arising after such date.

KPMG services under the KPMG Report Contract do not represent an audit, a review or other assurance engagement conducted in accordance with any generally accepted standards and differ, both in scope and in objectives, from an audit or similar examinations. Except as expressly stated in it, the KPMG Report does not constitute an audit opinion or any other certificate, confirmation or assurance. Consequently, KPMG does not express any assurance relating to financial statements or the internal control system, or the insurance market historical data and projections of the Company.

All findings and conclusions provided in the KPMG Report that refer to the future have some limitations in the sense that they are based on the assumptions valid on the KPMG Report issuance date. These assumptions could change with time, after the date of the KPMG Report issuance, and so could lose their value.

The KPMG services were undertaken for, and the KPMG Report was prepared for, the Company as at the date of the issuance of the KPMG Report as addressee of the KPMG Report under the KPMG Report Contract, on the agreed terms, and for no other purpose of any third-party's interests or needs. Limitations on KPMG liability for the KPMG Report are stipulated by the KPMG Report Contract. KPMG will not accept or assume responsibility or liability to any third party to whom the KPMG Report, or any part of it, may be made available or who may acquire a copy of the KPMG Report, or any part of it. Any such third party who chooses to rely on the KPMG Report (or any part of it) will do so at its own risk.

The findings identified in the KPMG Report should not be treated as recommendations or KPMG opinion to any user of the KPMG Report, or any part of it, as to whether or not the user should proceed with the proposed transaction. At all times, the users of the KPMG Report, or any part of it, bear full responsibility for deciding on their use of, choosing to what extent they wish to rely on, or implementing advice or recommendations or other inclusions of the KPMG Report, or any part of it.

LIMITATION ON ENFORCEMENT OF CIVIL LIABILITIES

The Company is incorporated under the laws of the Russian Federation and the Selling Shareholders are incorporated under the laws of the Russian Federation / Cyprus or residents of the Russian Federation, as applicable. Their presence outside the United States and the United Kingdom may limit your legal recourse against them. The majority of its directors and executive officers named in this Offering Memorandum reside outside the United States and the United Kingdom. Moreover, substantially all of the Company's and the Selling Shareholders' assets and substantially all of the assets of their respective directors and executive officers are located outside the United States and the United Kingdom.

As a result, it may not be possible for you to:

- effect service of process within the United States or the United Kingdom upon the Company, the Selling Shareholders or their respective directors and executive officers; or

- enforce, in the English or U.S. courts, judgments obtained outside English or U.S. courts against the Company, the Selling Shareholders or their respective directors and executive officers, including actions under the civil liability provisions of U.S. securities laws or any state or territory of the United States.

In addition, it may be difficult for you to enforce, in original actions brought in courts in jurisdictions located outside the United Kingdom and the United States, liabilities predicated upon English laws or U.S. federal securities laws.

Courts in the Russian Federation will generally recognise judgments rendered by a court in any jurisdiction outside the Russian Federation only if:

- an international treaty providing for the recognition and enforcement of judgments in civil cases exists between the Russian Federation and the country where the judgment is rendered; and/or

- a federal law of the Russian Federation provides for the recognition and enforcement of foreign court judgements.

No such federal law has been passed and no such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between the Russian Federation and a number of other jurisdictions (including the United Kingdom and the United States), as a result of which new proceedings may have to be brought in the Russian Federation in respect of a judgment already obtained in any such jurisdiction against the Company, the Selling Shareholders or, as applicable, their respective directors and executive officers.

Even if an applicable international treaty is in effect or a foreign judgment might otherwise be recognised and enforced on the basis of reciprocity, the recognition and enforcement of a foreign judgment will in all events be subject to exceptions and limitations provided for in Russian law. For example, a Russian court may refuse to recognise or enforce a foreign judgment if its recognition or enforcement would contradict Russian public policy.

In addition, Russian courts have limited experience in the enforcement of foreign court judgments. The limitations described above, including the general procedural grounds set out in Russian legislation for the refusal to recognise and enforce foreign court judgments in the Russian Federation, may limit or delay, perhaps significantly, the enforcement of such judgment and thereby deprive the holders of the Ordinary Shares of effective legal recourse against the Company, the Selling Shareholders and, as applicable, their respective directors and executive officers.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognised by a Russian court on the basis of reciprocity, if courts of the country where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. While Russian courts have recently recognised and enforced English court judgments on these grounds, the existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognise and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

The Russian Federation is a party to the United Nations (New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards, but it may be difficult to enforce arbitral awards in the Russian Federation due to a number of factors, including compliance with the procedure for the recognition and enforcement of foreign arbitral awards by Russian courts established by the Arbitrazh Procedural Code of the Russian Federation, limited experience of Russian courts in international commercial transactions, official and unofficial political resistance to enforcement of awards against Russian companies in favour of foreign investors, Russian courts' inability to enforce such orders and corruption. Furthermore, enforcement of any arbitral award pursuant to arbitration proceedings may be limited by the mandatory provisions of Russian laws relating to categories of non-arbitrable disputes and the exclusive jurisdiction of Russian courts, and specific requirements to arbitrability of certain categories of disputes (including, specific requirements in relation to a type of an arbitral institution, arbitration rules, seat of arbitration and parties to an arbitration agreement for consideration of corporate disputes in relation to Russian companies) and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies. For instance, in the absence of an international treaty or agreement of the parties stating otherwise, any dispute involving persons subject to sanctions (restrictive measures) or caused by sanctions (restrictive measures) is subject to the exclusive jurisdiction of Russian state courts. Exclusive jurisdiction of Russian state courts also applies where the parties have agreed to the resolution of the relevant dispute in arbitration, but such agreement is incapable of being performed due to application to any party of such dispute sanctions (restrictive measures) which hinder such sanctioned party's access to justice. The possible need to re-litigate in the Russian Federation a judgment obtained in a foreign court on the merits may also significantly delay the enforcement of such judgment. Under Russian law, certain amounts may be payable by the claimant upon the initiation of any action or proceeding in any Russian court. These amounts in many instances depend on the amount of the relevant claim.

See "*Risk Factors—Risks Relating to the Ordinary Shares and the Offering—Investors may have limited recourse against the Group and its directors and executive officers*".

AVAILABLE INFORMATION

For so long as any of the Ordinary Shares are “restricted securities” within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or Section 15(d) of the Exchange Act, nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted Ordinary Shares, or to any prospective purchaser of such restricted Ordinary Shares designated by such holder or beneficial owner upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

FORWARD-LOOKING STATEMENTS

Certain statements in this Offering Memorandum are not historical facts and constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act and section 21E of the U.S. Securities Exchange Act of 1934, as amended. Forward-looking statements are identified by words such as "believes", "anticipates", "expects", "estimates", "intends", "plans", "will", "may" and similar expressions, but these expressions are not the exclusive means of identifying such statements. Forward-looking statements appear, without limitation, under the headings "*Risk Factors*", "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Business*". The Company may from time to time make written or oral forward- looking statements in reports to shareholders and in other communications. Examples of such forward-looking statements include, but are not limited to:

- statements of the Group's plans, objectives or goals, including those related to its strategy, products or services;
- statements of future economic performance; and
- statements of assumptions underlying such statements.

Forward-looking statements that the Company may make from time to time (but are not included in this Offering Memorandum) may also include projections or expectations of revenue, income (or loss), earnings (or loss) per share, dividends, capital structure or other financial items or ratios.

By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and risks exist that the predictions, forecasts, projections and other forward-looking statements will not be achieved. Prospective investors should be aware that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements. These factors include:

- the prevailing global and domestic economic environment;
- inflation, interest rate and exchange rate fluctuations;
- the health of the Russian economy;
- the effects of, and changes in, the policy of the Russian federal government (the "**Russian Government**");
- the Company's ability to finance its anticipated capital expenditures at least in part through revenue from operations or otherwise;
- the effects of, and changes in, the policies of the Russian Government;
- the effects of changes in laws, regulations, taxation or accounting standards or practices;
- the effects of competition in the geographic and business areas in which the Company conducts its operations;
- the Company's ability to control expenses;
- acquisitions or divestitures;
- the Company's expansion;
- changes in consumer preferences; and
- the Company's success at managing the risks associated with the aforementioned factors.

This list of important factors is not exhaustive. When relying on forward-looking statements, prospective investors should carefully consider the foregoing factors and other uncertainties and events, especially in light of the political, economic, social and legal environment in which the Company operates. Such forward-looking statements speak only as of the date on which they are made. Accordingly, the Company does not undertake any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. The Company does not make any representation, warranty or prediction that the results anticipated by such forward-looking statements will be achieved, and such forward-looking statements represent, in each case, only one of many possible scenarios and should not be viewed as the most likely or standard scenario.

USE OF PROCEEDS

The gross proceeds from the sale of the Primary Shares in the Offering are expected to be up to RUB 18 billion.

The Company intends to use the net proceeds from the offering of the Primary Shares to finance organic growth, potential acquisitions, digital investments and strategic business development.

The Company will not receive any of the proceeds from the sale of the Secondary Shares by the Selling Shareholders.

The Company and the Selling Shareholders will not, directly or indirectly, use the proceeds of the Offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other person or entity, for the purposes of financing or facilitating any activity (i) with any person or entity that is: (a) subject or target of any sanctions administered or enforced by OFAC, the U.S. Department of State, any other agency of the U.S. government, the United Nations Security Council, the European Union, Her Majesty's Treasury of the United Kingdom or Swiss Secretariat for Economic Affairs SECO (the "**Sanctions**"); (b) any Person, resident, organised or located within a country or territory subject to country-wide or territory-wide Sanctions (the "**Sanctioned Territory**"); (ii) in any Sanctioned Territory, or in any other manner that would otherwise violate any Sanctions, to the extent that such use of proceeds would be prohibited by Sanctions or would otherwise cause any person participating in the transaction to be in breach of Sanctions.

DIVIDEND POLICY

Dividends may only be declared from accumulated undistributed and unreserved earnings, as shown in the Company's statutory financial statements prepared under RAS, and if certain other requirements of Russian legislation are met. If statutory undistributed earnings are negative as of the beginning of a fiscal year, then dividends may only be declared from net profit earned in that fiscal year, as shown in the Company's statutory financial statements prepared under RAS. For a description of other conditions that must be satisfied before dividends may be declared, see "*Description of Share Capital and Certain Requirements of Russian Law—Description of Share Capital—Dividends*".

Under its dividend policy, the Group prescribes for the main principles of payment of dividends, a mechanism of calculation of dividends and procedure for payment of dividends. The Group intends to pay dividends after adoption of a resolution of the General Shareholders' Meeting subject to recommendations on amount of dividends to be paid by the Board of Directors. In applying this policy, the Board will have regard for a range of factors, including the macroeconomic outlook, mandatory capital requirements, Company's assets and liabilities, balance sheet position and growth outlook of the Company, and may exercise its discretion and revise the calculated payout up or down, to the extent these factors substantially impact the Company.

In 2018, the Group paid RUB 1 billion as dividends. In 2019–2020, the Group paid no dividends as it was focused on accumulation of funds for active growth and compliance with new solvency regulation. The Group's strategy is to pay out dividends in the amount of at least 50% of consolidated net profit on an annual basis. Decisions on the recommended dividend amount will be made subject to the Group's investment needs in terms of business development (including mergers and acquisitions), the achievement of key strategic goals and compliance with capital adequacy and other regulatory requirements. The Group may consider paying dividends of 50% of net profit for the full year 2021 in 2022 in the absence of any material acquisition(s). In the event of value-accretive acquisition(s), the Group may decide to pay a lower or no dividend for 2021. See "*Risk Factors—Risks Relating to the Ordinary Shares and the Offering—Dividend policy of the Group may change*".

CAPITALISATION

The following table sets forth the Group's capitalisation and indebtedness as at 30 June 2021 and data for the table is extracted from the Interim Financial Information. For further information regarding the Group's financial condition, see "Summary—Summary Consolidated Financial and Operating Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Financial Statements included elsewhere in this Offering Memorandum.

	As of 30 June 2021
	(in millions of Roubles)
Total debt	
Debt securities issued[(1)]	3,053
Debt	3,007
Total debt	**6,060**
Total equity	
Share capital	4,351
Additional paid-in capital	14,652
Revaluation reserve for available-for-sale financial assets	28
Treasury shares	-
Retained earnings	11,628
Currency translation reserve	18
Insurance reserve of NSPF	915
Total equity	**31,592**
Total Capitalisation and Indebtedness[(2)]	**37,652**
Total Capitalisation[(3)]	**34,594**

Notes:

(1) Debt securities issued in the amount of RUB 3.0 billion have been repaid in October 2021.

(2) Total Capitalisation and Indebtedness is calculated as sum of debt securities issued in amount of RUB 3,053 million, borrowings in amount of RUB 3,002 million, other payables in amount of RUB 6 million and total equity in amount of RUB 31,592 million.

(3) Total Capitalisation is calculated as sum of non-current debt (borrowings in amount of RUB 3,002 million) and total equity in amount of RUB 31,592 million.

SELECTED CONSOLIDATED FINANCIAL AND OTHER INFORMATION

The financial information set out below as at and for the six months ended 30 June 2021 and 2020 and for the years ended 31 December 2020, 2019 and 2018, have been derived from the Financial Statements. The financial data set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the Financial Statements and related notes included elsewhere in this Offering Memorandum and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations".

Consolidated Statement of Profit or Loss and Other Comprehensive Income of the Group

	For the six months ended 30 June (unaudited)		For the years ended 31 December		
	2021	2020	2020	2019	2018 (restated)
			(*in millions of RUB*)		
Gross insurance premiums	47,740	34,591	82,766	71,691	70,275
Gross change in unearned premium reserve	(1,688)	1,141	366	(188)	(52)
Premium ceded	(1,350)	(1,474)	(2,699)	(2,503)	(1,971)
Change in reinsurers' share in change in unearned premiums reserve	59	231	60	265	(65)
Net premium earned	**44,760**	**34,489**	**80,492**	**69,264**	**68,187**
Insurance benefits and claims paid	(16,310)	(10,861)	(23,672)	(22,637)	(17,746)
Reinsurer's share of insurance benefits and claims paid	406	252	621	912	832
Gross change in claims reserves	(7,921)	(8,995)	(23,358)	(16,520)	(14,279)
Change in reinsurer's share of claims reserve	(46)	81	385	(220)	43
Net claims incurred	**(23,871)**	**(19,523)**	**(46,023)**	**(38,465)**	**(31,151)**
Net acquisition costs	(18,943)	(11,463)	(29,713)	(24,802)	(29,242)
Allowance for impairment of insurance and reinsurance receivables	(71)	(139)	(123)	(192)	(191)
Amortization of value of business in force	-	(22)	(44)	(222)	(246)
Result of insurance operations	**1,875**	**3,342**	**4,589**	**5,582**	**7,358**
Gains from sale, net	142	170	577	198	78
Interest income	1,891	1,699	2,990	2,963	1,870
Change in fair value of financial instruments	759	(1,398)	1,981	1,862	(77)
Deposits (more than 90 days)	387	555	1,100	1,015	490
Corporate securities	102	110	218	248	293
Banking accounts (including short-term deposits)	217	227	432	312	600
Loans	3	12	26	2	0
Other investment income	558	108	854	817	591
Total net income from investing activities	**4,059**	**1,483**	**8,179**	**7,418**	**3,845**
Other income and expense	(4,250)	(2,809)	(7,029)	(7,776)	(7,014)
Profit before tax	**1,683**	**2,015**	**5,738**	**5,224**	**4,189**
Income tax expense	(267)	(328)	(1,059)	(1,077)	(811)
Profit for the period from continuing operations	**1,416**	**1,688**	**4 ,680**	**4,147**	**3,378**
Net profit for the period	**1,332**	**1,775**	**4,680**	**4,147**	**3,378**
Net change in the fair value of available-for-sale financial assets	19	(35)	(5)	(87)	90
Translation differences	-	-	-	(104)	166
Reclassification of cumulative gains on disposal of debt instruments at fair value through other comprehensive income to the income statement	(3)	(3)	(3)	-	-
Other comprehensive income / (loss) for the year, net of tax	**16**	**(38)**	**(8)**	**(192)**	**255**
Total comprehensive income for the period	**1,348**	**1,737**	**4,671**	**3,955**	**3,633**

Note:

(1) Other items of income and expense comprise of Administrative expenses, Interest expense. Foreign exchange gains/(losses), Other operating income, Other operating expense and Result of pension operations.

Consolidated Statement of Financial Position of the Group

	As of			
	30 June 2021	**31 December 2020**	**31 December 2019**	**31 December 2018 (restated)**
	(*in millions of RUB*)			
Assets				
Cash and cash equivalents	13,998	13,852	10,613	7,831
Amounts due from credit institutions	16,504	19,124	18,986	11,899
Financial instruments at fair value through profit or loss	86,265	96,229	66,895	51,368
Assets of disposal group	25,567	-	-	-
Loans and other receivables	813	37	9	213
Available-for-sale financial assets	2,369	2,065	2,271	3,739
Financial assets held to maturity	-	566	553	-
Insurance and reinsurance receivables	7,603	6,112	5,862	5,139
Reinsurers' share of insurance contract liabilities	2,380	2,367	1,923	1,878
Current tax assets	113	139	470	261
Deferred tax assets	654	635	890	751
Deferred acquisition costs	9,422	8,640	9,166	8,961
Property and equipment	955	1,121	1,411	394
Investment property	1,985	1,860	1,852	1,859
Intangible assets	1,587	1,423	1,072	1,157
Goodwill	8,210	8,335	8,435	8,435
Value of business in force	-	-	44	266
Other assets[1]	922	1,169	1,206	1,650
Total assets	**179,347**	**163,674**	**131,658**	**105,801**
Liabilities and equity				
Liabilities				
Insurance contract liabilities	106,966	97,356	74,364	57,656
Liabilities of disposal group	23,586	-	-	
Pension liabilities	-	22,578	19,587	16,342
Other insurance liabilities	7,350	5,936	4,653	4,530
Deferred commission income on ceded reinsurance	38	35	36	18
Debt securities issued	3,053	3,051	3,043	-
Borrowings and other payables	3,611	739	1,009	2,508
Current tax liabilities	51	212	84	22
Deferred tax liabilities	1,540	1,566	1,615	1,025
Other liabilities	1,560	1,957	1,696	2,082
Total liabilities	**147,756**	**133,430**	**106,086**	**84,184**
Equity				
Share capital	4,351	4,351	4,351	4,351
Additional capital	14,652	14,652	14,652	14,652
Revaluation reserve for available-for-sale financial assets	28	12	20	107
Translation differences	18	18	18	122
Insurance reserve of NSPF	915	902	791	674
Retained earnings	11,628	10,309	5,740	1,710
Total equity	**31,592**	**30,244**	**25,572**	**21,617**
Total liabilities and equity	**179,347**	**163,674**	**131,658**	**105,801**

Note:

(1) Other assets include prepaid expenses.

Consolidated Statement of Cash Flows of the Group

	For the six months ended 30 June (unaudited)		For the year ended 31 December		
	2021	2020	2020	2019	2018 (reclassified)
	(in millions of RUB)				
CASH FLOWS FROM OPERATING ACTIVITIES					
Insurance premiums received	43,502	31,356	77,200	63,158	63,766
Reinsurance premiums paid	(907)	(1,183)	(1,895)	(1,595)	(1,433)
Insurance benefits and claims paid	(15,584)	(9,876)	(21,889)	(20,741)	(15,268)
Reinsurers' share of benefits	51	30	110	394	390
Subrogations and salvages, received	640	636	1,230	1,129	968
Claim settlement expenses	(446)	(413)	(822)	(1,076)	(1,034)
Acquisition costs paid	(15,231)	(7,592)	(22,354)	(17,562)	(22,250)
Direct loss refund under Motor Third Party Liability Insurance, received from insurers	1,641	1,155	2,314	2,932	2,690
Direct loss refund under Motor Third Party Liability Insurance, paid to insurers	(1,529)	(1,516)	(2,972)	(2,819)	(3,154)
Direct loss refund under Motor Third Party Liability Insurance, paid to policyholders	(1,809)	(1,199)	(2,691)	(3,555)	(3,562)
Pension contributions received	1,891	1,657	3,244	3,189	2,850
Pension payments	(980)	(578)	(1,415)	(1,387)	(1,175)
Payments to professional associations of insurers in the form of deductions from premiums stipulated by the Russian legislation	(111)	(5)	(215)	(195)	(220)
Interest received	4,055	4,482	6,946	5,710	4,738
Interest paid	(160)	(175)	(359)	(270)	(334)
Dividends received and other similar payments	329	128	654	380	279
Purchase, sale and redemption of financial assets at fair value through profit or loss	(14,261)	(12,756)	(27,007)	(12,945)	(21,469)
Salaries and other employee benefits	(2,545)	(1,662)	(4,171)	(3,484)	(2,893)
Other administrative and operating expenses	(1,543)	(1,002)	(2,221)	(2,410)	(2,551)
Other cash flows from operating activities	595	227	751	778	756
Income taxes paid	(484)	(288)	(548)	(656)	(1,057)
Net cash flow from operating activities	**(2,885)**	**1,327**	**3,891**	**8,973**	**38**
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property and equipment and intangible assets	9	0	1	-	1
Payments on purchase of property and equipment and intangible assets	(356)	(251)	(820)	(367)	(685)
Revenue from rental of investment property	116	86	210	209	208
Placement and withdrawal of deposits	2,476	305	(181)	(7,024)	(2,942)
Withdrawals and sale of available-for-sale financial assets	161	145	144	1,046	-
Purchase of securities held to maturity	-	-	-	(550)	-
Loans granted	(1,403)	(1,055)	(1,055)	(0)	-
Loans repaid	590	153	1,200	0	-
Other cash flows from investing activities	-	(0)	(2)	311	(0)
Net cash flows used in investing activities	**1,593**	**(618)**	**(503)**	**(6,375)**	**(3,418)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings and other payables, received	2,970	855	855	706	1200
Borrowings and other payables, repaid	-	(411)	(801)	(3,200)	(1,400)
Proceeds from bonds issued	-	-	-	3,000	-
Dividends paid to shareholders (net of tax)	-	-	-	-	(994)
Lease payments	(140)	(131)	(298)	(203)	(0)
Other cash flows from financing activities	-	-	-	(30)	-
Net cash flows from / (used in) financing activities	**2,830**	**313**	**(244)**	**272**	**(1,194)**
Net increase / (decrease) in cash and cash equivalents	**1,538**	**1,022**	**3,144**	**2,870**	**(4,575)**

	For the six months ended 30 June (unaudited)		For the year ended 31 December		
	2021	2020	2020	2019	2018 (reclassified)
Effect of change in the exchange rate of foreign currency to the rouble	22	(12)	95	(88)	-
Cash and cash equivalents, beginning	**13,852**	**10,613**	**10,613**	**7,831**	**12,406**
Cash and cash equivalents, ending	**15,412**	**11,623**	**13,852**	**10,613**	**7,831**

Selected Key Financial Information

The table below presents selected financial ratios for the Group as of the dates and for the periods indicated below.

	For the six months ended 30 June (unaudited)		For the year ended 31 December (unaudited)		
	2021	2020	2020	2019	2018
			(in percentages)		
Selected Financial Ratios					
Loss Ratio[1]	53.3%	56.6%	57.2%	55.5%	45.7%
Acquisition Ratio[2]	42.3%	33.2%	36.9%	35.8%	42.9%
Combined Ratio[3]	104.6%	99.4%	103.7%	102.3%	99.3%
Administrative Expense ratio[4]	7.7%	8.2%	8.5%	9.4%	9.3%
Net Profit Ratio[5]	2.8%	5.1%	5.7%	5.8%	4.8%

Notes:

(1) Loss Ratio is calculated as net claims incurred divided by net premium earned.
(2) Acquisition Ratio is calculated as net acquisition costs divided by net premium earned.
(3) Combined Ratio is calculated as sum of (net claims incurred plus net acquisition costs plus administrative expenses plus allowance for impairment of insurance and reinsurance receivables plus other operating income plus other operating expense) divided by net premium earned.
(4) Administrative Expense Ratio is calculated as administrative expenses divided by net premium earned.
(5) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.

Other Information for Non-IFRS Measures

	For the six months ended 30 June (unaudited)		For the year ended 31 December (unaudited)		
	2021	2020	2020	2019	2018
			(*in millions of RUB*)		
Gains from financial assets at fair value through profit or loss, net	2,791	471	5,549	5,023	1,871
Other income from investing activities, net	1,267	1,012	2,630	2,394	1,974
Total net income from investing activities	**4,059**	**1,483**	**8,179**	**7,418**	**3,845**
Income allocated to funds of depositors of Pension business	-	-	1,274	1,559	695
Total net income from investing activities (including income allocated to funds of depositors of Pension business)	**4,059**	**1,483**	**9,453**	**8,977**	**4,540**
Administrative expenses	(3,450)	(2,833)	(6,850)	(6,515)	(6,331)
Other operating income	93	174	353	472	376
Other operating expenses	(559)	(493)	(1,140)	(1,381)	(1,186)
Operating Expenses	**(3,916)**	**(3,152)**	**(7,637)**	**(7,424)**	**(7,141)**
Net profit for the last 12 months	4,237	3,808	4,680	4,147	3,378
Amortization of value of business in force	22	133	44	222	246
Adjusted Net Profit	**4,259**	**3,941**	**4,724**	**4,369**	**3,624**

	As of				
	30 June 2021	30 June 2020	31 December 2020	31 December 2019	31 December 2018
			(*in millions of RUB*)		
Assets					
Cash and cash equivalents....................................	13,998	11,623	13,852	10,613	7,831
Amounts due from credit institutions...................	16,504	18,728	19,124	18,986	11,899
Financial instruments at fair value through profit or loss..	86,265	77,676	96,229	66,895	51,368
Loans and other receivables	813	1,041	37	9	213
Available-for-sale financial assets	2,369	2,034	2,065	2,271	3,739
Financial assets held to maturity	-	558	566	553	-
Investment property..	1,985	1,852	1,860	1,852	1,859
Investments	**121,934**	**113,512**	**133,733**	**101,179**	**76,909**
Less investments of Pension business		*(23,116)*	*(24,528)*	*(21,342)*	*(17,735)*
Investments excluding Pension business	**121,934**	**90,396**	**109,205**	**79,837**	**59,174**
Average of Investment assets Investments as of beginning reporting period plus investments as of ending reporting period divided by two (Investment as of 31 December 2017 is RUB 57,677 million)	**115,570**	**85,117**	**117,456**	**89,044**	**67,293**

	As of						
	30 June 2021	30 June 2020	30 June 2019	31 December 2020	31 December 2019	31 December 2018	31 December 2017
				(*in millions of RUB*)			
Total Equity	31,592	27,309	23,564	30,244	25,572	21,617	18,984
Goodwill	(8,210)	(8,435)	(8,435)	(8,335)	(8,435)	(8,435)	(8,435)
Intangible assets	(1,587)	(1,180)	(1,132)	(1,423)	(1,072)	(1,157)	(993)
Value of business in force	-	(22)	(155)	-	(44)	(266)	(513)
Adjusted Equity	**21,795**	**17,672**	**13,842**	**20,486**	**16,021**	**11,759**	**9,043**
Average Adjusted Equity Adjusted Equity as of beginning specified period plus Adjusted Equity as of ending specified period divided by two	**19,734**	**15,757**		**18,254**	**13,890**	**10,401**	

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of the Group's financial condition and results of operations as at and for the six months ended 30 June 2021 and 2020, and as at and for the years ended 31 December 2020, 2019 and 2018, in conjunction with the Financial Statements and related notes which appear elsewhere in this Offering Memorandum.

This discussion contains forward-looking statements reflecting the Group's current expectations that involve risks and uncertainties. Actual results and the timing of events may differ materially from those contained in these forward-looking statements due to a number of factors, including those discussed in the section entitled "Risk Factors" and elsewhere in this Offering Memorandum.

Overview

Being, according to the CBR data, one of Russia's largest independent insurers, the Group operates a leading digital insurance platform across life and non-life insurance and asset management segments disrupting the traditional insurance market in Russia by offering innovative, technologically advanced and user-friendly solutions committed to providing first-class service to its customers.

The Group's management believes that its proven track record of delivering innovation differentiates the Group from traditional industry players and fosters organic growth. Furthermore, the Group believes that its leading digital insurance platform offers additional scaling and growth opportunities in the growing Russian insurance market.

Market Position

According to the CBR data, the Group is the largest independent life insurance and the fourth largest independent non-life insurance company in Russia, based on GWP for the years ended 31 December 2020 and 2019. The Group achieved a GWP CAGR of 17% between 2017 and 2020, which is 8% higher than the GWP CAGR of the other top-10 insurance providers in Russia for the same period, according to the Company and the CBR data. The recent substantial growth, according to the Group's management, is in line with the Group's long-term trends, as its GWP increased 6.5-fold between 2010 and 2020, from RUB 12.8 billion for the year ended 31 December 2010 to RUB 82.8 billion for the year ended 31 December 2020, which was primarily due to organic expansion and value accretive acquisitions, while the total GWP in the Russian insurance market grew 2.8-fold times in the same period from RUB 556 billion to RUB 1,537 billion. In the six months ended 30 June 2021, the Group generated a GWP of RUB 47.7 billion, earned RUB 1.3 billion of net profit and had net assets of RUB 31.6 billion.

The Group demonstrated an 18% CAGR in net profit from RUB 3.4 billion in 2018 to RUB 4.7 billion in 2020, and this substantial growth was coupled with RoATE reaching 21.6% in the six months ended 30 June 2021.

Net Profit Growth (in RUB billion)

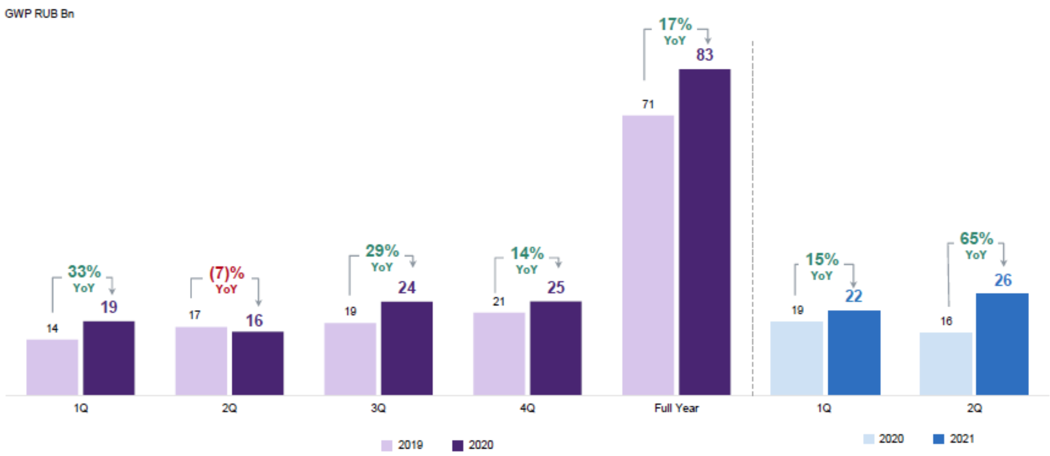
Source: Company data

(1) Net profit for the last 12 months adjusted for amortisation of value of business in force divided by equity adjusted for goodwill, intangible assets and value of business in force for the specified period.

(2) RoATE for the six months ended 30 June 2021 calculated as sum of net profit for the last 12 months and estimated amount of RUB 520 million gain from sale of pension business divided by average equity adjusted for goodwill, intangible assets and value of business in force as of 30 June 2021 and 30 June 2020.

The Group has also managed to maintain growth despite the implications of the COVID-19 pandemic. According to the Group, the COVID-19-related slowdown in GWP growth in the second quarter of 2020 was more than offset by the growth in the subsequent periods, as demonstrated in the chart below:

Growth in Premiums Despite the Challenges Posed by the COVID-19 Pandemic



Source: Quarterly data based on management accounts

Key Products

The Group's key Non-Life insurance products are motor insurance (corporate and retail), VMI and other Non-Life products (including property, accident, travel, cargo and other insurance), which represented 57%, 17% and

26%, respectively, of the Group's total Non-Life GWP for the year ended 31 December 2020. In the six months ended 30 June 2021, motor, VMI and other Non-Life insurance products represented 58%, 20% and 22%, respectively, of the Group's total Non-Life GWP. Non-Life insurance products are primarily distributed through the Group's internal salesforce, financial and non-financial intermediaries and dealers. Net profit attributable to the Non-Life insurance segment amounted to RUB 2.1 billion, or 44.4%, of the Group's net profit for the year ended 31 December 2020, and RUB 0.4 billion, or 30.6%, of the Group's net profit for the six months ended 30 June 2021.

In the Life insurance segment, the Group offers three product lines, namely, investment, endowment and credit and risk Life products, which represented 54%, 17% and 29%, respectively, of the Group's total Life GWP for the year ended 31 December 2020; and 36%, 17% and 47%, respectively, of the Group's total Life GWP for the six months ended 30 June 2021. The main distribution channel for Life insurance products is bancassurance channel, supported by direct sales of the Group. As of 30 June 2021, the Group had 46 banking partners in the Life insurance segment. Net profit attributable to the Life insurance segment amounted to RUB 2.4 billion, or 51.2%, of the Group's net profit for the year ended 31 December 2020, and RUB 1.1 billion, or 85.4%, of the Group's net profit for the six months ended 30 June 2021.

Asset Management

The Group manages part of its own investments through Sputnik Asset Management, the asset management segment of the Group's business. As at 31 December 2020, Sputnik Asset Management had RUB 40 billion of the Group's assets under management, which accounted for 25% of the Group's total assets. As at 30 June 2021, Sputnik Asset Management had RUB 53 million of the Group's assets under management, and assets under the management of Sputnik Asset Management accounted for 30% of the Group's total assets. In the year ended 31 December 2020, Sputnik Asset Management recorded a net profit of RUB 98.5 million, which accounted for 2.5% and of the Group's total net profit, and in the six months ended 30 June 2021, Sputnik Asset Management recorded a net loss of RUB 28 million, which accounted for negative 2.1% of the Group's total net profit. According to the Group's management, remuneration is typically paid to Sputnik Asset Management at the end of each year and the net loss as at 30 June 2021 is attributable to the seasonality.

Client Base

As of 31 December 2020, the Group had approximately 3.5 million customers and it believes it had a balanced split of GWP for the year ended 31 December 2020, with the Non-Life segment contributing RUB 37.1 billion (or 44.8%) and the Life segment contributing RUB 45.7 billion (or 55.2%) to the total GWP of the Group.

The number of the Group's Non-Life clients was equal to 2,060 thousand as at 31 December 2018; 2,142 thousand as at 31 December 2019; 2,063 thousand as at 31 December 2020 and 2,346 thousand as at 30 June 2021, respectively. The number of the Non-Life Core Clients amounted to 826 thousand, 1,015 thousand, 1,028 thousand and 1,187 thousand Non-Life Core Clients as at 31 December 2018, 2019 and 2020 and as at 30 June 2021, respectively.

The number of the Group's Life clients grew from 1,380 thousand as at 31 December 2018 to 1,578 thousand as at 31 December 2019, 1,903 thousand as at 31 December 2020 and 2,060 thousand as at 30 June 2021. As of 30 June 2021, the Life Core Clients accounted for 19%, 6% and 6% of the Group's Life clients, respectively, and customers that purchased credit life insurance accounted for 69% of the Group's Life clients. Despite their significant share in the Life client base, the Group does not view the latter as its core clients (unless they have purchased other Life products as well), because the purchase of credit Life products is less driven by preferences towards the Group's brand. The number of the Life Core Clients amounted to 205 thousand, 289 thousand, 367 thousand and 373 thousand as at 31 December 2018, 2019 and 2020 and as at 30 June 2021, respectively.

As of 30 June 2021, the Group's CLT was 3.0 years with an average of 1.3 products per client. The Group's Life insurance average CLT was 4.4 years with an average of 1.4 products per client. The Group's management believes that the Group has demonstrated significant level of client retention and cross-selling ability, with 22% of the Group's core clients purchasing more than two products per client and 26% of the Group's core clients having a CLT of more than five years as of 30 June 2021.

Awards and Recognition

As of 30 June 2021, the Group was recognised as one of the two leading insurers by customer rating, according to the "Sravni.ru" rating (one of Russia's major independent online marketplaces for banking and insurance services). According to the Masmi Survey, the Group's brand awareness rate in the Russian market was 78% and the Group was ranked as one of the top-four Russian insurers with the highest brand awareness rates. According to the Masmi Survey, for the same period, the Group's consideration rate (a measure of consumers' willingness to consider purchasing a brand they are aware of) for MOD, travel insurance and CMTPL products was 19%, putting the Group among the top-five Russian insurance providers based on this metric. As of March 2021, according to Rus Opros, the Group was ranked the fifth largest insurance provider based on the NPS).

According to the Group, it has been recognised for its innovative and technologically advanced digital offering in the Russian insurance market, for both customer-facing solutions and internal processes, including automated claims handling process and digitalisation of distribution channels. "Banki.ru" (one of Russia's major independent financial web media and marketplaces) designated the Group's Non-Life operations as the "Best Insurance Company of 2019", denoting its ongoing transformation, digital advancements in claims handling process and the Group's ability to efficiently adjust its operations in a speedy fashion. The Group was also recognised as the "Number One Insurer by Customer Rating" by "Sravni.ru".

The Group believes that it has a unique business model that focuses on offering its clients technologically advanced solutions. To achieve this, the Group has already implemented a strong partner integration system based on a single application programming interface, which allows the Group to efficiently integrate with partner ecosystems, Russia's first online agency solution, a wide range of innovative digital core insurance products and solutions (including, among others, automated policy solutions, smart online rates, smart auto rates and scoring capabilities, automated claims handling systems, use of big data and artificial intelligence (AI)) and, importantly, an end-to-end digital user experience for customers. In addition, the Group is a pioneer in direct motor insurance in Russia (see "*Business—Business Segments—Non-Life Segment—Direct Insurance—Motor Direct Insurance*"), operating through its two brands, Renaissance Insurance and InTouch. The Group considers InTouch to be a leading direct insurance brand with a substantial scalability potential.

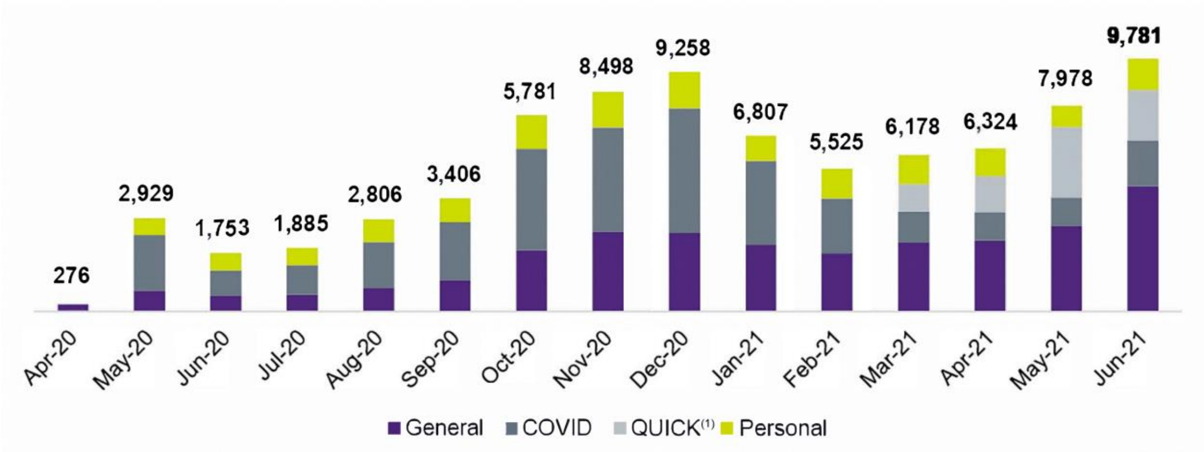
Digital Health

Considering the increasing prominence of the Russian medical insurance market, the Group developed the Digital Health to compliment the Group's VMI products and differentiate them from those of the Group's competitors, as well as to reduce the cost of VMI sales (see "*Business—Business Segments—Non-Life Segment—Voluntary Medical Insurance (VMI)—Digital Health*"). At the core of the Digital Health is the "Budu" mobile application, a user-friendly e-health solution that serves as a gateway to all of the services offered by the ecosystem. The "Budu" application offers the Group's clients a wide range of medical services both online and offline and provides access to more than 100 doctors at the Group's own clinic "Renaissance Clinic", as well as to clinics operated by medical partners of the Group. In the second quarter of 2021, "Budu" mobile application had a monthly average of approximately 22 thousand active users.

According to VEB Ventures data, the Russian telemedicine market is expected to almost double each year until 2025, with the primary reason being the increased demand for telemedicine services during the COVID-19 lockdown. Among other services, "Budu" offers telemedicine consultations through its own platform and through integration with partner applications, such as the Renaissance Health mobile application.

According to the Group, it demonstrated a significant growth in telemedicine consultation services for the period from April 2020 to June 2021, as shown in the chart below.

Telemedicine Consultation Monthly Dynamic



Source: Company data

In September 2021, the Company and some of its existing shareholders agreed the key terms of the contemplated transfer of 51% of JSC "Renaissance Health", the Company's associated entity engaged in the "Budu" business, to such existing shareholders, which is expected to provide JSC "Renaissance Health" with RUB 850 million to develop the "Budu" ecosystem (see "—*Recent Developments*"). The parties intend to execute the necessary transaction documentation in the fourth quarter of 2021. The Group intends to continue using the "Budu" ecosystem in its business.

Significant Factors Affecting the Group's Results of Operations

The Group's operations have historically been influenced by the following key factors, which the Group's management believes will continue to affect the Group's results of operations in the future.

Factors affecting insurance results of operations

The Group's ability to attract and retain customers

The GWP generated by the Group is primarily driven by the number of insurance policyholders. Changes in the number of policyholders are the result of a number of factors, including the Group's ability to attract new and retain existing customers. The substantial part of the Group's profits is generated by its core customer base, which is identified by the Group on the basis of products and distribution channels. The Group's core customer base includes customers that purchased products deliberately or customers who are well-aware of the Group as a brand, while other customers mostly became the Group's clients due to the financial appeal and other attractive features of the Group's products and not as a result of long-term planning or thorough comparison of the Group's products with those of its competitors. In recent years, the Group's total core customer base in the Non-Life insurance segment increased from 0.8 million customers as at 31 December 2018 to 1.2 million customers as at 30 June 2021, and the Group's total core customer base in the Life insurance segment increased from 0.2 million customers as at 31 December 2018 to 0.4 million customers as at 30 June 2021. As at 30 June 2021, the total number of the Group's Non-Life insurance customers was approximately 2.3 million as compared to the total number of the Group's Life insurance customers of approximately 2.1 million. This growth of customer base was primarily driven by the Group's competitive pricing, development of digital communication channels (including messengers, intuitive chat-bot interface and assisting bots), development of a range of user-friendly mobile apps, innovative telematics-based products and customer loyalty programmes including Renaissance Club (see "—*Retention and loyalty—Renaissance Club*"). The Group's ability to retain its existing customers is impacted by, among other factors, the customers' satisfaction, the maturity of the Group's policy portfolio and its renewal pricing strategy.

The Group's ability to obtain new, or retain existing, customers could also be adversely affected by, among others, the entry into, or the targeting of, the markets in which the Group operates, by insurers with greater financial resources, better brand recognition, greater pricing flexibility or risk tolerance than those of the Group. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group operates in a highly concentrated* *industry with strong market leaders, and a failure to compete effectively with them could adversely affect its business, financial condition and results of operations".*

Costs per policy

The Group's results of operations largely depend on the costs of acquiring new customers and administrative expenses. Acquisition costs are primarily comprised of fees paid to agents, brokers, banks and other intermediaries, which represented 85.7%, 74.3% and 78.4% of the Group's total acquisition costs in the years ended 31 December 2018, 2019 and 2020, respectively. For the six months ended 30 June 2020 and 2021, fees paid to the intermediaries amounted to 72.8% and 83.0% of the Group's total acquisition costs, respectively. The remainder of the Group's acquisition costs relate to expenses associated with the use of information technologies to enter into insurance contracts, sellers' payroll and other acquisition costs. In 2018, 2019 and 2020, the Group had an Acquisition Ratio of 42.9%, 35.8% and 36.9%, respectively. For the six months ended 30 June 2020 and 2021, the Group had an Acquisition Ratio of 33.2% and 42.3%, respectively. Operating Expenses are primarily comprised of payroll and other personnel benefits, which represented 40.3%, 41.1% and 47.3% of the Group's total Operating Expenses in 2018, 2019 and 2020, respectively. For the six months ended 30 June 2020 and 2021, the payroll and other personnel benefits represented 43.5% and 43.0% of the Group's total Operating Expenses, respectively. The remainder of the Group's Operating Expenses relate to depreciation and amortisation, information technologies, legal and consultancy services, marketing, advertising and other expenses. In 2018, 2019 and 2020, the Group had an Operating Expense Ratio of 10.5%, 10.7% and 9.5%, respectively. For the six months ended 30 June 2020 and 2021, the Group had an Operating Expense Ratio of 9.1% and 8.7%, respectively. As part of its digital strategy, the Group seeks to further optimise its costs by developing alternative distribution channels including Motor Direct Insurance as well as Partners Insurance and implementing seamless automotive technologies (see "*Business—Direct Insurance*" and "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may not be successful in developing new products and entering new markets, or the Group's business strategy may not yield the anticipated benefits*").

Risk selection, pricing and claims handling

The Group's results of operations depend, to a significant extent, on its ability to appropriately select risks and set prices. Appropriate risk assessment and price adequacy are necessary to generate sufficient premiums to cover any losses and underwriting expenses and to earn profit from its underwriting activities. While overly conservative risk selection and pricing could result in reduced volumes or reduced premiums per policy, imprudence in risk selection and pricing could result in excess risk and losses from claims. See "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may not be able to accurately price the insurance products it sells*".

The Group's management also believes that the Group's ability to mitigate losses through efficient and skilled process of claims handling also materially impacts its profitability. Inefficiencies in managing and paying claims can lead to issues including inappropriate indemnity decisions, inappropriate claims reserving and/or payment decisions, increased fraud and distorted management information for reserving and pricing, resulting in additional claims costs and claims handling-related expenses, as well as increased risk that claims reserves and/or pricing models are inappropriate. See also "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's claims management processes may adversely affect its relationships with clients, distributors and other intermediaries or lead to additional expenses*".

Availability and cost of reinsurance

The Group uses reinsurance to mitigate the Group's exposure to unforeseen financial losses and certain insurance-related risks. Particularly, the Group reinsures its risks of indemnity payment in the following classes of business: property and engineering risks, marine hull and cargo, general third party liability risks and motor insurance, as well as mortgage insurance, personal accident insurance and group life insurance. Therefore, the Group's margin is affected by the availability and cost of reinsurance.

The Group purchases two forms of reinsurance coverage: proportional reinsurance, whereby all reinsurers that are parties to a reinsurance agreement respond to every claim in proportion to their respective share that they agreed to cover, and non-proportional reinsurance, whereby reinsurers reimburse the Group if a loss per risk exceeds the Group's retention/maximum limit. Entering into reinsurance agreements, according to the Group's management belief, increases underwriting limits of the Group's insurance policies, minimises underwriting volatility and reduces the Group's capital requirements relative to the business it underwrites. In each case, the Group pays a portion of its written premium to reinsurers, which portion is determined during negotiations with reinsurers and generally represents average market rates and risk appetite of reinsurers for writing certain types of business. Premiums ceded by the Group to reinsurers accounted for 2.8%, 3.5% and 3.3% of the Group's GWP in 2018, 2019 and 2020, respectively. For the six months ended 30 June 2020 and 2021, premiums ceded by the Group to reinsurers accounted for 4.3% and 2.8% of the Group's GWP, respectively. See also "*Business—Risk Management—Reinsurance*" and "*Risk Factors—Risks Relating to the Group's Business and Industry—Reinsurance may not be available or adequate to protect the Group against losses or may only be available on unfavourable terms*".

Investments

The Group holds investments to gain returns on capital reserves it is required to hold and the premiums received from policyholders. The Group aims to carefully balance the risk return trade-off in its portfolio and to exercise caution to ensure compliance with the applicable laws and regulations. See "*Business—Risk Life Products—Asset Management Segment*".

To the extent the Group experiences gains and losses in its investments, they impact the results of the Group's operations and in particular its investment income. The Group gains investment income primarily in the form of interest income and dividends. Changes in the valuation of the Group's investments also impact its results of operations, as the Group recognises the value of its investments in line with market value under applicable accounting rules, with such changes in valuation affecting the Group's consolidated statement of comprehensive income. The majority of the Group's investments are in investment grade bonds, corporate shares, bank deposits, and cash and cash equivalents. In the years ended 31 December 2018, 2019 and 2020, the Group's total net income from investing activities amounted to RUB 3,845 million, RUB 7,418 million and RUB 8,179 million, respectively. For the six months ended 30 June 2021, the Group's total net income from investing activities amounted to RUB 4,059 million. For more information, see "*Business—Risk Life Products—Asset Management Segment"* and "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group's exposure to fluctuations in the fixed income and equity markets could result in a material adverse effect on its investment returns and, as a result, its financial condition and results of operations".*

Solvency coverage

The Group is required to maintain a minimum solvency margin and comply with a number of regulatory capital adequacy requirements imposed by Russian regulators. Increases in required solvency coverage would generally require the Group to devote more capital resources to meeting its minimum solvency requirements, while decreases in required solvency coverage would potentially free up capital resources previously dedicated to meeting its minimum solvency requirements, leaving the Group with more free cash to invest in the business or use to repay indebtedness.

In the most recent periods, the Group complied with all solvency requirements, with the breakdown being as follows:

	New regulation effective from 1 July 2021[(1)]	**Old regulation before 1 July 2021**		
	30 June 2021	**31 December 2020**	**31 December 2019**	**31 December 2018**
		(*in millions of RUB, except percentages*)		
Statutory Solvency Margin[(2)]	**10,423**	**9,642**	**8,254**	**6,810**
Renaissance Insurance Group JSC[(3)]	6,315	5,965	5,726	4,982
Renaissance Life Insurance Company LLC	4,108	3,677	2,528	1,828
Adjusted Solvency Margin[(4)]	**14,651**	**18,001**	**11,829**	**7,578**
Renaissance Insurance Group JSC[(2)]	9,239[(5)]	9,678	7,446	5,267
Renaissance Life Insurance Company LLC	5,412	8,323	4,383	2,311
Difference between Actual and Statutory Solvency Margins	**4,228**	**8,359**	**3,575**	**768**
Solvency Ratio[(6)]	141%	187%	143%	111%

Notes:

(1) Calculations are made on the basis of Regulation 710-P, which came into effect on 1 July 2021. For more details on Regulation 710-P, see "*Regulation of the Russian Insurance Sector—Regulation of Insurance Sector—Key Requirements Applicable to Insurers—Minimum Capital and Capital Adequacy*".

(2) Solvency margins and Solvency Ratio cannot be calculated for the Group. The presented amounts are calculated as a sum of corresponding standalone figures.

(3) For the 30 June 2021, calculated only for Renaissance Insurance Group JSC. For 2018–2020, calculated as the sum of solvency margins of Renaissance Insurance Group JSC and Renaissance Health JSC.

(4) Under the old regulation, Adjusted Solvency Margin represents total assets available for coverage of statutory margin. Capital calculated under new regulation is called Adjusted Solvency Margin for the purposes of this table.

(5) The calculation includes the proceeds from the sale of the Pension Business in 2021 that were actually received by the Group in July 2021.

(6) Solvency Ratio is calculated as Adjusted Solvency Margin divided by Statutory Solvency Margin. Solvency Ratio under new regulation should not be less than 105%.

	Old regulation before 1 July 2021		
	31 December 2020	**31 December 2019**	**31 December 2018**
		(*in millions of RUB*)	
Renaissance Insurance Group JSC			
Cash	1,385	705	692
Deposits	4,332	5,269	4,621
Securities	20,287	17,589	15,126
Other	5,386	4,889	4,717
Total assets available for the coverage of insurance contract liabilities and Statutory Solvency Margin	**31,390**	**28,452**	**25,156**
Insurance contract liabilities for the coverage	**(22,022)**	**(21,246)**	**(20,180)**
Adjusted margin of Renaissance Health CJSC(2)	**310**	**240**	**291**
Adjusted margin(2)	**9,678**	**7,446**	**5,267**
Renaissance Life Insurance Company LLC			
Cash	5,649	866	387
Deposits	19,173	18,479	7,419
Securities	52,920	31,793	24,296
Other	4,705	3,313	3,073
Total assets available for the coverage of insurance contract liabilities and Statutory Solvency Margin	**82,447**	**54,451**	**35,175**
Insurance contract liabilities for the coverage	**(74,124)**	**(50,068)**	**(32,864)**
Adjusted Solvency Margin(2)	**8,323**	**4,383**	**2,311**

	New regulation effective from 1 July 2021(1)
	30 June 2021
	(*in millions of RUB*)
Renaissance Insurance Group JSC	
Cash	1,030
Deposits	8,111
Securities	22,999
Other	6,623
Assets from the sale of Pension business	2,500
Total assets under the Regulation 710-P	**41,263**
Insurance contract liabilities	(24,275)
Other	(7,749)
Total liabilities under the Regulation 710-P	**(32,024)**
Total equity	**9,239**
Renaissance Life Insurance Company LLC	
Cash	4,258
Deposits	16,218
Securities	66,864
Other	3,501
Total assets under the Regulation 710-P	**90,841**
Insurance contract liabilities	(81,878)
Other	(3,551)
Total liabilities under the Regulation 710-P	**(85,429)**
Total equity	**5,412**

Notes:

(1) Calculations are made on the basis of Regulation 710-P, which came into effect on 1 July 2021. For more details on Regulation 710-P see "*Regulation of the Russian Insurance Sector—Regulation of Insurance Sector—Key Requirements Applicable to Insurers—Minimum Capital and Capital Adequacy*".

(2) Under old regulation Adjusted Solvency Margin represent total assets available for coverage of statutory margin. Capital calculated under new regulation is called Adjusted Solvency Margin for the purposes of this table.

For more information, see "*Business—Risk Management*" and "*Risk Factors—Legal, Compliance and Regulatory Risks—The financial industry in Russia, including insurance and asset management, is highly regulated, and failure to comply with these regulations or changes in the regulations could have a material adverse effect on the Group's business, financial condition and results of operations*".

Russian macroeconomic trends

Substantially all of the Group's operations are based in the Russian Federation, and, in the periods under review, the Group derived substantially all of its revenues from sales to customers in the Russian Federation. As a result, Russian macroeconomic trends have a significant influence on the performance of the Group.

Macroeconomic conditions in the Russian Federation significantly impact the demand for the Group's services. During periods of economic growth, overall consumer spending tends to increase along with growth of consumer wealth, and, during economic downturns, consumer spending tends to decline correspondingly. These fluctuations can have a considerable impact on the number of the Group's customers and its pricing strategy. Furthermore, high levels of inflation tend to increase the Group's expenses, such as acquisition costs, information technology, advertising and other expenses. See also "*Risk Factors—Risks Relating to the Russian Federation—Political, social and economic risks—Instability in the Russian economy and Russia's history of rapid inflation".*

Regulation

The Group operates in a highly regulated industry, where the regulation impacts its results. Particularly, regulation affects, among other things, the Group's claims handling, capital adequacy requirements, asset allocation practices and many other matters (see "*Regulation of the Russian Insurance Sector*"). While the Group believes it is well positioned to adapt to anticipated regulatory changes, compliance with regulation, and particularly compliance with complex new regulation related to new solvency requirements, may increase the Group's capital adequacy requirements and insurance reserves, limit the Group's ability to make investments, and may affect the Group's costs of operations (see "*Risk Factors—Legal, Compliance and Regulatory Risks—The financial industry in Russia, including insurance and asset management, is highly regulated, and failure to comply with these regulations or changes in the regulations could have a material adverse effect on the Group's business, financial condition and results of operations*").

Impact of COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 as a pandemic. The rapidly changing global market and economic conditions as a result of COVID-19 have impacted, and are expected to continue to impact, the Group's operations and business. In particular, the Group experienced a drop in sales of insurance products offered through the Group's financial and non-financial intermediaries, including car dealers, agents and brokers due to lockdown measures introduced in 2020. Furthermore, the performance of the Group's investments was negatively affected by the COVID-19 outbreak due to economic turmoil caused by the pandemic and general decline in the stock market. The broader implications of the COVID-19 outbreak on the Group's business, financial condition, and results of operations remain uncertain. The COVID-19 outbreak has adversely impacted, and is likely to continue to adversely impact, global commerce due to reduced business activity and customer spending, and increased unemployment rates, among other factors, which could materially and adversely impact the Group's business, financial condition, and results of operations in future periods. Furthermore, considering that the duration and severity of the impact of COVID-19 are unknown, the Group has been taking a more cautious approach to underwriting. See also "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group faces risks related to health epidemic and related crisis*".

Recent Developments

In July 2021, the Group sold its entire stake in JSC NSPF Renaissance Pensions to a third party.

In September 2021, the Company and some of its existing shareholders agreed the key terms of the contemplated transfer of 51% of JSC "Renaissance Health", the Company's associated entity engaged in the "Budu" business, which has acquired "Renaissance Clinic" and the software company developing the "Budu" application, to such existing shareholders (or their beneficial owners, affiliates or other connected parties). In consideration for 51% of shares in JSC "Renaissance Health", the existing shareholders that will participate in the acquisition will pay the Company RUB 416.5 million, which the Company will transfer to JSC "Renaissance Health" as a contribution to its capital, and will further invest RUB 433.5 million in the capital JSC "Renaissance Health", which is expected to provide JSC "Renaissance Health" with RUB 850 million to develop the "Budu" ecosystem. The parties intend to execute the necessary transaction documentation in the fourth quarter of 2021. The Group intends to continue using the "Budu" ecosystem and "Renaissance Clinic" in its business.

In October 2021, the Company was converted into a public joint stock company.

Key Performance Indicators

The Group intends to continue focusing on maintaining underwriting discipline and long-term profitability. As part of this focus, the Group's management monitors, among other factors, the growth in the Group's product lines, and the efficiency of its resources and return on investment. The Group's management monitors the following key indicators that gauge the performance of its business: Acquisition Ratio, Administrative Expense Ratio, Net Profit Ratio, Return on Average Tangible Equity, Investment Return, Loss Ratio and Combined Ratio. See "*Selected Consolidated Financial and Other Information—Selected Key Financial Information*".

	As of				
	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**	**31 December 2020**	**31 December 2019**	**31 December 2018**
Consolidated Statement of Comprehensive Income					
Gross insurance premiums	47.7	34.6	82.8	71.7	70.3
Net premium earned	44.8	34.5	80.5	69.3	68.2
Net claims incurred	(23.9)	(19.5)	(46.0)	(38.5)	(31.2)
Result of insurance operations	1.9	3.3	4.6	5.6	7.4
Result of pension operations	-	-	0.2	0.2	0.2
(Loss)/ profit for the period from discontinued operations[1]	(0.1)	0.1	-	-	-
Net profit	1.3[2]	1.8	4.7	4.1	3.4
Consolidated Statement of Financial Position					
Investments[3]	121.9	113.5	133.7	101.2	76.9
Goodwill	8.2	8.4	8.3	8.4	8.4
Assets of disposal group	25.6	-	-	-	-
Sum of other assets[4]	23.6	21.9	21.6	22.0	20.5
Total assets	179.3	143.8	163.7	131.7	105.8
Insurance contract liabilities	107.0	82.2	97.4	74.4	57.7
Pension liabilities	-	21.3	22.6	19.6	16.3
Liabilities of disposal group	23.6	-	-	-	-
Sum of other liabilities[5]	17.2	13.0	13.5	12.1	10.2
Total liabilities	147.8	116.5	133.4	106.1	84.2
Total equity	31.6	27.3	30.2	25.6	21.6
Selected Key Performance Indicators (unaudited)					
Acquisition Ratio[6]	42.3%	33.2%	36.9%	35.8%	42.9%
Administrative Expense Ratio[7]	7.7%	8.2%	8.5%	9.4%	9.3%
Net Profit Ratio[8]	2.8%	5.1%	5.7%	5.8%	4.8%
Return on Average Tangible Equity[9]	21.6%	25.0%	25.9%	31.5%	34.8%
Investment Return[10]	7.0%	3.5%	8.0%	10.1%	6.7%
Loss Ratio[11]	53.3%	56.6%	57.2%	55.5%	45.7%
Combined Ratio[12]	104.6%	99.4%	103.7%	102.3%	99.3%

Notes:

(1) In the Interim Financial Statements the Pension operations segment was presented as discontinued operations in accordance with IFRS 5 “Non-Current Assets Held for Sale and Discontinued Operations”; the figures for six months 2020 were reclassified accordingly. In the 2020, 2019, 2018 Financial Statements these operations are not presented as discontinued operations. Accordingly, the figures for the interim and annual periods are not fully comparable in this respect. Net profit from pension operations for the years ended 31 December 2018, 2019 and 2020 amounted to RUB 0.2 billion, RUB 0.3 billion and RUB 0.2 billion, respectively, as disclosed in Notes 23 and 21 to the 2019 and 2020 Financial Statements, respectively.

(2) Net profit for the six months ended 30 June 2021 does not include the gain from the sale of the pension business in the estimated amount of RUB 520 million, as the sale was finalised at the beginning of the third quarter 2021. If the proceeds had been received before 30 June 2021, the net profit would have been RUB 1.8 billion.

(3) Investments are calculated as a sum of cash and cash equivalents, amounts due from credit institutions, loans and other receivables, financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets held to maturity and investment property. As of 30 June 2020, 31 December 2020, 31 December 2019 and 31 December 2018 investments include the following amounts relating to the Pension business: RUB 23 billion, RUB 25 billion, RUB 21 billion and RUB 18 billion, respectively.

(4) Sum of other assets includes insurance and reinsurance receivables, reinsurers’ share of insurance contract liabilities, current and deferred tax assets, deferred acquisition costs, property and equipment, intangible assets, value of business in force and other assets.

(5) Sum of other liabilities includes other insurance liabilities, deferred commission income on ceded reinsurance, debt securities issued, borrowings and other payables, current and deferred tax liabilities, and other liabilities.

(6) Acquisition Ratio is calculated as net acquisition costs divided by net premium earned.

(7) Administrative Expense Ratio is calculated as administrative expenses divided by net premium earned.

(8) Net Profit Ratio is calculated as net profit divided by gross insurance premiums. In the third quarter of 2021, the Group received proceeds for the sale of Pension business. If they were received in the six months ended 30 June 2021, Net Profit Ratio would have been 3.8%.

(9) Return on Average Tangible Equity is calculated as sum of net profit for the last 12 months adjusted for amortisation of value of business in force divided by the average total equity adjusted for goodwill, intangible assets and value of business in force for the specified period.

(10) Investment Return is calculated as total net income from investing activities (including income allocated to funds of depositors of Pension business) divided by the average of investment assets for the reporting period. Investment Return for the six months ended 30 June 2021 and 30 June 2020 excludes the pension business and has been annualised by multiplying by two.

(11) Loss Ratio is calculated as net claims incurred divided by net premium earned.

(12) Combined Ratio is calculated as sum of net claims incurred plus net acquisition costs plus administrative expenses plus allowance for impairment of insurance and reinsurance receivables plus other operating income plus other operating expense divided by net premium earned.

Source: Company data, CBR

Description of Certain Key Line Items

Gross insurance premiums

Gross insurance premiums represent the amount of premiums recorded in insurance policies issued by the Group within the reporting period. Premiums are disclosed gross of commission payable to intermediaries, insurance premium taxes, levies and similar mandatory contributions. See “—*Critical Accounting Policies*”.

Net premium earned

Net premium earned represents the portion of the net written premiums that accrued during the reporting period net of premiums ceded and change in reinsurers’ share of unearned premium reserve. The unaccrued portion of the net written premiums is recognised in the movement of the unearned premium reserve. See also “—*Critical Accounting Policies*”.

Net claims incurred

Net claims incurred represent the sum of insurance benefits and claims paid and gross change in claims reserves net of reinsurers’ share of insurance benefits and claims paid and change in reinsurers’ share of claims reserves.

Net acquisition costs

Net acquisition costs represent the portion of the costs incurred during the reporting period as a result of writing new insurance contracts with the customers or renewing the existing ones. Therefore, net acquisition costs primarily represent commissions paid by the Group to insurance agents, brokers and other intermediaries.

Result of insurance operations

Result of insurance operations represents the net premium earned net of net claims incurred, net acquisition costs, allowance for impairment of insurance and reinsurance receivables and amortisation of value of business in force.

Results of investment activity

Results of investment activity represent the Group's revenues generated by (or losses incurred from) its investment activity. Investment activity revenues mainly comprise interest income (such as income from fixed income securities, deposits with banks and loans), dividend income, gain on sale of assets and gain on investment property.

Results of insurance operations

In the Interim Financial Information, the pension operations segment was presented as discontinued operations in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"; the figures for the six months ended 30 June 2020 were reclassified accordingly. In the 2020, 2019 and 2018 Financial Statements, these operations were not presented as discontinued operations. Accordingly, the figures for the interim and annual periods are not fully comparable in this respect. Results of pension operations segment for the years ended 31 December 2020, 2019 and 2018 are disclosed in Notes 21 and 23 to the 2020 and 2019 Financial Statements, respectively.

Administrative expenses

Administrative expenses include staff costs, taxes other than income tax (such as social security tax and property tax), information technology expenses, rent of premises, amortisation and depreciation, advertising and other similar overheads.

Adoption of new IFRS standards and comparability of financial information between periods

The Group adopted IFRS 15 "Revenue from Contracts with Customers" from 1 January 2018. Effective 1 January 2019, the Group also adopted IFRS 16 "Leases", as well as changed its accounting policy to use a direct method for preparing the consolidated statement of cash flows.

IFRS 16 "Leases"

Upon adoption of IFRS 16 as at 1 January 2019, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases in accordance with IAS 17. The Group applied transition requirements and practical expedients, which are provided for in the IFRS standard.

The Group applied the modified retrospective method without restatement of comparatives which presumes recognition of cumulative effect of initial application at the date of the initial application. Lease liabilities were measured at the present value of the remaining lease payments, discounted as at 1 January 2019 using the lessee's incremental borrowing rate of 9.64%. At 1 January 2019, the Group recognised RUB 307 million of lease liabilities included in the borrowings and other payables. During 2019 and 2020, the Group recognised a lease liability in the amount of RUB 1,003 million and RUB 553 million, respectively. The Group applied a unified approach to all classes of lease contracts excluding short-term leases and leases of low-value assets.

Right-of-use assets were recognised in an amount equal to the lease liability, adjusted by the amount of lease payments made or accrued in advance in connection with such lease, which is recognised in the Statement of Financial Position immediately prior to the date of initial application. At 1 January 2019, the Group recognised RUB 310 million of right-of-use assets, of which RUB 3 million of prepaid expenses related to derecognition of previous operating leases. During 2019, the Group recognised right-of-use assets in the amount of RUB 1,033 million, of which RUB 30 million represented security deposits. During 2020, the Group recognised right-of-use assets in the amount of RUB 559 million, of which RUB 6 million represented security deposits.

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases. The requirements of IFRS 16 were applied to these leases from 1 January 2019. The Group did not recognise assets and liabilities under operating lease agreements for which the rental payment is variable.

For further details on IFRS 16 adoption and impact, please refer to Note 2 to the 2019 Financial Statements.

Change of comparative data

Effective 1 January 2019, the Group changed its accounting policy to use a direct method for preparing the consolidated statements of cash flows. This change was applied retrospectively and the consolidated financial information of the Group as at and for the year ended 31 December 2018 was changed from that previously reported in the 2018 Financial Statements. For impact of this accounting policy change, please see Note 2 to the 2019 Financial Statements.

IFRS 15* "*Revenue from Contracts with Customers"

In accordance with the transition provisions in IFRS 15, the Group applied the new standard with the effect of the transition recognised as at 1 January 2018; provided that IFRS 15 does not apply to income related to insurance contracts, financial instruments or leases, and therefore does not impact the majority of the Group's income. As a result, most of the Group's income was not affected by the adoption of this IFRS standard. For further details of IFRS 15 adoption and its impact, please refer to Note 2 to the 2018 Financial Statements.

Consolidated results of operations for the six months ended 30 June 2021 and 2020, and the years ended 31 December 2018, 2019 and 2020

The following tables set forth a summary of the Group's results of operations for the six months ended 30 June 2021 and 2020, and for the years ended 31 December 2020, 2019 and 2018, prepared on the basis of the Group's Financial Statements for the relevant periods:

	For the years ended				
	31 December 2020	**31 December 2019**	**31 December 2018 (restated)**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(*in millions of RUB, except percentages*)				
Net premium earned	80,492	69,264	68,187	16.2%	1.6%
Net claims incurred	(46,023)	(38,465)	(31,151)	(19.6)%	(23.5)%
Result of insurance operations	4,589	5,582	7,358	(17.8)%	(24.1)%
Result of pension operations	206	206	167	0.0%	23.4%
Other expenses	944	(564)	(3,336)	267.4%	83.1%
Profit before tax	5,738	5,224	4,189	9.8%	24.7%
Net profit	**4,680**	**4,147**	**3,378**	**12.9%**	**22.8%**
Other comprehensive (loss)/income for the year, net of tax	(8)	(192)	255	95.8%	(175.3)%
Total comprehensive income for the year	**4,671**	**3,955**	**3,633**	**18.1%**	**8.9%**

	For the six months ended (unaudited)		
	30 June 2021	**30 June 2020**	**Change (in %) 2021/2020**
	(*in millions of RUB, except percentages*)		
Net premium earned	44,760	34,489	29.8%
Net claims incurred	(23,871)	(19,523)	(22.3)%
Result of insurance operations	1,875	3,342	(43.9)%
Other expenses	(191)	(1,326)	85.6%
Profit before tax	1,683	2,015	(16.5)%
(Loss)/ profit for the period from discontinued operations	(84)	87	(196.6)%
Net profit	**1,332**[(1)]	**1,775**	**(25.0)%**
Other comprehensive (loss)/income for the year, net of tax	16	(38)	142.1%

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
Total comprehensive income for the period	**1,348**[(1)]	**1,737**	**(22.4)%**

Note:

(1) Net profit for six months ended 30 June 2021 does not include the gain from the sale of the pension business in the estimated amount of RUB 520 million, as the sale was finalised at the beginning of the third quarter of 2021.

The presentation of the Financial Statements changed due to the disposal of JSC NSPF Renaissance Pension.

In the Interim Financial Information, the pension operations segment was presented as discontinued operations in accordance with IFRS 5 "Non-Current Assets Held for Sale and Discontinued Operations"; the figures for the six months ended 30 June 2020 were reclassified accordingly. In the 2020, 2019 and 2018 Financial Statements, these operations were not presented as discontinued operations. Accordingly, the figures for the interim and annual periods are not fully comparable in this respect. Results of pension operations segment for the years ended 31 December 2020, 2019 and 2018 are disclosed in Notes 21 and 23 to the 2020 and 2019 Financial Statements, respectively.

Results of insurance operations

The following tables set out the composition of the Group's results of insurance operations for the periods indicated:

	As of				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(in millions of RUB, except percentages)				
Gross insurance premiums	82,766	71,691	70,275	15.4%	2.0%
Gross change in unearned premium reserve	366	(188)	(52)	294.7%	(261.5)%
Premium ceded	(2,699)	(2,503)	(1,971)	(7.8)%	(27.0)%
Change in reinsurers' share in change in unearned premiums reserve	60	265	(65)	(77.4)%	507.7%
Net premium earned	**80,492**	**69,264**	**68,187**	**16.2%**	**1.6%**
Insurance benefits and claims paid	(23,672)	(22,637)	(17,746)	(4.6)%	(27.6)%
Reinsurers' share of insurance benefits and claims paid	621	912	832	(31.9)%	9.6%
Gross change in claims reserves	(23,358)	(16,520)	(14,279)	(41.4)%	(15.7)%
Change in reinsurers' share of claims reserve	385	(220)	43	275.0%	(611.6)%
Net claims incurred	(46,023)	(38,465)	(31,151)	(19.6)%	(23.5)%
Net acquisition costs	(29,713)	(24,802)	(29,242)	(19.8)%	15.2%
Allowance for impairment of insurance and reinsurance receivables	(123)	(192)	(191)	35.9%	(0.5)%
Amortization of value of business in force	(44)	(222)	(246)	80.2%	9.8%
Result of insurance operations	4,589	5,582	7,358	(17.8)%	(24.1)%

	As of		
	30 June 2021 (unaudited)	30 June 2020 (unaudited)	Change (in %) 2021/2020
	(*in millions of RUB, except percentages*)		
Gross insurance premiums	47,740	34,591	38.0%
Gross change in unearned premium reserve	(1,688)	1,141	(247.9)%

	As of		
	30 June 2021 (unaudited)	30 June 2020 (unaudited)	Change (in %) 2021/2020
Premium ceded	(1,350)	(1,474)	8.4%
Change in reinsurers' share in change in unearned premiums reserve	59	231	(74.5)%
Net premium earned	**44,760**	**34,489**	**29.8%**
Insurance benefits and claims paid	(16,310)	(10,861)	(50.2)%
Reinsurers' share of insurance benefits and claims paid	406	252	61.1%
Gross change in claims reserves	(7,921)	(8,995)	11.9%
Change in reinsurers' share of claims reserve	(46)	81	(156.8)%
Net claims incurred	**(23,871)**	**(19,523)**	**(22.3)%**
Net acquisition costs	(18,943)	(11,463)	(65.3)%
Allowance for impairment of insurance and reinsurance receivables	(71)	(139)	48.9%
Amortization of value of business in force	-	(22)	100.0%
Result of insurance operations	**1,875**	**3,342**	**(43.9)%**

Gross insurance premiums

Gross insurance premiums increased by RUB 1,416 million, or 2%, from RUB 70,275 million in 2018 to RUB 71,691 million in 2019. The increase was driven by an increase in Non-Life gross insurance premium, which was mainly attributable to a growth of newly issued MOD, VMI and motor fleet insurance policies in 2019 compared to 2018.

Gross insurance premiums increased by RUB 11,075 million, or 15.4%, from RUB 71,691 million in 2019 to RUB 82,766 million in 2020, and by RUB 13,148 million, or 38.0%, in the six months ended 30 June 2021 as compared to the same period in 2020. The increase in 2020 was primarily due to growth in all key product lines of the Life insurance segment: 34.2% for the investment Life insurance, 50.9% for the endowment Life insurance and 30.1% for the risk Life insurance as compared to the previous year. The increase by 53% in the six months ended 30 June 2021 was primarily due to growth in all key product lines of the Life insurance segment which was primarily driven by an increase in the endowment Life insurance by 54% and in the risk Life insurance by 226% as compared to the same period in the previous year and the increase by 23% in the Non-Life insurance segment which was primarily driven by an increase in the motor insurance by 34%, in the VMI by 17% and in other Non-Life insurance products by 5% as compared to the same period in the previous year.

While gross insurance premiums in both Life and Non-Life segments remained relatively stable in 2018–2019, gross Life insurance premiums increased by 35.5% from RUB 33,698 million in 2019 to RUB 45,661 million in 2020 largely due to the increase in the sales of credit Life insurance products, and gross Non-Life insurance premiums decreased by 2.3% in the same period due to the impact of the COVID-19 pandemic, to which Non-Life insurance is more susceptible.

As of 30 June 2021, gross Life insurance premiums further increased by 53.0% as compared to the same period in 2020 (from RUB 17,419 million to RUB 26,659 million) largely due to continued growth of sales of credit Life insurance products, and gross Non-Life insurance premiums increased by 22.8% in the same period (from RUB 17,177 million to RUB 21,089 million) largely due to the decrease of the effect of the COVID-19 pandemic on the Russian economy.

The following tables set forth the composition of the Group's gross insurance premiums by segment:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(in millions of RUB, except percentages)				
Gross insurance premiums					
Non-Life insurance	37,125	38,010	36,068	(2.3)%	5.4%

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
Life insurance	45,661	33,698	34,215	35.5%	(1.5)%
Inter-segment and non-allocated transactions	(20)	(17)	(9)	(17.6)%	(88.9)%
Total	**82,766**	**71,691**	**70,275**	**15.4%**	**2.0%**

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
	(*in millions of RUB, except percentages*)		
Gross insurance premiums			
Non-Life insurance	21,089	17,177	22.8%
Life insurance	26,659	17,419	53.0%
Inter-segment and non-allocated transactions	(7)	(5)	(40.0)%
Total	**47,740**	**34,591**	**38.0%**

Premium ceded

Premium ceded increased by RUB 532 million, or 27%, from RUB 1,971 million in 2018 to RUB 2,503 million in 2019. The increase in premium ceded in absolute terms was primarily driven by an increase in Non-Life insurance premium ceded resulting from an increase in Non-Life insurance products with high reinsurance ratio underwritten by the Group and a corresponding increase of reinsurance ceded in 2019 compared to 2018.

Premium ceded increased by RUB 196 million, or 7.8%, from RUB 2,503 million in 2019 to RUB 2,699 million in 2020. The increase was primarily driven by an increase in the total volume of business operations in the Life and Non-Life insurance segments.

Premium ceded decreased by RUB 124 million, or 8.4%, from RUB 1,474 million as of 30 June 2020 to RUB 1,350 million as of 30 June 2021. This decrease was primarily driven by changes in the structure of the Group’s core insurance products portfolio, namely the increase of the share of products that do not require substantial reinsurance, such as motor insurance, health insurance and mass cargo insurance.

The following tables set forth the composition of the Group’s premium ceded by segment:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
		(in millions of RUB, except percentages)			
Premium ceded					
Non-Life insurance	(2,078)	(1,925)	(1,445)	(7.9)%	(33.2)%
Life insurance	(621)	(578)	(525)	(7.4)%	(10.1)%
Total	**(2,699)**	**(2,503)**	**(1,971)**	**(7.8)%**	**(27.0)%**

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
	(*in millions of RUB, except percentages*)		
Premium ceded			
Non-Life insurance	(1,060)	(1,255)	15.5%

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
Life insurance	(290)	(219)	(32.4)%
Total	**(1,350)**	**(1,474)**	**8.4%**

Reinsurers' share in change in unearned premiums reserve

Reinsurers' share in change in unearned premiums reserve increased by RUB 330 million, or 507.7%, from negative RUB 65 million in 2018 to RUB 265 million in 2019. The increase was primarily driven by an increase in reinsurers' share in change in the Non-Life insurance segment, which was mainly attributable to the increase in premiums in motor insurance and Life insurance.

Reinsurers' share in change in unearned premiums reserve decreased by RUB 205 million, or 77.4%, from RUB 265 million in 2019 to RUB 60 million in 2020 and by RUB 172 million, or 74.5%, from RUB 231 million as of 30 June 2020 to RUB 59 million as of 30 June 2021. The above decrease resulted from the impact of the COVID-19 pandemic on the sales of certain products, such as property insurance, in 2020 and the increase of the share of products that do not require substantial reinsurance in the Group's insurance products portfolio. The decrease in reinsurers' share in change in unearned premiums reserve in absolute terms was primarily driven by reductions in premiums in motor by 94.7%, VMI by 86.0% and property insurance by 68.3% as compared to the same period in the previous year as a result of the COVID-19 pandemic.

Net claims incurred

The net claims incurred increased by RUB 7,314 million, or 23.5%, from RUB 31,151 million in 2018 to RUB 38,465 million in 2019, and by RUB 7,558 million, or 19.6%, from RUB 38,465 million in 2019 to RUB 46,023 million in 2020, largely due to an increase in the client base and an increase in payouts upon the expiration of savings Life insurance contracts entered several years earlier.

The net claims incurred increased by RUB 4,348 million, or 22.3%, from RUB 19,523 million as of 30 June 2020 to RUB 23,871 million as of 30 June 2021. The increase was primarily driven by a substantial reduction of the effect of the COVID-19 pandemic on the activity of the insured generally (which resulted in the reduction of net claims incurred) in the first six months of 2021 as compared to the first six months of 2020.

The following table sets out the composition of the Group's net claims incurred by segment for the periods indicated:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
Net claims incurred	*(in millions of RUB, except percentages)*				
Non-Life insurance	(16,812)	(17,061)	(15,039)	1.5%	(13.4)%
Life insurance	(29,350)	(21,554)	(16,236)	(36.2)%	(32.8)%
Intersegment and non-allocated transactions	138	151	124	(8.6)%	21.8%
Total	**(46,023)**	**(38,465)**	**(31,151)**	**(19.6)%**	**(23.5)%**

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
Net claims incurred	(*in millions of RUB, except percentages*)		
Non-Life insurance	(9,881)	(7,242)	(36.4)%
Life insurance	(14,043)	(12,361)	(13.6)%

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
Intersegment and non-allocated transactions	53	80	(33.8)%
Total	**(23,871)**	**(19,523)**	**(22.3)%**

Insurance benefits and claims paid increased by RUB 4,890 million, or 27.6%, from RUB 17,746 million in 2018 to RUB 22,637 million in 2019. The increase in insurance benefits and claims paid in absolute terms was driven by a growth in insurance claims corresponding to an overall increase in newly issued and renewed Non-Life insurance policies, such as MOD and motor fleet insurance policies, as well as a growth in claims in investment Life insurance products in 2019 compared to 2018 upon expiry of the relevant insurance contracts.

Insurance benefits and claims paid increased by RUB 1,035 million, or 4.6%, from RUB 22,637 million in 2019 to RUB 23,672 million in 2020. The increase in insurance benefits and claims paid in absolute terms was primarily driven by an increase in insurance benefits and claims paid for expired savings insurance products.

Insurance benefits and claims paid increased by RUB 5,449 million, or 50.2%, from RUB 10,861 million for the six months ended 30 June 2020 to RUB 16,310 million for the six months ended 30 June 2021. The increase in insurance benefits and claims paid in absolute terms was primarily driven by an increase in the Group's savings Life insurance portfolio, coupled with a reduction in the number of claims in the first six months of 2020 due to the COVID-19 pandemic.

The following tables set forth the composition of the Group's insurance benefits and claims paid by segment:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(in millions of RUB, except percentages)				
Insurance benefits and claims paid					
Non-Life insurance	(17,329)	(18,114)	(15,909)	4.3%	(13.9)%
Life insurance	(6,496)	(4,692)	(1,991)	(38.4)%	(135.7)%
Inter-segment and non-allocated transactions	153	169	154	(9.5)%	9.7%
Total	**(23,672)**	**(22,637)**	**(17,746)**	**(4.6)%**	**(27.6)%**

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
	(*in millions of RUB, except percentages*)		
Insurance benefits and claims paid			
Non-Life insurance	(9,646)	(8,048)	(19.9)%
Life insurance	(6,721)	(2,889)	(132.6)%
Inter-segment and non-allocated transactions	57	76	(25.0)%
Total	**(16,310)**	**(10,861)**	**(50.2)%**

Gross change in claims reserves

Gross change in claims reserves increased by RUB 2,240 million, or 15.7%, from RUB 14,279 million in 2018 to RUB 16,520 million in 2019, increased by RUB 6,838 million, or 41.4%, from RUB 16,520 million in 2019 to RUB 23,358 million in 2020, and decreased by RUB 1,074 million, or 11.9%, from RUB 8,995 million for the six months ended 30 June 2020 to RUB 7,921 million for the six months ended 30 June 2021. The above dynamics was primarily driven by the growth dynamics of the endowment and investment Life insurance products portfolio (which affect this metric more than other insurance projects due to a longer term of the relevant contracts and relatively substantial payouts).

The following tables set forth the composition of the Group's gross change in claims reserves by segment:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(in millions of RUB, except percentages)				
Gross change in claims reserves					
Non-Life insurance	(67)	596	297	(111.2)%	100.7%
Life insurance	(23,273)	(17,104)	(14,553)	(36.1)%	(17.5)%
Inter-segment and non-allocated transactions	(17)	(12)	(24)	(41.7)%	50.0%
Total	**(23,358)**	**(16,520)**	**(14,279)**	**(41.4)%**	**(15.7)%**

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
	(*in millions of RUB, except percentages*)		
Gross change in claims reserves			
Non-Life insurance	(471)	549	(185.8)%
Life insurance	(7,445)	(9,546)	22.0%
Inter-segment and non-allocated transactions	(5)	2	(350.0)%
Total	**(7,921)**	**(8,995)**	**11.9%**

Net acquisition costs

The following tables set forth the breakdown of the Group's net acquisition costs by type of costs:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(in millions of RUB, except percentages)				
Agents, brokers and other intermediaries	23,121	18,830	25,405	22.8%	(25.9)%
Expenses associated with use of information technologies to enter into insurance contracts	2,716	2,534	869	7.2%	191.6%
Sellers' payroll	1,398	1,446	1,533	(3.3)%	(5.7)%
Direct insurance advertising costs	353	359	173	(1.7)%	107.5%
Other acquisition costs(1)	1,910	2,175	1,657	(12.2)%	31.3%
Total acquisition costs	**29,497**	**25,343**	**29,636**	**16.4%**	**(14.5)%**
Commission income on ceded reinsurance	(310)	(354)	(251)	12.4%	(41.0)%
Change in deferred expenses for commissions to agents, brokers and other intermediaries	318	52	39	511.5%	33.3%
Change in deferred expenses associated with use of information technologies to enter into insurance contracts	23	54	(246)	(57.4)%	122.0%
Change in deferred expenses for the sellers' payroll	21	(4)	300	625.0%	(101.3)%
Change in deferred expenses for direct insurance advertising	21	(108)	85	119.4%	(227.1)%
Change in other deferred acquisition costs(1)	142	(199)	(314)	171.4%	36.6%
Change in deferred reinsurance commission income	(1)	17	(7)	(105.9)%	342.9%
Total net acquisition costs	**29,713**	**24,802**	**29,242**	**19.8%**	**(15.2)%**

Note:

(1) Other acquisition costs include extra commission for the years ended 31 December 2018, 31 December 2019 and 31 December 2020.

	For the six months ended (unaudited)		Change (in %)
	30 June 2021	30 June 2020	2021/2020
	(*in millions of RUB, except percentages*)		
Agents, brokers and other intermediaries...	16,425	7,901	107.9%
Expenses associated with use of information technologies to enter into insurance contracts	1,246	1,185	5.1%
Extra commissions.....................................	908	844	7.6%
Sellers' payroll...	806	714	12.9%
Direct insurance advertising costs.............	329	178	84.8%
Other acquisition costs	73	34	114.7%
Total acquisition costs	**19,788**	**10,856**	**82.3%**
Commission income on ceded reinsurance	(66)	(95)	30.5%
Change in deferred expenses for commissions to agents, brokers and other intermediaries	(605)	465	(230.1%)
Change in deferred expenses associated with use of information technologies to enter into insurance contracts....................	41	15	173.3%
Change in deferred expenses for the extra commission..	(24)	185	(113.0)%
Change in deferred expenses for the sellers' payroll	(62)	1	(6,300.0%)
Change in deferred expenses for direct insurance advertising.................................	(119)	18	(761.1%)
Change in other deferred acquisition costs	(13)	10	(230.0%)
Change in deferred reinsurance commission income...................................	4	7	(42.9%)
Total net acquisition costs.......................	**18,943**	**11,463**	**65.3%**

Net acquisition costs decreased by RUB 4,440 million, or 15.2%, from RUB 29,242 million in 2018 to RUB 24,802 million in 2019. The decrease was primarily driven by a decrease in costs of agents, brokers and other intermediaries due to a partial shift from intermediaries to digital sales channels (which led to the increase of costs associated with the use of information technologies, which costs partially offset the decrease of agents' costs) and the discontinuation of work with some intermediaries for other reasons.

Net acquisition costs increased by RUB 4,911 million, or 19.8%, from RUB 24,802 million in 2019 to RUB 29,713 million in 2020. The increase was largely driven by the growth and changes in the composition of the Group's insurance portfolio, as well as by the increase of credit insurance sales, which involve higher commissions.

Net acquisition costs increased by RUB 7,480 million, or 65.3%, from RUB 11,463 million for the six months ended 30 June 2020 to RUB 18,943 million for the six months ended 30 June 2021. This increase was primarily driven by an increase in agents, brokers and other intermediaries' costs accompanying the growth of the Group's insurance portfolio.

Commissions to agents, brokers and other intermediaries decreased by RUB 6,575 million, or 25.9%, from RUB 25,405 million in 2018 to RUB 18,830 million in 2019, increased by RUB 4,291 million, or 22.8%, from RUB 18,830 million in 2019 to RUB 23,121 million in 2020, and increased by RUB 8,524 million, or 107.9%, from RUB 7,901 million for the six months ended 30 June 2020 to RUB 16,425 million for the six months ended 30 June 2021. These changes are primarily attributable to the change in the structure of the Group's insurance portfolio (with Life insurance products involving higher intermediaries' commissions) and a shift to direct sales through digital channels.

Expenses associated with the use of information technologies to enter into insurance contracts increased by RUB 1,665 million, or 191.6%, from RUB 869 million in 2018 to RUB 2,534 million in 2019, by RUB 182 million, or

7.2%, to RUB 2,716 million in 2020, and by RUB 61 million, or 5.2%, from RUB 1,185 million for the six months ended 30 June 2020 to RUB 1,246 million for the six months ended 30 June 2021. These changes are primarily attributable to the change in the structure of the Group's acquisition costs due to an increase in expenses associated with the increased use of the Group's digital sales channels in the Non-Life insurance segment.

Other acquisition costs, including extra commissions,[4] increased by RUB 517 million, or 31.2%, from RUB 1,657 million in 2018 to RUB 2,175 million in 2019, decreased by RUB 265 million, or 12.2%, to RUB 1,910 million in 2020 and increased by RUB 103 million, or 11.7%, from RUB 878 million for the six months ended 30 June 2020 to RUB 981 million for the six months ended 30 June 2021. These changes are primarily attributable to the expansion of the Group's business and changes in its insurance products portfolio.

The following tables set forth the composition of the Group's net acquisition costs by segment:

	For the years ended				
	31 December 2020	**31 December 2019**	**31 December 2018 (restated)**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(in millions of RUB, except percentages)				
Net acquisition costs					
Non-Life insurance	(12,472)	(12,885)	(12,525)	3.2%	(2.9)%
Life insurance	(17,240)	(11,917)	(16,718)	(44.7)%	28.7%
Inter-segment and non-allocated transactions	-	-	1	-	(100.0)%
Total	**(29,713)**	**(24,802)**	**(29,242)**	**(19.8)%**	**15.2%**

	For the six months ended (unaudited)		
	30 June 2021	**30 June 2020**	**Change (in %) 2021/2020**
	(*in millions of RUB, except percentages*)		
Net acquisition costs			
Non-Life insurance	(6,112)	(6,226)	1.8%
Life insurance	(12,832)	(5,237)	(145.0)%
Inter-segment and non-allocated transactions	1	-	100.0%
Total	**(18,943)**	**(11,463)**	**(65.3)%**

Other expenses and income

The Group's other expenses less income decreased by RUB 2,772 million, or 83.1%, from a net expense of RUB 3,336 million in 2018 to a net expense of RUB 564 million in 2019. The decrease was primarily due to an increase in net gains from financial assets at fair value, other net income from investing activities partially offset by an increase in administrative expenses and net other operating expenses and foreign exchange losses incurred in 2019 as compared to 2018. For further details, please see "*—Investments*".

The Group's other expenses less income decreased by RUB 1,508 million, or 267.4%, from a net expense of RUB 564 million in 2019 to a net income of RUB 944 million in 2020. The decrease was primarily due to foreign exchange gains, gains from financial assets at fair value through profit or loss partially offset by an increase in administrative expenses, and a decrease in net other operating income incurred in 2020 as compared to 2019. For further details please see "*—Foreign exchange (losses) / gains".*

The Group's other expenses less income decreased by RUB 1,135 million, or 85.6%, from a net expense of RUB 1,326 million for the six months ended 30 June 2020 to a net expense of RUB 191 million for the six months ended 30 June 2021. This decrease was primarily due to an increase in net gains from financial assets at fair value

[4] Amounts of other acquisition costs, including extra commissions, as of 30 June 2020 and 30 June 2021 for the purpose of comparison with amounts of other acquisition costs for the previous accounting period include extra commissions payable to other counsels.

as of 30 June 2021 as compared to the same period in 2020.

The following tables set out the composition of the Group's other expenses for the periods indicated:

	For the years ended				
	31 December 2020	**31 December 2019**	**31 December 2018 (restated)**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(in millions of RUB, except percentages)				
Administrative expenses	(6,850)	(6,515)	(6,331)	(5.1)%	(2.9)%
Gains from financial assets at fair value through profit or loss, net	5,549	5,023	1,871	10.5%	168.5%
Other income from investing activities, net	2,630	2,394	1,974	9.9%	21.3%
Interest expense	(367)	(337)	(333)	(8.9)%	(1.2)%
Foreign exchange (losses) / gains	768	(220)	294	449.1%	(174.8)%
Other operating income	353	472	376	(25.2)%	25.5%
Other operating expense	(1,140)	(1,381)	(1,186)	17.5%	(16.4)%
Other expenses, less income	**944**	**(564)**	**(3,336)**	**267.4%**	**83.1%**

	For the six months ended (unaudited)		
	30 June 2021	**30 June 2020**	**Change (in %) 2021/2020**
	(in millions of RUB, except percentages)		
Administrative expenses	(3,450)	(2,833)	(21.8)%
Gains from financial assets at fair value through profit or loss, net	2,791	471	492.6%
Other income from investing activities, net	1,267	1,012	25.2%
Interest expense	(195)	(188)	(3.7)%
Foreign exchange (losses) / gains	(139)	532	(126.1%)
Other operating income	93	174	(46.6%)
Other operating expense	(559)	(493)	(13.4)%
Other expenses, less income	**(191)**	**(1,326)**	**85.6%**

Administrative expenses

Administrative expenses increased by RUB 184 million, or 2.9%, from RUB 6,331 million in 2018 to RUB 6,515 million in 2019, which was primarily due to the recognition of the Group's lease liabilities under IFRS 16 (for further details, please see *"Management Discussion and Analysis of Financial Condition and Results of Operations—Adoption of new IFRS standards and comparability of financial information between periods—IFRS 16 "Leases")*.

Administrative expenses increased by RUB 335 million, or 5.1%, from RUB 6,515 million in 2019 to RUB 6,850 million in 2020, which was primarily due to the growth of the Group's Life and Non-Life insurance portfolios.

Administrative expenses increased by RUB 617 million, or 21.8%, from RUB 2,833 million for the six months ended 30 June 2020 to RUB 3,450 million for the six months ended 30 June 2021, which was primarily due to an increase in the payroll and other personnel benefits.

The following tables set out the composition of the Group's administrative expenses for the periods indicated:

	For the years ended							
	31 December 2020	**% of total**	**31 December 2019**	**% of total**	**31 December 2018 (restated)**	**% of total**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(in millions of RUB, except percentages)							
Payroll and other personnel benefits	3,609	52.7%	3,048	46.8 %	2,875	45.4%	18.4%	6.0%
Depreciation and amortization	785	11.5%	591	9.1%	333	5.3%	32.8%	77.5%

	For the years ended							
	31 December 2020	% of total	31 December 2019	% of total	31 December 2018 (restated)	% of total	Change (in %) 2020/2019	Change (in %) 2019/2018
Contributions to social funds	762	11.1%	689	10.6 %	658	10.4%	10.6%	4.7%
Information technologies	373	5.4%	605	9.3%	439	6.9%	(38.3)%	37.8%
Legal and advisory services	216	3.2%	350	5.4%	306	4.8%	(38.3)%	14.4%
Advertising	148	2.2%	145	2.2%	266	4.2%	2.1%	(45.5)%
Maintenance of property and equipment	138	2.0%	126	1.9%	122	1.9%	9.5%	3.3%
Business travel	133	1.9%	109	1.7%	112	1.8%	22.0%	(2.7)%
Communications	128	1.9%	103	1.6%	117	1.8%	24.3%	(12.0)%
Bank fees	118	1.7%	104	1.6%	94	1.5%	13.5%	10.6%
Rent of premises	115	1.7%	279	4.3%	515	8.1%	(58.8)%	(45.8)%
Audit	43	0.6%	49	0.8%	59	0.9%	(12.2)%	(16.9)%
Office expenses	34	0.5%	36	0.6%	48	0.8%	(5.6)%	(25.0)%
Security	22	0.3%	23	0.4%	24	0.4%	(4.3)%	(4.2)%
Office supplies	21	0.3%	26	0.4%	28	0.4%	(19.2)%	(7.1)%
Maintenance of motor vehicles	17	0.2%	19	0.3%	21	0.3%	(10.5)%	(9.5)%
Taxes other than income tax	14	0.2%	10	0.2%	15	0.2%	40.0%	(33.3)%
Recruitment services	10	0.1%	8	0.1%	19	0.3%	25.0%	(57.9)%
Business development	10	0.1%	17	0.3%	10	0.2%	(41.2)%	70.0%
Staff training	2	0.0%	6	0.1%	8	0.1%	(66.7)%	(25.0)%
Subscriptions	2	0.0%	6	0.1%	1	0.0%	(66.7)%	500.0%
Other expenses	151	2.2%	165	2.5%	261	4.1%	(8.5)%	(36.8)%
Total administrative expenses	**6,850**	**100%**	**6,515**	**100 %**	**6,331**	**100%**	**5.1%**	**2.9%**

	For the six months ended				
	30 June 2021	% of total	30 June 2020	% of total	Change (in %) 2021/2020
	(in millions of RUB, except percentages)				
Payroll and other personnel benefits	1,683	48.8%	1,370	48.4%	22.8%
Contributions to social funds	422	12.2%	347	12.2%	21.6%
Depreciation and amortization	360	10.4%	402	14.2%	(10.4)%
Information technologies	242	7.0%	174	6.1%	39.1%
Business travel	97	2.8%	49	1.7%	98.0%
Legal and advisory services	86	2.5%	105	3.7%	(18.1)%
Advertising	77	2.2%	46	1.6%	67.4%
Rent of premises	75	2.2%	48	1.7%	56.3%
Bank fees	73	2.1%	44	1.6%	65.9%
Maintenance of property and equipment	68	2.0%	49	1.7%	38.8%
Communications	66	1.9%	54	1.9%	22.2%
Audit	37	1.1%	24	0.8%	54.2%
Office expenses	25	0.7%	8	0.3%	212.5%
Office supplies	11	0.3%	12	0.4%	(8.3)%
Security	11	0.3%	9	0.3%	22.2%
Staff training	9	0.3%	1	0.0%	800.0%
Maintenance of motor vehicles	9	0.3%	8	0.3%	12.5%
Business development	7	0.2%	5	0.2%	40.0%
Taxes other than income tax	4	0.1%	3	0.1%	33.3%
Recruitment services	2	0.1%	4	0.1%	(50.0)%
Subscriptions	1	0.0%	0	0.0%	100.0%
Other expenses	85	2.5%	72	2.5%	18.1%
Total administrative expenses	**3,450**	**100.0%**	**2,833**	**100.0%**	**21.8%**

Income from investing activities

The Group's total net income from investing activities increased by RUB 3,753 million, or 92.9%, from RUB 3,845 million in 2018 to RUB 7,418 million in 2019. The increase was primarily due to the growth of investment yields.

The Group's total net income from investing activities increased by RUB 761 million, or 10.3%, from RUB 7,418 million in 2019 to RUB 8,179 million in 2020, and by RUB 2,576 million, or 173.7%, from RUB 1,483 million for the six months ended 30 June 2020 to RUB 4,059 million for the six months ended 30 June 2021. The increase was primarily due to a growth in investment assets.

Foreign exchange (losses) / gains

Foreign exchange gains decreased by RUB 514 million, or 174.8%, from a gain of RUB 294 million in 2018 to a loss of RUB 220 million in 2019. The decrease was primarily due to a loss related to the translation of the Group's U.S. dollar- and euro-denominated assets into the Russian rouble, which is the Group's reporting currency, resulting from the decrease in the value of the U.S. dollar and euro relative to the Russian rouble in 2019 as compared to 2018.

Foreign exchange gains increased by RUB 988 million, or 449.1%, from a loss of RUB 220 million in 2019 to a gain of RUB 768 million in 2020. The increase was primarily due to a gain related to the translation of the Group's U.S. dollar- and euro-denominated assets into the Russian rouble, which is the Group's reporting currency, resulting from the increase in the value of the U.S. dollar and euro relative to the Russian rouble in 2020 as compared to 2019.

Foreign exchange gains decreased by RUB 671 million, or 126.1%, from a gain of RUB 532 million for the six months ended 30 June 2020 to a loss of RUB 139 million for the six months ended 30 June 2021. The decrease was primarily due to a reduction in foreign currency assets, as well as the decrease in the U.S. dollar / Russian rouble exchange rate in the first half of 2021.

Other operating income / expense, net

The Group's net other operating expenses increased by RUB 99 million, or 12.2%, from RUB 810 million in 2018 to RUB 909 million in 2019, which was primarily attributable to an increase in direct loss refund expenses caused by the average amount of losses on CMTPL insurance products exceeding the market average in 2019 as compared to 2018.

The Group's net other operating expenses decreased by RUB 122 million, or 13.4%, from RUB 909 million in 2019 to RUB 787 million in 2020, which was primarily attributable to a decrease in direct loss refund expenses due to a reduction in losses on CMTPL insurance products.

The Group's net other operating expenses increased by RUB 147 million, or 46.1%, from RUB 319 million for the six months ended 30 June 2020 to RUB 466 million for the six months ended 30 June 2021, which was primarily attributable to a write-off of commissions due to agents and brokers.

Profit before tax and net profit

The following tables set out the composition of the Group's net profit for the periods indicated:

	For the years ended				
	31 December 2020	**31 December 2019**	**31 December 2018 (restated)**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(in millions of RUB, except percentages)				
Profit before tax	5,738	5,224	4,189	9.8%	24.7%
Income tax expense	(1,059)	(1,077)	(811)	1.7%	(32.8)%
Net profit	**4,680**	**4,147**	**3,378**	**12.9%**	**22.8%**

	For the six months ended (unaudited)		
	30 June 2021	**30 June 2020**	**Change (in %) 2021/2020**
	(in millions of RUB, except percentages)		
Profit before tax	1,683	2,015	(16.5)%
Income tax expense	(267)	(328)	18.6%
(Loss)/profit for the period from discontinued operations	(84)	87	(196.6)%
Net profit	**1,332**[(1)]	**1,775**	**(25.0)%**

Note:

(1) Net profit for six months ended 30 June 2021 does not include the gain from the sale of the pension business in the estimated amount of RUB 520 million, as the sale was finalised at the beginning of the third quarter of 2021.

The Group's profit before tax increased by RUB 1,035 million, or 24.7%, from RUB 4,189 million in 2018 to RUB 5,224 million in 2019, which was primarily driven by a substantial decrease in the Group's other expenses by RUB 2,772 million, or 83.1%, from a net loss of RUB 3,336 million in 2018 to a net loss of RUB 564 million in 2019, as described above.

The profit before tax further increased by RUB 514 million, or 9.8%, from RUB 5,224 million in 2019 to RUB 5,738 million in 2020. The increase was primarily due to a substantial increase in the Group's other income by RUB 1,508 million, or 267.4%, from a loss of RUB 564 million in 2019 to a gain of RUB 944 million in 2020, as described above, mainly as a result of the change from a foreign exchange loss of RUB 220 million in 2019 to a foreign exchange gain of RUB 768 million in 2020.

The profit before tax decreased by RUB 332 million, or 16.5%, from RUB 2,015 million for the six months ended 30 June 2020 to RUB 1,683 million for the six months ended 30 June 2021. The decrease was primarily due to a substantial decrease in result of insurance operations.

Income tax expenses increased by RUB 266 million, or 32.8%, from RUB 811 million in 2018 to RUB 1,077 million in 2019, decreased by RUB 18 million, or 1.7%, from RUB 1,077 million in 2019 to RUB 1,059 million in 2020, and decreased by RUB 61 million, or 18.6%, from RUB 328 million as of 30 June 2020 to RUB 267 million as of 30 June 2021. The changes were driven by changes in profit before tax and a decrease in deferred tax expense.

In line with changes in the Group's profit before tax and income tax expense, the Group's net profit increased by RUB 769 million, or 22.8%, from RUB 3,378 million in 2018 to RUB 4,147 million in 2019 and by RUB 533 million, or 12.9%, from RUB 4,147 million in 2019 to RUB 4,680 million in 2020. Net profit decreased by RUB 443 million, or 25.0%, from RUB 1,775 million for the six months ended 30 June 2020 to RUB 1,332 million for the six months ended 30 June 2021.

Total comprehensive income for the period

For the reasons described above, the Group recognised a total comprehensive income for the year in the amount of RUB 3,633 million in 2018, RUB 3,955 million in 2019 (an increase of 8.9% as compared to 2018) and RUB 4,671 million in 2020 (an increase of 18.1% as compared to 2019). Total comprehensive income for the period decreased by RUB 389 million, or 22.4%, from RUB 1,737 million for the six months ended 30 June 2020 to RUB 1,348 million for the six months ended 30 June 2021.

The following tables set out the composition of the Group's total comprehensive income for the periods indicated:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(in millions of RUB, except percentages)				
Net profit	4,680	4,147	3,378	12.9%	22.8%
Other comprehensive income / (loss) for the year, net of tax	(8)	(192)	255	95.8%	(175.3)%
Total comprehensive income for the year	**4,671**	**3,955**	**3,633**	**18.1%**	**8.9%**

	For the six months ended (unaudited)		
	30 June 2021	30 June 2020	Change (in %) 2021/2020
	(in millions of RUB, except percentages)		
Net profit	1,332[(1)]	1,775	(25.0)%
Other comprehensive income / (loss) for the period, net of tax	16	(38)	142.1%
Total comprehensive income for the period	**1,348**	**1,737**	**(22.4)%**

Note:

(1) Net profit for the six months ended 30 June 2021 does not include the gain from the sale of the pension business in the estimated amount of RUB 520 million, as the sale was finalised at the beginning of the third quarter of 2021.

Other comprehensive (loss) / income for the period, net of tax

Other comprehensive income for the year, net of tax decreased by RUB 447 million, or 175.3%, from an income of RUB 255 million in 2018 to a loss of RUB 192 million in 2019. In 2020, other comprehensive loss decreased by RUB 184 million, or 95.8%, from a loss of RUB 192 million in 2019 to a loss of RUB 8 million in 2020.

Other comprehensive income for the period, net of tax increased by RUB 54 million, or 142.1%, from a loss of RUB 38 million for the six months ended 30 June 2020 to an income of RUB 16 million for the six months ended 30 June 2021. The above dynamics was primarily caused by an increase in net change in the fair value of available-for-sale financial assets.

Investments

The Group's total net income from investing activities increased by RUB 2,576 million, or 173.7%, from RUB 1,483 million as of 30 June 2020 to RUB 4,059 million as of 30 June 2021. The increase was primarily due to a growth in investment assets.

The investment assets of the Non-Life and the Life insurance segments increased from RUB 59 billion as at 31 December 2018 to RUB 122 billion as at 30 June 2021.

The following tables set out the breakdown of the Group's total net income from investing activities for the periods indicated:

	For the years ended				
	31 December 2020	31 December 2019	31 December 2018 (restated)	Change (in %) 2020/2019	Change (in %) 2019/2018
	(*in millions of RUB, except percentages*)				
Financial assets at fair value through profit or loss					
Gains from sale, net	577	198	78	191.4%	153.8%
Interest income	2,990	2,963	1,870	0.9%	58.4%
Change in fair value of financial instruments	1,981	1,862	(77)	6.4%	2,518.2%
Gains from financial assets at fair value through profit or loss, net	**5,549**	**5,023**	**1,871**	**10.5%**	**168.5%**
Other gains from investing activities					

	For the years ended				
	31 December 2020	**31 December 2019**	**31 December 2018 (restated)**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
Interest income					
Deposits	1,100	1,015	490	8.4%	107.1%
Corporate securities	218	248	293	(12.1)%	(15.4)%
Banking accounts	432	312	600	38.5%	(48.0)%
Loans	26	2	-	1,200.0%	100.0%
Total	**1,776**	**1,577**	**1,384**	**12.6%**	**13.9%**
Other investment income					
Dividends received	647	379	279	70.7%	35.8%
Commission expense	(24)	(16)	(8)	(50.0)%	(100.0)%
Gains less losses from investment property	211	173	183	22.0%	(5.5)%
Part of investment income of the NSPF used to ensure its statutory activity	225	277	127	(18.8)%	118.1%
Other investment income	(206)	3	9	(6,966.7)%	(66.7)%
Total	**854**	**817**	**591**	**4.5%**	**38.2%**
Other income from investing activities, net	**2,630**	**2,394**	**1,974**	**9.9%**	**21.3%**
Total net income from investing activities	**8,179**	**7,418**	**3,845**	**10.3%**	**92.9%**

	For the six months ended (unaudited)		
	30 June 2021	**30 June 2020**	**Change (in %) 2021/2020**
	(in millions of RUB, except percentages)		
Financial assets at fair value through profit or loss			
Gains from sale, net	142	170	(16.5%)
Interest income	1,891	1,699	11.3%
Change in fair value of financial instruments	759	(1,398)	154.3%
Gains from financial assets at fair value through profit or loss, net	**2,791**	**471**	**492.6%**
Other gains from investing activities			
Interest income			
Deposits	387	555	(30.3)%
Corporate securities	102	110	(7.3)%
Banking accounts	217	227	(4.4)%
Loans	3	12	(75.0)%
Total	**709**	**904**	**(21.6)%**
Other investment income			
Dividends received	325	128	153.9%
Commission expense	(11)	(14)	21.4%
Gains less losses from investment property	240	100	140.0%
Other investment income	4	(107)	103.7%
Total	**558**	**108**	**416.7%**
Other income from investing activities, net	**1,267**	**1,012**	**25.2%**
Total net income from investing activities	**4,059**	**1,483**	**173.7%**

Gains from financial assets at fair value through profit or loss, net

Net gains from financial assets at fair value through profit or loss increased by RUB 3,152 million, or 168.5%, from RUB 1,871 million in 2018 to RUB 5,023 million in 2019. The increase was primarily due to a growth in interest income and change in fair value of financial instruments resulting from bonds' coupons and the growth in investments assets.

Net gains from financial assets at fair value through profit or loss increased by RUB 526 million, or 10.5%, from RUB 5,023 million in 2019 to RUB 5,549 million in 2020. The increase was primarily due to sales and redemptions and change in fair value of financial assets at fair value through profit or loss.

Net gains from financial assets at fair value through profit or loss increased by RUB 2,320 million, or 492.6%, from RUB 471 million for the six months ended 30 June 2020 to RUB 2,791 million for the six months ended 30 June 2021. The increase was primarily due to the growth in interest income and change in fair value of financial instruments.

Other income from investing activities, net

Other income from investing activities increased by RUB 420 million, or 21.3%, from RUB 1,974 million in 2018 to RUB 2,394 million in 2019. The increase was primarily due to the growth in interest income from deposits resulting from the increase in interest rate, growth in dividends accrued and growth in investment income from non-state pension funds used to insure its statutory activity resulting from the growth in investments assets.

Other income from investing activities increased by RUB 236 million, or 9.9%, from RUB 2,394 million in 2019 to RUB 2,630 million in 2020. The increase was primarily due to the growth in dividends accrued and rental income from investment property.

Other income from investing activities increased by RUB 255 million, or 25.2%, from RUB 1,012 million for the six months ended 30 June 2020 to RUB 1,267 million for the six months ended 30 June 2021. The increase was primarily due to the growth in dividends accrued and investment property value.

Investment Assets

As at 31 December 2018, 2019 and 2020 and 30 June 2020, the Group had RUB 77 billion, RUB 101 billion, RUB 134 billion and RUB 114 billion, respectively, in investment assets, comprised of cash and cash equivalents, amounts due from credit institutions, loans and other receivables, financial assets at fair value through profit or loss, available-for-sale financial assets, financial assets held to maturity[5] and investment property. As at 30 June 2021, the Group's investment assets plus investments of Pension business included in disposal group in the amount of RUB 25 billion comprised to RUB 147 billion.

The tables below set forth the Group's investment assets, including investments of Pension business, by type:

	As of						
Type of investment	**30 June 2021 (unaudited)**	**31 December 2020**	**31 December 2019**	**31 December 2018**	**Change (in %) 6M2021/2020**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(in billions of RUB, except percentages)						
Government Bonds	40	39	27	19	2.6%	44.4%	42.1%
Corporate Bonds	50	45	33	27	11.1%	36.4%	22.2%
Deposits	17	19	19	12	(10.5)%	0.0%	58.3%
Cash	15	14	11	8	7.1%	27.3%	37.5%
Equities	20	14	8	8	42.9%	75.0%	0.0%
Investment Property(1)	2	2	2	2	0.0%	0.0%	0.0%
Other(2)	3	1	1	1	200.0%	0.0%	0.0%
Total	**147**	**134**	**101**	**77**	**9.7%**	**32.7%**	**31.2%**

Notes:

(1) Investment property is represented by commercial real estate.
(2) Other is represented by derivatives, investments in funds, loans and security deposits under finance lease agreements.

[5] The Group applies IAS 39 Financial Instruments: Recognition and Measurement for accounting Investments. IFRS 9 will be applied together with IFRS 17.

The Group's investments are predominantly comprised of Russian rouble-denominated investment instruments, which represented 94.8%, 96.0% and 94.9% of the Group's total investments as at 31 December 2020, 2019 and 2018, respectively, and 95.2% and 93.9% of the Group's total investments as of 30 June 2021 and 30 June 2020, respectively.

The Group maintains a relatively conservative investment strategy and, as of 30 June 2021, its investment portfolio comprised corporate bonds (34.0%), deposits and cash (21.8%), equities (13.6%), government bonds (27.2%), investment property (1.4%) and other investment instruments (2.0%).

The tables below set forth the Group's investments, including investments of Pension business, by currency:

	As of						
Currency	**30 June 2021 (unaudited)**	**31 December 2020**	**31 December 2019**	**31 December 2018**	**Change (in %) 6M2021/2020**	**Change (in %) 2020/2019**	**Change (in %) 2019/2018**
	(in billions of RUB, except percentages)						
Russian roubles	140	127	97	73	10.2%	30.9%	32.9%
U.S. Dollars	7	7	4	3	0.0%	75.0%	33.3%
Euros	0	0	0	1	0.0%	0.0%	(100.0%)
Other	0	0	0	0	0.0%	0.0%	0.0%
Total	**147**	**134**	**101**	**77**	**9.7%**	**32.7%**	**31.3%**

Bonds

Bonds represented 59.7%, 59.4% and 62.7% of the total investments of the Group as at 31 December 2018, 2019 and 2020, respectively. As at 30 June 2021, the Group's bonds (including investment assets of JSC NSPF Renaissance Pensions) amounted to RUB 90 billion, comprising 61.2% of the Group's total investments.

As at 31 December 2020, the Group's investments in bonds of RUB 84 billion had the following composition:

- By issuer type: sovereign bonds comprised 46.3% of the bonds, Eurobonds – 4.6% of the bonds, and Russian corporate bonds – 49.1% of the bonds.

- By issuer's jurisdiction: bonds issued by entities domiciled in Russia – 95.4%, bonds issued by entities domiciled in Ireland – 1.5%, bonds issued by entities domiciled in Cyprus – 1.4%, and bonds issued by entities domiciled in other jurisdictions – 1.7% of the bonds.

- By currency: U.S. dollar-denominated bonds comprised 5.2%, Russian rouble-denominated bonds – 94.6%, and euro-denominated bonds – 0.2% of the bonds.

- By rating: bonds rated between "BBB-" and "BBB+" by international rating agencies, such as Standard & Poor's, Moody's and Fitch, comprised 62.7%, bonds rated between "BB-" and "BB+" – 25.5%, bonds rated between "B-" and "B+" – 2.2%, and bonds with no rating from international rating agencies – 9.5%. Approximately 95% of bonds with no rating from international rating agencies had ratings from national rating agencies (such as ACRA and Expert RA) between "A-(RU)"/"ruA-" and higher (comparable to the rating of "BB-" on the international scale).

As at 30 June 2021, the Group's investments in bonds of RUB 90 billion had the following composition:

- By issuer type: sovereign bonds comprised 44.4%, Eurobonds – 4.5%, and Russian corporate bonds – 51.2% of the bonds.

- By issuer's jurisdiction: bonds issued by entities domiciled in Russia – 95.5%, bonds issued by entities domiciled in Ireland – 1.4%, bonds issued by entities domiciled in Cyprus – 1.3%, and bonds issued by entities domiciled in other jurisdictions – 1.8% of the bonds.

- By currency: U.S. dollar-denominated bonds comprised 5.0%, Russian rouble-denominated bonds – 94.8%, and euro-denominated bonds – 0.2% of the bonds.

- By rating: bonds rated between "A-" and higher – 0.2%, bonds rated between "BBB-" and "BBB+" – 57.4%, bonds rated between "BB-" and "BB+" – 29.5%, bonds rated between "B-" and "B+" – 4.2%, and bonds with no rating from international rating agencies – 8.6% of the bonds. Approximately 95% of the Group's bonds with no rating from international agencies had ratings from national rating agencies (such as ACRA and Expert RA) between "A-(RU)"/"ruA-" and higher which is comparable to the rating of "BB-" on the international scale.

Amounts due from credit institutions

As at 31 December 2020, amounts due from credit institutions represented 14.2% of the Group's total investments, 96.3% of amounts due from credit institutions had a maturity of one year or less and almost 100% of them were Russian rouble-denominated.

Broken down by ratings of banks with which the Group had deposits assigned to them by international rating agencies, such as Standard & Poor's, Moody's and Fitch, the Group's amounts due from credit institutions as at 31 December 2020 comprised amounts due from credit institutions rated between "BBB-" and "BBB+" (8%), amounts due from credit institutions rated between "BB-" and "BB+" (63.8%), amounts due from credit institutions rated between "B-" and "B+" (26.1%) and amounts due from credit institutions that had no rating from international rating agencies (2.1%).

As at 30 June 2021, amounts due from credit institutions represented 11.6% of the Group's total investments, 96.7% of amounts due from credit institutions had a maturity between one and three years and 100% of them were Russian rouble-denominated.[6]

Broken down by ratings of banks with which the Group had deposits assigned to them by international rating agencies, such as Standard & Poor's, Moody's and Fitch, the Group's amounts due from credit institutions as at 30 June 2021 comprised amounts due from credit institutions rated between "BB-" and "BB+" (78.8%), amounts due from credit institutions rated between "B-" and "B+" (16.1%), and amounts due from credit institutions with no rating from international rating agencies (5.2%).

Cash and cash equivalents

As at 31 December 2020, cash and cash equivalents represented 10.4% of the Group's total investments.

As at 31 December 2020, 88.3% of the Group's cash and cash equivalents was Russian rouble-denominated, 11.1% was U.S. dollar-denominated and 0.6% was euro-denominated. The Group's cash and cash equivalents broken down by ratings of banks with which the Group held cash assigned by international rating agencies, such as Standard & Poor's, Moody's and Fitch looked as follows: 4% of cash was held in banks rated "A-" and higher, 46.5% of cash was held in banks rated between "BBB-" and "BBB+", 41.8% of cash was held in banks rated between "BB-" and "BB+", 7.3% of cash was held in banks rated between "B-" and "B+", and 0.4% of cash was held in banks that were unrated by international rating agencies.

As at 30 June 2021, cash and cash equivalents represented 10.2% of the Group's total investments.

As at 30 June 2021, 89.7% of the Group's cash and cash equivalents was Russian rouble-denominated, 9.7% was U.S. dollar-denominated and 0.6% was euro-denominated. The Group's cash and cash equivalents broken down by ratings of banks with which the Group held cash assigned by international rating agencies, such as Standard & Poor's, Moody's and Fitch looked as follows: 0.1% of cash was held in banks rated "A-" and higher, 57.4% of cash was held in banks rated between "BBB-" and "BBB+", 42.3% of cash was held in banks rated between "BB-" and "BB+", 0.1% of cash was held in banks rated between "B-" and "B+", and 0.1% of cash was held in banks that were unrated by international rating agencies.

[6] The Group's amounts due from credit institutions as of 30 June 2021 include investment assets of JSC NSPF Renaissance Pensions.

Equities

As at 31 December 2020, equities represented 10.4% of the Group's total investments, 98.3% of the Group's equities were Russian rouble-denominated, 0.1% were U.S. dollar-denominated, 0.2% were euro-denominated and 1.4% were denominated in other currencies.

As at 30 June 2021, equities represented 13.6% of the Group's total investments, 99.2% of the Group's equities were Russian rouble-denominated, 0.2% were euro-denominated and 0.6% were denominated in other currencies.

The tables below set out the breakdown of the equities by industry as at 31 December 2020, 2019 and 2018, and as at 30 June 2021 and 2020, respectively:

	As of							
	30 June 2021 (unaudited)		**31 December 2020**		**31 December 2019**		**31 December 2018**	
	RUB millions	**% of total**	**RUB millions**	**% of total**	**RUB millions**	**% of total**	**RUB millions**	**% of total**
Oil & Gas	6,492	32.8%	5,264	37.4%	1,244	15.0%	1,227	14.9%
Metals & Mining	5,714	28.9%	4,445	31.6%	3,833	46.2%	1,843	22.3%
Financial Institutions	1,913	9.7%	2,019	14.3%	1,978	23.9%	3,489	42.3%
Electric Power	1,316	6.7%	1,122	8.0%	353	4.3%	1	0.0%
Telecommunications	1,167	5.9%	368	2.6%	56	0.7%	497	6.0%
Information Technology	1,214	6.1%	174	1.2%	72	0.9%	776	9.4%
Other	1,957	9.9%	696	4.9%	752	9.1%	414	5.0%
Total	**19,773**	**100%**	**14,088**	**100%**	**8,288**	**100%**	**8,247**	**100%**

Liquidity and Capital Resources

Liquidity describes the ability of a business to generate sufficient cash flows to meet the cash requirements of its business operations, including working capital needs, capital expenditures, debt service obligations, contractual obligations and other commitments and acquisitions.

The Group's insurance operations' demand for liquid assets is affected by the frequency and severity of losses under insurance policies, as well as by the persistency of its insurance products. The likelihood of future catastrophic events, the timing and effect of which are inherently unpredictable, may also create increased liquidity requirements for the Group's insurance operations.

The Group's primary sources of liquidity are provided by cash generated from its operating and investing activities. In the years ended 31 December 2018, 2019 and 2020, the Group's total net income from investing activities amounted to RUB 3,845 million, RUB 7,418 million and RUB 8,179 million, respectively. In the six months ended 30 June 2020 and 2021, the Group's total net income from investing activities amounted to RUB 1,483 million and RUB 4,059 million, respectively.

The only material financing in 2019 and 2020 were bonds issued in 2019 with a principal amount of RUB 3,000 million. The bonds replaced bank financing, which amounted to RUB 3,200 million in 2019, and were repaid in October 2021. See "—*Borrowings*".

The Group currently expects to finance its future business needs, including its Operating Expenses, from cash flows generated by the Group's operating and investing activities, as well as from external sources of financing. See "*Risk Factors—Financial and Market Risks—Additional financing may not be available or may not be available on satisfactory terms*".

Cash flows

The following table sets out the Group's consolidated statement of cash flows for the periods indicated:

	For six months ended (unaudited)		For the years ended		
	30 June 2021	**30 June 2020**	**31 December 2020**	**31 December 2019**	**31 December 2018 (reclassified)**
			(in millions of RUB)		
CASH FLOWS FROM OPERATING ACTIVITIES					
Life insurance premiums received	25,478	16,631	44,100	30,037	31,176
Non-Life insurance premiums received	18,025	14,725	33,100	33,121	32,591
Reinsurance premiums paid	(907)	(1,183)	(1,895)	(1,595)	(1,433)
Life insurance benefits and claims paid	(6,727)	(2,856)	(6,469)	(4,565)	(1,879)
Non-Life insurance and reinsurance claims paid	(8,857)	(7,020)	(15,420)	(16,176)	(13,389)
Reinsurers' share of benefits and claims, received...	51	30	110	394	390
Acquisition costs paid...............................	(15,231)	(7,592)	(22,354)	(17,562)	(22,250)
Claim settlement expenses, paid	(446)	(413)	(822)	(1,076)	(1,034)
Subrogation and salvages, received	640	636	1,230	1,129	968
Direct loss refund under Motor Third Party Liability Insurance, received from insurers..	1,641	1,155	2,314	2,932	2,690
Direct loss refund under Motor Third Party Liability Insurance, paid to insurers	(1,529)	(1,516)	(2,972)	(2,819)	(3,154)
Direct loss refund under Motor Third Party Liability Insurance, paid to policyholders	(1,809)	(1,199)	(2,691)	(3,555)	(3,562)
Pension contributions received.................	1,891	1,657	3,244	3,189	2,850
Pension payments	(980)	(578)	(1,415)	(1,387)	(1,175)
Payments to professional associations of insurers in the form of deductions from premiums stipulated by the Russian legislation..	(111)	(105)	(215)	(195)	(220)
Interest received..	4,055	4,482	6,946	5,710	4,738
Interest paid	(160)	(175)	(359)	(270)	(334)
Dividends received and other similar payments...	329	128	654	380	279
Purchase, sale and redemption of financial assets at fair value through profit or loss ..	(14,261)	(12,756)	(27,007)	(12,945)	(21,469)
Salaries and other employee benefits........	(2,545)	(1,662)	(4,171)	(3,484)	(2,893)
Other administrative and operating expenses..	(1,543)	(1,002)	(2,221)	(2,410)	(2,551)
Other cash flows from/ (used in) operating activities....................................	595	227	751	778	756
Income tax paid	(484)	(288)	(548)	(656)	(1,057)
Net cash flows (used in)/ from operating activities..................................	**(2,885)**	**1,327**	**3,891**	**8,973**	**38**

	For six months ended (unaudited)		For the years ended		
	30 June 2021	**30 June 2020**	**31 December 2020**	**31 December 2019**	**31 December 2018 (reclassified)**
			(*in millions of RUB*)		
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from sale of property and equipment and intangible assets	9	-	1	-	1
Payments on purchase of property and equipment and intangible assets	(356)	(251)	(820)	(367)	(685)
Revenue from rental of investment property	116	86	210	209	208
Placement and withdrawal of deposits	2,476	305	(181)	(7,024)	(2,942)
Withdrawals and sales of available-for-sale financial assets	161	145	144	1,046	-
Purchase of securities held to maturity	-	-	-	(550)	-
Loans granted	(1,403)	(1,055)	(1,055)	-	-
Loans repaid	590	153	1,200	-	-
Other cash flows from investing activities	-	-	(2)	311	-
Net cash flows from/ (used in) investing activities	**1,593**	**(618)**	**(503)**	**(6,375)**	**(3,418)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Borrowings and other payables, received	2,970	855	855	706	1,200
Borrowings and other payables, repaid	-	(411)	(801)	(3,200)	(1,400)
Proceeds from bonds issued	-	-	-	3,000	-
Dividends paid to shareholders (net of tax)	-	-	-	-	(994)
Lease payments	(140)	(131)	(298)	(203)	-
Other cash flows from financing activities	-	-	-	(30)	-
Net cash flows from / (used in) financing activities	**2,830**	**313**	**(244)**	**272**	**(1,194)**
Net increase / (decrease) in cash and cash equivalents	**1,538**	**1,022**	**3,144**	**2,870**	**(4,575)**
Effect of change in the exchange rate of foreign currency to the rouble	22	(12)	95	(88)	-
Cash and cash equivalents, beginning	**13,852**	**10,613**	**10,613**	**7,831**	**12,406**
Cash and cash equivalents, ending	**15,412**	**11,623**	**13,852**	**10,613**	**7,831**

The Group had positive cash flows in 2019, with a cash inflow of RUB 2,870 million compared to a cash outflow of RUB 4,575 million in 2018. This increase was driven by increased cash inflow from operating activities and cash inflow from financing activities partially offset by increased outflow of cash from investing activities.

The Group had positive cash flows in 2020, with a cash inflow of RUB 3,144 million compared to a cash inflow of RUB 2,870 million in 2019. This increase was driven by decreased cash outflow from investing and financing activities.

The Group had positive cash flows in the six months ended 30 June 2021, with a cash inflow of RUB 1,538 million compared to a cash inflow of RUB 1,022 million in the six months ended 30 June 2020. This increase was driven by increased cash inflow from investing and financing activities.

Cash flows from operating activities

In the year ended 31 December 2019, the Group's net cash flows from operating activities increased by RUB 8,935 million, or 23,513.2%, from RUB 38 million in 2018 to RUB 8,973 million in 2019. The increase was primarily the result of: (i) lower acquisition costs paid in 2019, which was primarily driven by an increase in direct sales of both Life and Non-Life insurance products in 2019 as compared to 2018; (ii) a decrease in purchase of financial assets at fair value through profit or loss, which was mainly compensated by an increase in deposit placement caused by the growth of deposit rate in the first half of 2019; (iii) an increase in interest received driven by the growth of bonds coupons in the second half of 2019; (iv) an increase in Non-Life insurance and reinsurance claims paid, which was primarily driven by a growth in insurance claims correspondent to an overall increase in newly issued and renewed Non-Life insurance policies, such as MOD and motor fleet insurance policies, as well as a growth in claims in credit Life insurance products; and (v) an increase in Life insurance benefits and claims paid driven by an increase in the total volume of investment Life insurance longevity claims.

In the year ended 31 December 2020, the Group generated net cash flows of RUB 3,891 million from its operating activities, a decrease of RUB 5,082 million, or 56.6%, from RUB 8,973 million in the year ended 31 December 2019. The decrease was primarily due to acquisition costs paid and purchase of financial assets at fair value through profit or loss that was partially offset by an increase in Life insurance premiums.

In the six months ended 30 June 2021, the Group's net cash flows from operating activities decreased by RUB 4,212 million, or 317.4%, from an inflow of RUB 1,327 million in the six months ended 30 June 2020 to an outflow of RUB 2,885 million in the six months ended 30 June 2021. The decrease was primarily the result of : (i) higher acquisition costs paid in the six months ended 30 June 2021, which was primarily driven by an increase in the commission rates; (ii) a substantial increase in Life insurance benefits and claims paid in the six months ended 30 June 2021, which was primarily driven by a substantial increase in the number of endowment Life insurance contracts terminated in the six months ended 30 June 2021; which was partially offset by (iii) an increase in purchase of financial assets at fair value through profit or loss.

Cash flows from investing activities

In the year ended 31 December 2019, the Group's net cash outflow from investing activities increased by RUB 2,957 million, or 86.5%, from RUB 3,418 million in 2018 to RUB 6,375 million in 2019. The increase was primarily due to (i) an increase in placement of bank deposits, which was caused by the growth of deposit rate in the first half of 2019 and (ii) an increase in the purchase of securities held to maturity driven by liquidity optimisation, which was partially offset by sales of available-for-sale financial assets as a result of an offer made by issuer.

In the year ended 31 December 2020, the Group's net cash used in investing activities was RUB 503 million, a decrease of RUB 5,872 million, or 92.1%, from RUB 6,375 million used in the year ended 31 December 2019. The decrease was primarily due to a decrease in deposit placements and a decrease in withdrawals of available-for-sale financial assets.

In the six months ended 30 June 2021, the Group's net cash inflow from investing activities was RUB 1,593 million, an increase of RUB 2,210 million, or 357.8%, from an outflow of RUB 618 million in the six months ended 30 June 2020. This increase was primarily due to an increase in deposit withdrawals.

Cash flow from financing activities

In the year ended 31 December 2019, the Group recorded a net cash inflow from its financing activities in the amount of RUB 272 million, which represents an increase of RUB 1,466 million, or 122.8%, from a net outflow of RUB 1,194 million in the year ended 31 December 2018. The increase is mainly attributable to the receipt of proceeds from domestic bonds in the aggregate principal amount of RUB 3 billion issued by the Group in 2019, which was partially offset by an increase in borrowings and other payables repaid as of the repayment by the Group of its indebtedness under the credit line which was opened with PJSC Credit Bank of Moscow, and a decrease in borrowings and other payables received in 2019.

In the year ended 31 December 2020, the Group recorded a net cash outflow from financing activities of RUB 244 million, representing a decrease of RUB 516 million, or 189.7%, from a net inflow RUB 272 million in the year ended 31 December 2019. The decrease was primarily due to an increase in lease payments and absence of financial inflows.

In the six months ended 30 June 2021, the Group recorded a net cash inflow of RUB 2,830 million from its financing activities, which represents an increase of RUB 2,517 million, or 804.2%, from a net inflow of RUB 313 million in the six months ended 30 June 2020, primarily due to facility agreement entered into with an international investment and financial group in the amount of RUB 3 billion (see "*Material Contracts—Facility Agreement with an International Investment and Financial Group*").

Borrowings

As at 31 December 2020, the Group's debt under issued bonds, borrowings and other payables was RUB 3,790 million compared to RUB 4,052 million and RUB 2,508 million as at 31 December 2019 and 2018, respectively. As at 30 June 2021, the Group's debt under issued bonds, borrowings and other payables was RUB 6,664 million compared to RUB 4,357 million as at 30 June 2020.

The table below sets out a breakdown of the Company's debt under issued bonds, borrowings and other payables for the periods indicated:

	As of				
	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**	**31 December 2020**	**31 December 2019**	**31 December 2018**
	(*in millions of RUB*)				
Debt securities issued[1]	3,053	3,046	3,051	3,043	-
Borrowings[2]	3,002	394	-	-	2,508
Lease liabilities[3]	604	912	734	1,003	-
Other payables[4]	6	6	6	6	-
Total borrowings and other payables	**3,611**	**1,311**	**739**	**1,009**	**2,508**
Total debt under issued bonds, borrowings and other payables	**6,664**	**4,357**	**3,790**	**4,052**	**2,508**

Notes:

(1) Debt securities issued are represented by bonds with a nominal value of RUB 3 billion have been repaid in October 2021.

(2) As at 31 December 2018, borrowings were represented by a facility provided by PJSC Credit Bank of Moscow with a total amount of debt of RUB 2,508 million, including RUB 8 million of accrued interest. In January 2019, a new credit line was opened with PJSC Credit Bank of Moscow with a drawdown limit of RUB 700 million, maturing in October 2019. In October 2019, the credit lines opened with PJSC Credit Bank of Moscow were fully repaid from the proceeds of the RUB 3 billion domestic bonds issued in 2019 and repaid in October 2021.

(3) Lease liabilities are comprised mainly of rentals of office spaces - more than 95% in 2020 and 2019.

(4) Other payables are represented by an interest-free security deposit from Transkapitalbank PJSC.

Facility Agreement with an International Investment and Financial Group

On 28 June 2021, "RenPrime" JSC, the Group's subsidiary, as a borrower entered into a RUB 3,000 million facility agreement with an international investment and financial group (the "**Facility Agreement**"). The loan under the Facility Agreement is secured by a surety of "Medcorp" LLC and a pledge by "RenPrime" JSC of 67% in the charter capital of Renaissance Life. The Facility Agreement matures in June 2024 (see "*Material Contracts—Facility Agreement with an International Investment and Financial Group*").

Equity

The Group's targeted solvency position is determined by the Group's management, which evaluates the Group's risk exposure and considers solvency criteria established by legislative and regulatory requirements.

The Group's operating insurance companies and asset management companies are subject to certain minimum capital and solvency requirements. In particular, the Company shall ensure that its Actual Solvency Margin (see "*Presentation of Financial and Other Information—Presentation of Financial Information—Non-IFRS Financial Measures*") shall not be less than the required solvency margin.

As at 31 December 2018, 2019 and 2020, the Company's Actual Solvency Margin exceeded the required solvency margin by RUB 12 billion, or 255.9%, RUB 15 billion, or 272.5%, and RUB 19 billion, or 335.9%, respectively.

As at 30 June 2021, the Company's Actual Solvency Margin exceeded the required solvency margin by RUB 24 billion, or 382.5%.

As at 31 December 2018, 2019 and 2020, Renaissance Life's Actual Solvency Margin exceeded the required solvency margin by RUB 0.1 billion, or 6.0%, RUB 0.9 billion, or 34.0%, and RUB 3.3 billion, or 90.0%, respectively. As at 30 June 2021, Renaissance Life's Actual Solvency Margin exceeded the required solvency margin by RUB 2.0 billion, or 47.0%.

As at 31 December 2020, the equity capital of Sputnik Asset Management exceeded the required minimum capital amount by RUB 60 million, or 219%, and, as at 30 June 2021, Sputnik Asset Management's equity capital exceeded the required minimum capital amount by RUB 85 million, or 284%. The Group's capital position and its ability to meet the minimum capital requirements applicable to its business can be adversely impacted by a number of factors, in particular, factors that erode the Group's capital resources and which could impact the quantum of risk to which it is exposed. See "*Risk Factors—Legal, Compliance and Regulatory Risks—The Group is required to meet certain minimum capital and solvency requirements*".

Additionally, regulatory capital requirements are subject to change, and such changes may have a significant impact on the Group's business, financial condition and results of operations. The Group may also be affected by changes in the regulatory environment, including in respect of its supervisory entities and their interpretation of the Group's structure, which may change the level of capital the Group is required to hold. In particular, in January 2020, the CBR issued Regulation No. 710-P, which implements new approaches to assessing insurers' financial sustainability and solvency and calculating their equity (capital). Furthermore, the new regulation takes into account the risk of changes in asset and liability values when the capital and solvency requirements are determined. As opposed to the old regulation, in which the asset requirements only referred to the amount of insurance reserves and the insurer's capital, the new regulation factors in all liabilities of the insurer in the calculation of its equity (which is the difference between its assets and liabilities). Moreover, in addition to the indicator characterising the insurance risks accepted by an insurer (the required solvency margin), the new regulation provides for a new indicator characterising the amount of risks accepted by the insurer in connection with its investment, insurance and reinsurance activities. Additionally, the impact of risks is assessed over a one-year horizon as the overall influence of concentration risk, credit spread risk, interest rate risk, equity price risk, exchange rate risk, real estate price risk, credit risk and the risk of changes in the value of other assets. Regulation No. 710-P will be implemented on a step-by-step basis: (i) 1 July 2021 is the effective date of the requirement for equity calculation, and the calculation of the regulatory ratio will take into account the required solvency margin and the assessment of the impact of concentration risk; (ii) 1 July 2022 is the effective date of the requirement to assess the influence of all risks provided for by the new regulation on an insurer's solvency to a limited extent; and (iii) 1 July 2023 – 2025, a gradual increase in quantitative requirements for assessing the impact of risks and capital requirements. The Group estimates that, following the implementation of the new regulation, a minimum capital requirement will increase from a total amount of RUB 14.1 billion (RUB 6.7 billion for the Life insurance segment and RUB 7.3 billion for the Non-Life insurance segment) as of 30 June 2023 to a total amount of RUB 19.0 billion (RUB 10.6 billion for the Life insurance segment and RUB 8.5 billion for the Non-Life insurance segment).

As part of the Group's internal solvency monitoring, the Group assesses its solvency position in order to maintain sufficient capital to meet prospective general insurance capital requirements. The Group's solvency position will vary depending on the policies applied to the Group's business, particularly the Group's investment and reinsurance policies. In employing the Group's asset/liability management model and establishing the Group's current capital requirements, the Group uses its present reinsurance and investment policies as the basis for calculations. The Group's asset/liability management model indicates that a reduced investment risk profile would result in reduced capital requirements.

The table below sets out a breakdown of the Company's solvency margin for the periods indicated:

	As of				
	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**	**31 December 2020**	**31 December 2019**	**31 December 2018**
	(in millions of RUB)				
Statutory Solvency Margin	6,224	5,426	5,655	5,486	4,691
Actual Solvency Margin	30,029	21,046	24,650	20,436	16,696

Difference between Actual and Statutory Solvency Margins(1)(2)	23,805	15,620	18,995	14,950	12,005
Difference between Actual and Statutory Solvency Margins	382.5%	287.9%	335.9%	272.5%	255.9%
Total Equity	**31,592**	**27,309**	**30,244**	**25,572**	**21,617**

Notes:

(1) As at 31 December 2020, 2019 and 2018, Renaissance Pensions equity capital under Russian accounting standards exceeded the minimal statutory capital by RUB 360 million, RUB 207 million and RUB 214 million or by 180.2%, 138.3% and 142.7%, respectively.

(2) As at 31 December 2020, 2019 and 2018, Sputnik Asset Management's equity capital under Russian accounting standards exceeded the minimal statutory capital by RUB 60 million, RUB 75 million and RUB 94 million or by 219.0%, 275.1% and 348.7%, respectively.

Off balance sheet arrangements (commitments)

In the ordinary course of business, the Group is subject to legal claims and related litigation (see "*Risk Factors—Legal, Compliance and Regulatory Risks—The Group is subject to litigation exposure, coverage disputes and uninsured risks and incurs litigation costs in the ordinary course of its business*"). As a result, the Group made a provision for litigation not related to insurance, coinsurance or reinsurance of RUB 3.8 million as at 31 December 2020, compared to RUB 6.4 million and RUB 8.1 million as at 31 December 2019 and 2018, respectively.

Qualitative and Quantitative Disclosure of Market Risk

The Group is exposed to financial risks through its financial assets and liabilities. The key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from liabilities as they fall due. The main financial risks to which the Group is exposed are insurance risk, credit risk, liquidity risk and market risks related to fluctuations of market prices, interest rates and foreign exchange rates.

Insurance Risk

The Group is exposed to insurance risk, which results from the fact that the ultimate payment under insurance contracts, or the time of their execution, may significantly differ from the Group's estimates due to various reasons: frequency of claims, amounts of claims, development of claims with lengthy handling period. The main objective of the Group is to ensure that insurance reserves are sufficient to discharge its obligations under the insurance contracts.

The Group maintains control over the insurance risk through diversifying its portfolio, underwriting procedures to control the insurance loss by the type of business, as well as reinsurance to decrease the risk of loss in the amount exceeding the risk the Group is willing to accept. The main types of insurance contracts entered by the Group are motor insurance, Life insurance, health insurance and property insurance. In 2018, the respective shares of motor insurance, Life insurance, health insurance and property and other insurance in the total premiums earned were 27.0%, 48.7%, 8.8% and 15.6%, respectively, with the reinsurers' share of 2.6%, 1.5%, 0.8% and 9.0%, respectively. In 2019, the respective shares of motor insurance, Life insurance, health insurance and property and other insurance in the total premiums earned were 28.9%, 47.0%, 9.2% and 14.9%, respectively, with the reinsurers' share of 2.5%, 1.6%, 0.7% and 10.6%, respectively. In 2020, the respective shares of motor insurance, Life insurance, health insurance and property and other insurance in the total premiums earned were 25.4%, 55.0%, 7.7% and 11.9%, respectively, with the reinsurers' share of 3.5%, 1.5%, 0.9% and 11.7%, respectively. The distribution reflects concentration of the insurance risks of the Group. For more information see "*Business—Risk Management—Reinsurance*" and Note 34 to the 2018 Financial Statements, Note 39 to the 2019 Financial Statements and Note 37 to the 2020 Financial Statements.

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group encounters credit risk in connection with conducting insurance business and in the Group's investment business. In insurance, the Group's main credit risk is from its reinsurers who are liable to it for their part of claim amounts. If a reinsurer fails to fulfil its obligations, the Group remains liable to the claimant and, therefore, incurs a loss. Since reinsurance is an important part of the Group's risk management, the Group emphasises engaging only reinsurers with high creditworthiness. The Group faces credit risk from clients with insurance where the Group is liable to pay a claim for a period, even if the policyholder fails to pay the agreed premium. In addition, the Group faces credit risk in connection with claims where the Group has recourse against a third party and that third party fails to pay.

The credit risk of the Group's investments is connected to the portfolio of fixed income securities, loans issued and receivables. This risk is defined as the potential loss in value resulting from adverse changes in a borrower's ability to repay the debt. The Group attempts to earn competitive returns by investing in a diversified portfolio of securities to manage this risk. For more information, please see Note 34 to the 2018 Financial Statements, Note 39 to the 2019 Financial Statements and Note 37 to the 2020 Financial Statements.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to liquidity management. It is unusual for financial institutions ever to be completely matched, since business transacted is often of an uncertain term and of different types. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Group maintains liquidity management with the objective of ensuring that funds will be available at all times to honour all cash flow obligations as they become due. The liquidity policy is reviewed and approved by the management.

The following table shows the assets and liabilities of the Group by their remaining contractual maturity. For insurance contracts liabilities and reinsurance assets, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

The following table shows the assets and liabilities by remaining contractual maturity dates as at 31 December 2020:

	Less than 1 year	**1 year to 3 years**	**More than 3 years**	**No stated maturity**	**Total**
			(in millions of RUB)		
Assets					
Cash and cash equivalents	13,852	-	-	-	**13,852**
Amounts due from credit institutions	18,411	101	-	613	**19,124**
Financial assets at fair value through profit or loss	95,051	-	1,177	-	**96,229**
Loans and other receivables	28	6	2	-	**37**
Financial assets held to maturity	-	-	566	-	**566**
Available-for-sale financial assets	1,428	356	-	281	**2,065**
Insurance and reinsurance receivables	5,712	399	-	-	**6,112**
Reinsurers' share of insurance contract liabilities	1,632	490	245	-	**2,367**
Deferred acquisition costs	5,631	894	2,116	-	**8,640**
Goodwill	-	-	-	8,335	**8,335**
Other assets	1,944	10	115	4,277	**6,347**
Total assets	**143,689**	**2,256**	**4,222**	**13,507**	**163,674**
Liabilities					
Insurance contracts liabilities	42,503	29,472	25,382	-	**97,356**
Pension liabilities	1,793	3,592	17,194	-	**22,578**
Other insurance liabilities	5,275	662	-	-	**5,936**
Debt securities issued	3,051	-	-	-	**3,051**
Borrowings and other payables	304	319	117	-	**739**
Other liabilities	3,136	634	-	-	**3,770**
Total liabilities	**56,061**	**34,678**	**42,692**	**-**	**133,430**
Net position	**87,630**	**(32,422)**	**(38,471)**	**13,507**	**30,244**

For more information, please see Note 34 to the 2018 Financial Statements, Note 39 to the 2019 Financial Statements and Note 37 to 2020 the Financial Statements.

Currency Risk

The Group's functional and reporting currency is the Russian rouble; however, the Group has assets and liabilities and conducts some transactions that are denominated in U.S. dollar and other currencies. Accordingly, the Group's net assets may fluctuate as a result of foreign currency exchange rate movements. If the value of the Russian rouble strengthens, then the value of non-Russian rouble net assets will decline.

In addition, a portion of the Group's investments, including bonds and banking deposits, are denominated in U.S. dollars and euro, and, if necessary, the Group can hedge its currency positions using foreign exchange transactions such as swaps and forwards. As a result, devaluation of the Russian rouble against the U.S. dollar can adversely affect the Group by increasing the U.S. dollar-denominated costs in Russian rouble terms, and may lead to an increase in foreign exchange costs in Russian rouble terms.

The following table shows the currency structure of assets and liabilities as at 31 December 2020 (in millions of Russian roubles):

	RUB	**USD**	**EUR**	**Other**	**Total**
Assets					
Cash and cash equivalents	12,234	1,540	77	1	**13,852**
Amounts due from credit institutions	19,124	-	-	-	**19,124**
Financial assets at fair value through profit or loss	91,210	4,667	159	193	**96,229**
Loans and other receivables	11	26	-	-	**37**
Financial assets held to maturity	506	-	61	-	**566**
Available-for-sale financial assets	1,784	281	-	-	**2,065**
Insurance and reinsurance receivables	6,062	32	17	-	**6,112**
Reinsurers' share of insurance contract liabilities	2,117	73	176	-	**2,367**
Deferred acquisition costs	8,315	119	133	73	**8,640**
Goodwill	8,335	-	-	-	**8,335**
Other assets	6,281	63	3	-	**6,347**
Total assets	**155,978**	**6,802**	**626**	**268**	**163,674**
Liabilities					
Insurance contracts liabilities	93,983	2,285	828	261	**97,356**
Pension liabilities	22,578	-	-	-	**22,578**
Other insurance liabilities	5,847	27	63	-	**5,936**
Debt securities issued	3,051	-	-	-	**3,051**
Borrowings and other payables	688	51	-	-	**739**
Other liabilities	3,765	4	-	-	**3,770**
Total liabilities	**129,912**	**2,367**	**891**	**261**	**133,430**
Net position	**26,066**	**4,435**	**(265)**	**7**	**30,244**

For more information, please see Note 34 to the 2018 Financial Statements, Note 39 to the 2019 Financial Statements and Note 37 to 2020 the Financial Statements.

Interest Rate Risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of portfolio of financial instruments. The Group is exposed to the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The fair value of the Group's portfolio of fixed-income securities is inversely correlated to changes in market interest rates. Thus, if interest rates fall, the fair value of the portfolio would tend to rise and vice versa. The fair value of the Group's financial assets held to maturity amounted to RUB 566 million and RUB 553 million as at 31 December 2020 and 2019, respectively. Under IFRS, interest rate sensitivity also exists for the Group's insurance liabilities. As of the date of this Offering Memorandum, only Renaissance Life has entered into derivative contracts which may affect this risk.

The following table sets out the effect of changes in interest rates on the Group's key indicators for the years indicated:

	As of								
	31 December 2020			31 December 2019			31 December 2018		
	Changes in parameters	Effect on profit before tax	Effect on equity	Changes in parameters	Effect on profit before tax	Effect on equity	Changes in parameters	Effect on profit before tax	Effect on equity
				(in millions of RUB)					
Assets at fair value through profit or loss									
Parallel shift of the interest rate curve, RUB................	-270 basis points	3,293	2,634	-125 basis points	944	755	-106 basis points	466	373
Parallel shift of the interest rate curve, RUB	+270 basis points	(3,293)	(2,634)	+125 basis points	(944)	(755)	+106 basis points	(466)	(373)
Parallel shift of the interest rate curve, USD................	-95 basis points	120	96	-100 basis points	3	3	-129 basis points	1	1
Parallel shift of the interest rate curve, USD................	+95 basis points	(120)	(96)	+100 basis points	(3)	(3)	+31 basis points	-	-
Parallel shift of the interest rate curve, EUR	-48 basis points	2	2	-50 basis points	-	-	-18 basis points	-	-
Parallel shift of the interest rate curve, EUR................	+48 basis points	(2)	(2)	+50 basis points	-	-	+18 basis points	-	-
Available-for-sale assets									
Parallel shift of the interest rate curve, RUB................	-270 basis points	-	39	-125 basis points	-	34	-96 basis points	-	42
Parallel shift of the interest rate curve, RUB................	+270 basis points	-	(39)	+125 basis points	-	(34)	+96 basis points	-	(42)
Parallel shift of the interest rate curve, USD................	-95 basis points	-	-	-100 basis points	-	-	-134 basis points	-	-
Parallel shift of the interest rate curve, USD................	+95 basis points	-	-	+100 basis points	-	-	+49 basis points	-	-

Market price risk

The Group's market price risk exposure relates to equity instruments whose fair values will fluctuate as a result of changes in market prices. These changes may result from the factors inherent to certain financial instruments or its issuer, as well as the factors that impact all similar financial instruments traded in the market.

The Group manages market price risk by setting objectives and constraints on investments, investment diversification and periodic assessment of potential losses that can be incurred due to adverse changes in market prices.

The following table sets out the effect of changes in IMOEX on the Group's key indicators for the years indicated:

		31 December 2020			31 December 2019			31 December 2018	
Market indices	Changes in parameters	Effect on profit before tax	Effect on equity	Changes in parameters	Effect on profit before tax	Effect on equity	Changes in parameters	Effect on profit before tax	Effect on equity
IMOEX[(1)]	26.01%	2,634	2,107	16.23%	522	418	17.19%	1,013	811
IMOEX	-26.01%	(2,634)	(2,107)	-16.23%	(522)	(418)	-17.19%	(1,013)	(811)

Note:

(1) IMOEX, or Moscow Exchange Russia index, is capitalization-weighted composite index calculated based on prices of the most liquid Russian stocks of the largest and dynamically developing Russian issuers with economic activities related to the main sectors of the Russian economy presented on the Moscow Exchange.

Critical accounting policies

The Group's accounting policies are integral to the understanding of its financial position and performance presented in the Financial Statements and related notes thereto. The Group's significant accounting policies are described in Note 3 to the Financial Statements. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, and income and expenses during the relevant period. The Group's management believes that the following significant accounting policies, due to the judgement, estimates and assumptions inherent in the application thereof, are critical to an understanding of the Group's Financial Statements. Actual results may differ from estimates, and such differences may be material.

Product Classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate to the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. According to the standard procedure, the Group determines whether it has significant insurance risk by comparing the consideration paid with the consideration to be paid if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts, which transfer significant financial risk; however, they do not transfer significant insurance risk. Financial risk is the risk of possible future changes in one or more certain factors, such as interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other underlying variable.

If the contract has been classified as an insurance contract it remains an insurance contract for the remaining contractual period, even if, during this period, a significant decline of the insurance risk takes place, except for the cases when all the rights and obligations are redeemed or expired. Investment contracts can be reclassified as insurance contracts after their conclusion, if the insurance risk becomes significant.

According to non-state pension agreements, the participant in the non-state pension fund is an individual eligible to receive non-state pension payments in accordance with the pension agreement terms. A depositor under a pension agreement is an individual or a legal entity who is a party to a pension agreement and pays pension contributions to the non-state pension fund. Pension contributions comprise funds paid by the depositor on behalf of the participant in accordance with the terms of the pension agreement. A participant can be a depositor on its own behalf.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Group establishes an allowance for impairment of financial assets when it is probable that the Group will not be able to collect the principal and interest according to the contractual terms of loans issued, financial assets held to maturity and other financial assets that are carried at cost and amortised cost. The allowance for impairment of financial assets is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument.

For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Group expects to realise this financial instrument. The allowance is based on the Group's historical information on losses and management's assessment of losses, which are likely to be recognised with respect to assets of each credit risk category, depending on possibility of debt servicing and the borrower's credit history. The allowance for impairment of financial assets is determined on the basis of existing economic and political conditions. The methodology and assumptions used to estimate future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Insurance contracts

Contracts under which the Group accepts significant insurance risk from another party (the "policyholder") by agreeing to compensate the policyholder or other beneficiary if a specified uncertain future event (the "insured event") adversely affects the policyholder or other beneficiary are classified as insurance contracts. Insurance risk is significant if, and only if, an insured event could cause the Group to pay significant claims. Once a contract is classified as an insurance contract, it remains classified as an insurance contract until all rights and obligations are extinguished or expire. Contracts under which the transfer of insurance risk to the Group from the policyholder is not significant are classified as financial instruments.

Starting from 1 January 2023, IFRS 17, Insurance Contracts, will replace IFRS 4, Insurance Contracts, 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. 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 recognise the loss immediately. The Group is currently assessing the impact of the above standard on its consolidated financial statements.

Value of business in force

The Group makes assumptions to determine the acceptable level of the insurance reserve, value of deferred acquisition costs and to calculate certain broadly used industry cost parameters, such as value of business in force. These assumptions significantly depend on management's judgments and future assumptions, which are inherently uncertain; in case the assumptions are incorrect, it may affect the Group's results and/or performance.

The determination of insurance reserves and adequacy testing of Life insurance reserves are uncertain processes, involving assumptions related to factors, such as the policyholder's behaviour, court decisions, changes in the legislation and regulations, social, economic and demographic dynamics, inflation, return on investments and other factors; also, assumptions concerning mortality rates and disease patterns are applied to Life insurance. The use of various assumptions with respect to these factors can significantly affect the level of insurance reserves and overheads, the value of deferred acquisition costs and the value of business in force. Moreover, some of these assumptions can be variable. Despite the fact that the calculations of the value of business in force are based on the market indicators, changes in assumptions used to determine these indicators can significantly influence the value of the Group's business in force. For example, the value of business in force is sensitive to the change in the discount rate and, respectively, false assumptions can significantly affect the value of Group's business in force. All methods of evaluating the products of business in force include discounted cash flows, taking into account the future profitability of the business in force. These methods are industry valuation methods that are in line with the approach to discounting profit, as the value of business in force is the result of projected allocation of income. The present value of the net assets of shareholders is adjusted for any differences between the projected cash flows used to calculate the value of business in force and IFRS.

The value of business in force is recognised by the Group at the initial cost and is subsequently amortised according to the amortisation schedule determined on the basis of the expected life of the insurance contracts.

Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted at the reporting date. The current income tax expense is calculated in accordance with Russian laws.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. Deferred tax assets are recognised to the extent it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled, and it is probable that the temporary difference will not reverse in the foreseeable future.

Foreign currency transactions

The financial statements are presented in Russian roubles, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency converted at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

As at 31 December 2018, 2019 and 2020, the official CBR exchange rate was RUB 69.47, RUB 61.91 and RUB 73.88 for one U.S. dollar, respectively. As at 30 June 2021, the official CBR exchange rate was RUB 72.37 for one U.S. dollar as compared to RUB 69,95 for one U.S. dollar as at 30 June 2020.

INDUSTRY

Expect as expressly specified below, all data included in this section has been derived from the KPMG Report (see also "Presentation of Financial and Other Information—KPMG Report").

Russian Economy

In 2020, Russia was the eleventh largest economy in the world and the largest economy in Central and Eastern Europe ("CEE") as well as in the Commonwealth of Independent States ("CIS"), with a nominal GDP of U.S.$1,527 trillion, according to the Economist Intelligence Unit ("**EIU**"). Russia's GDP per capita (at purchasing power parity ("**PPP**")) in 2020 was U.S.$29,180, which was broadly on par with China (U.S.$17,580), almost double that of Brazil (U.S.$15,110) and nearly five times more than India's (U.S.$6,530), according to the EIU.

The following table shows certain key Russian macroeconomic data for the periods indicated:

	2016	2017	2018	2019	2020
Nominal GDP (RUB billions)	85,485	91,766	104,479	110,008	110,130
Nominal GDP (U.S.$ billions)	1,275	1,573	1,667	1,699	1,527
Real GDP growth/(decline) (%, year-on-year)	0.2%	1.8%	2.5%	1.3%	(3.1)%
GDP per capita (U.S.$ at PPP)	23,824	25,681	28,903	29,760	29,180
Consumer prices growth (%, per annum)	5.3%	2.5%	4.3%	3.0%	4.9%
Total population (millions)	148.3	148.6	148.8	148.9	149.0

Source: The Economist Intelligence Unit

Compared with the other BRIC (Brazil, Russia, India and China) countries, Russia benefits from a large number and volume of natural resources. According to the BP Statistical Review of World Energy (the "**BP Review**"), Russia's volume of oil and gas reserves per capita in 2019 was substantially higher than those of India, China and Brazil. High levels of natural resource exports and government revenue generated from such exports have contributed significantly to Russia's economy, according to the BP Review.

Russian economy strengthened in recent years, and responded resiliently to the COVID-19 pandemic. The contraction in the Russian economy in 2020 is lower than that of the Eurozone and developed countries. The economy was less vulnerable to the economic downturn, due to a smaller share of service industries and SME compared to developed countries. According to the Ministry of Economic Development of Russia, taking into account economic impact of the COVID-19 pandemic, total Russian GDP for 2020 only decreased by 3.0% as compared to the 3.9% forecast prepared by the Ministry of Economic Development of Russian earlier in September 2020, which demonstrates a slower decrease compared to many developed countries. The Ministry of Economic Development of Russia expects the Russian GWP to increase by 2.9% in 2021. On March 2021, the Ministry of Economic Development of Russia projected that the Russian inflation rate is expected to decrease from 5.8% per year to 4.3% by the end of 2021.

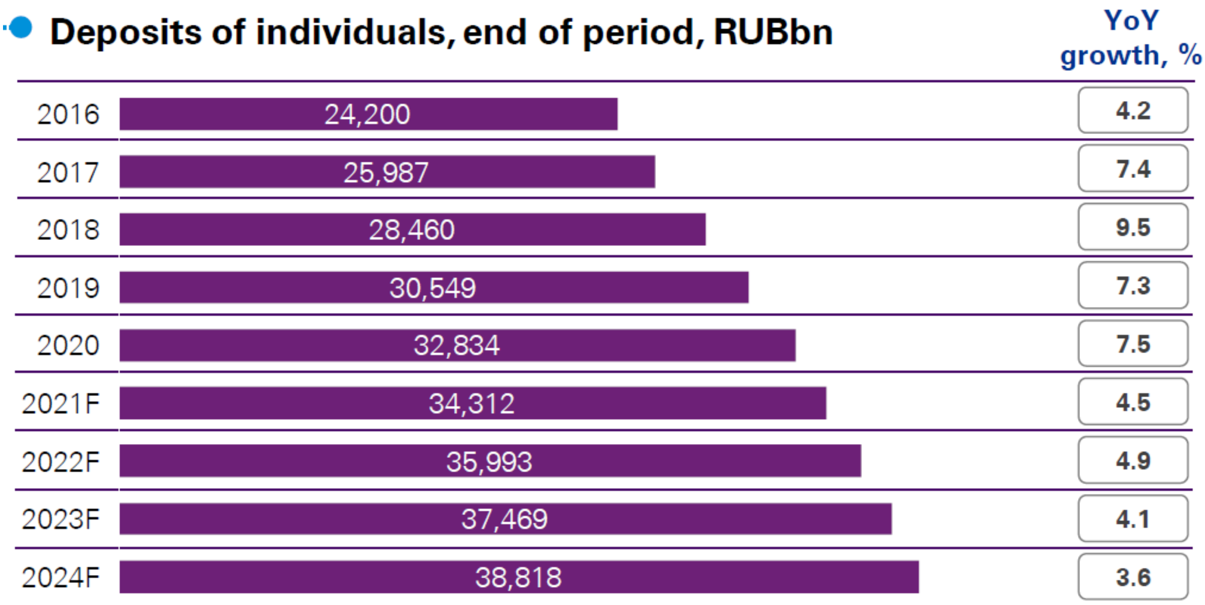
Real GDP Growth and Consumer Price Index Dynamics

	2016	2017	2018	2019	2020	2021	2022	2023	2024
CPI	5,4	2,5	4,3	3,0	4,9	4,3	4,0	4,0	4,0
GDP Growth	0,2	1,8	2,5	1,3	-3,0	2,9	3,2	3,0	3,0

Source: Ministry of Economic Development of Russia

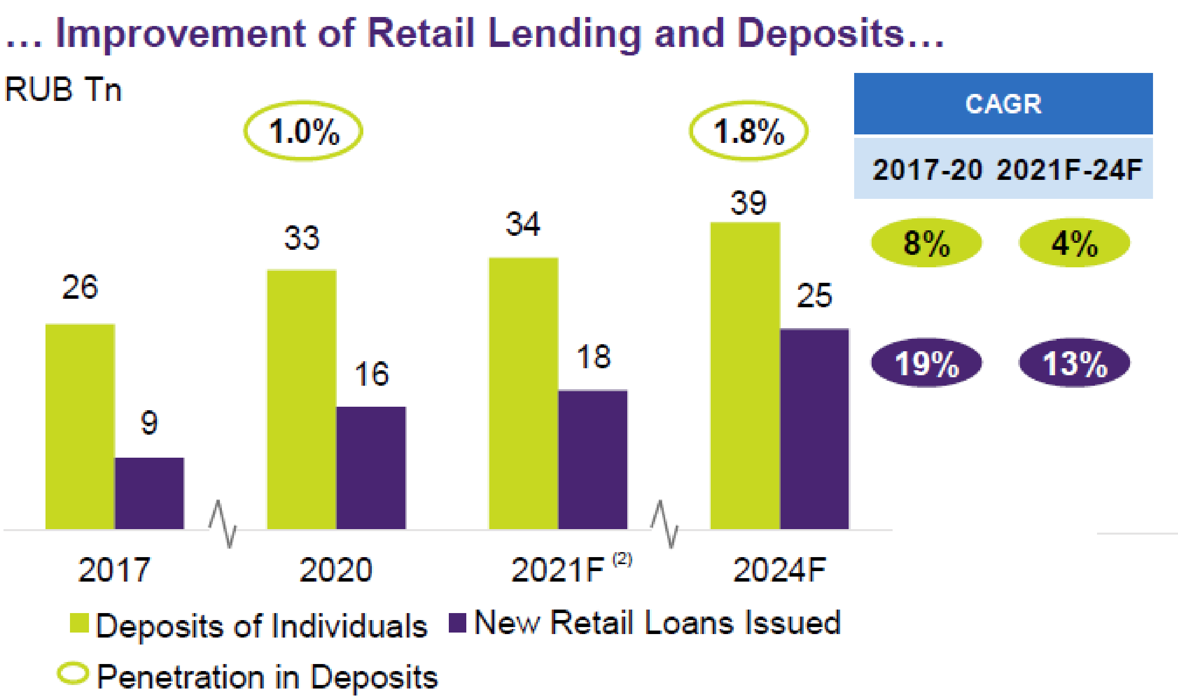
The CBR implemented a monetary and credit policy that reduces CBR's interest rate (the "**Key Rate**") from 6.25% in 2019 to 4.25% by the end of 2020. According to the CBR, in the second half of 2020, reductions in the Key Rate caused a decrease in average deposit rates to 4.9%, which is below the rate of inflation at that time, a phenomenon previously only observed in 2015. These reductions in deposit interest rates caused a substantial decrease in financial returns on bank deposits. This, in turn, stimulated an outflow of individual funds outside of traditional investment products such as bank deposits(for instance, according to the CBR, the aggregate amount of deposits in Russia reduced by approximately RUB 456 billion between 1 January and 1 July 2021) which led to an increase in investment in alternative investment products (including life insurance products), which promise greater investment yields. While the CBR forecasts that the Key Rate is expected to increase by 5.0-6.0% on average each year until 2023, which is likely to be reflected in an increase in the deposit interest rate, growth in individual deposits is expected to slow down in the medium term, according to the KPMG Report.

Deposits of Individuals (RUB billion)



Source: KPMG Report, CBR

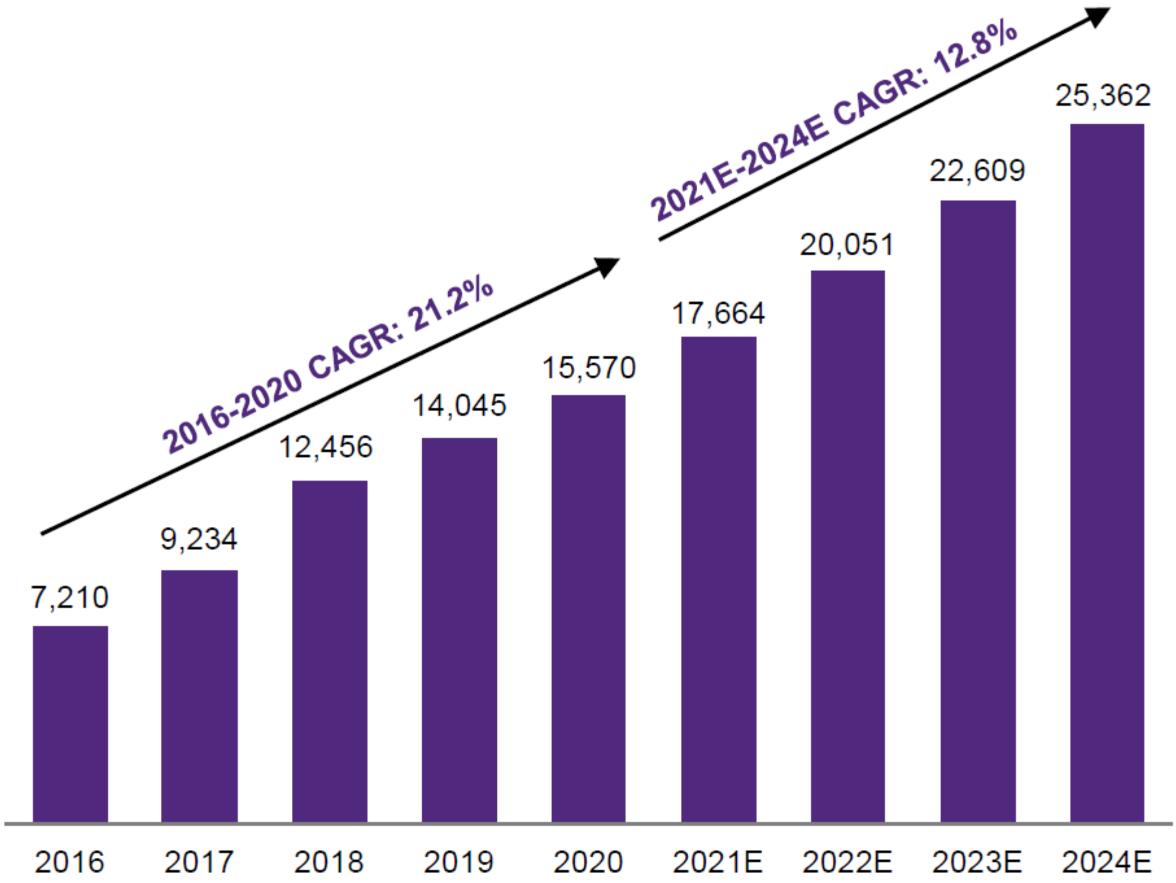
Improvement of Retail Lending and Deposits



Source: KPMG Report, CBR, Company data

Historically low interest rates, stimulated by the government's monetary policy, are expected to encourage future consumer spending and create a favorable environment for business development in Russia. Low lending rates, coupled with growing private consumption, will further fuel the issuance of retail loans such as mortgages, auto, and cash loans. In addition, the retail loan market will gain from government interest rate subsidies for mortgages and auto loans launched in late 2019.

New Issued Retail Loans (RUB billion)



Source: KPMG Report, CBR

An historical upward trend in private consumption indicates rising consumer confidence. Although in 2020 private consumption fell due to COVID-19 lockdown measures, a projected rapid rebound in 2021 presents solid opportunities to capitalise on the growing demand, supported by a positive forecast of the Ministry of Economic Development of Russia for personal disposable income.

International Insurance Market Trends

Growth trends

Historically, the world insurance market has demonstrated steady annual growth of premiums over 2016-2019 with a CAGR of 4.1% and 7.2% for developed countries (for example, in USA, Canada and other advanced EMEA and Asia-Pacific regions) and emerging markets (for example, countries of Latin America and Caribbean, emerging Asia-Pacific and emerging EMEA), respectively. GWP structure of the world insurance market between nonlife and life segments remained unchanged over the considered periods. However, COVID-19 has slowed down market growth in 2020-2021. According to the KPMG Report, total premiums were expected to decrease by 3.1% in 2020 and rebound back to the level of 2019 in 2021. Based on historical trends and forecasts, it is expected that premium growth will continue in all regions, albeit with different focuses for insurance companies:

- in developed countries, insurance companies will focus on operational efficiency;
- in emerging markets, further potential for growth exists through a penetration increase in both the nonlife and life segments.

While the average insurance penetration in the world amounts to approximately 7.2%, it is significantly higher in developed countries than in emerging markets, therefore, the latter have higher growth potential. Insurance penetration in Russia is currently lower than in many other emerging markets, which gives Russia a high upside growth potential.

Insurance penetration(1 (GWP to GDP), global prospects (2019)

	World	U.S. & Canada	Advanced EMEA	Emerging EMEA	Russia
GWP to GDP (%)	7.2%	11.1%	7.7%	1.9%	1.35%

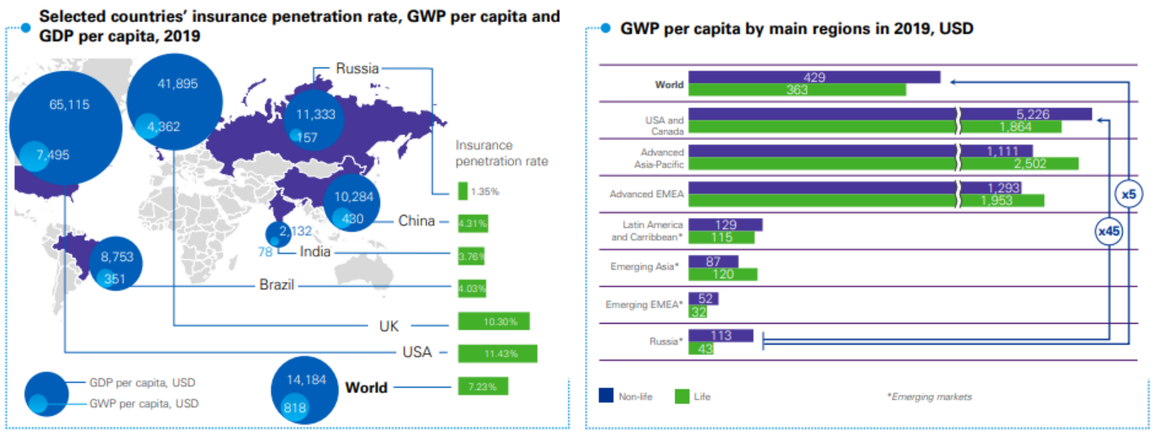
Note:

(1) Insurance penetration is calculated as GWP of saving life products market divided by deposits of individuals.

Source: Sigma World Insurance, KPMG Report

The amount of GWP per capita relative to the amount of GDP per capita is generally significantly smaller in emerging countries than in developed countries, which confirms the growth potential. The comparison of GWP per capita for life and non-life further shows that the potential for further insurance penetration in emerging markets exists in both the life and non-life segments.

GWP Per Capita and Global Insurance Market Penetration



Source: KPMG Report

Technological developments

Globally, technological changes drive expansion of ecosystems and the further digitalization of the economy, empowered by tech. Insurance companies benefit from the use of Internet of Things, AI-based real-time decisions and Robotic Process Automation. According to the KPMG Report, while both traditional and innovative insurance business models are valid and have potential for growth, return on equity ("**ROE**") and investment returns of innovative insurance companies demonstrate a higher attractiveness compared to traditional market players, though combined ratios remain in the same range.

Distribution channels

According to the KPMG Report, bancassurance and partner sales channels are expected to prevail in the insurance market in the medium term. Thus an omnichannel approach becomes increasingly important for the insurance market, with an additional upside from digitalization and improvements to traditional channels and products. With that trend in place and changing customer needs, products become more customer-centric towards usage-based, subscription-based, or bundled solutions.

Non-life insurance

The non-life insurance market in developed countries is quite saturated. Therefore, its further growth might be driven by high-tech products covering new types of risks and innovations in operational efficiency.

Similar to developed countries, new high-tech products and insurance innovations might strengthen the growth of the non-life segment in emerging countries. However, higher growth potential of emerging markets is also supported by increasing population (consumer base), still rising average income per capita, alongside expanding financial literacy.

Life insurance

In developed countries, where life insurance market is well established, its growth is mainly driven by higher per capita income and the established pension system.

In emerging countries the growth of life insurance market is supported by decreasing interest rates, which makes life insurance a more attractive alternative to deposits.

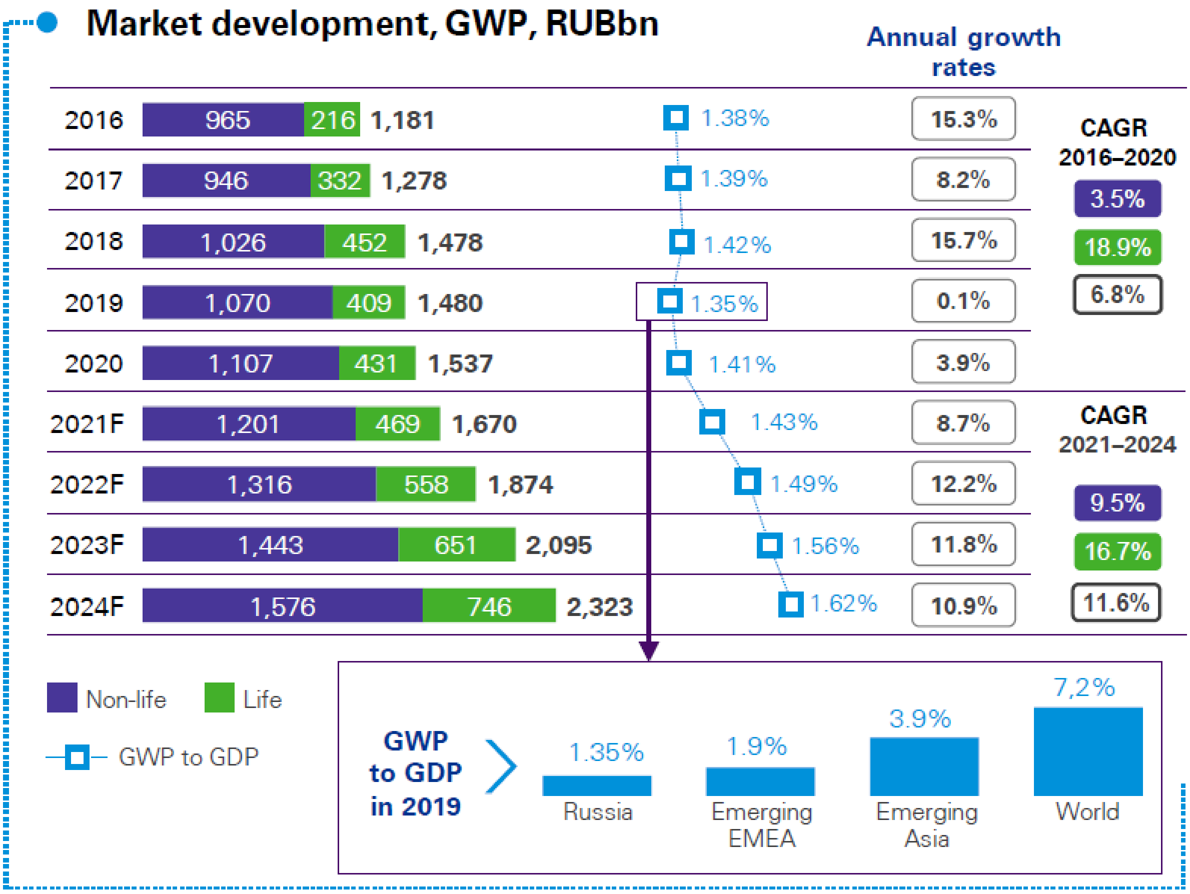
In developed countries the life insurance segment is growing organically, as the market is well established and is mainly driven by higher income per capita and the established pension system while in emerging countries the life insurance products is viewed as more attractive as an alternative to deposits due to its growth supported by decreasing interest rates. This will require innovative products and services as well as improvement to the customer experience using technology.

Russian Insurance Market

Russian insurance market is highly profitable, with double digit profitability in both life and non-life sectors. It has also demonstrated superior growth with CAGR of 10.7% between 2010 and 2020, reaching RUB 1,537 billion as compared to the total GWP of the Russian insurance market in amount of RUB 556 billion and RUB 1,024 billion in 2010 and 2015, respectively. During this period, non-life insurance sector, being at the mature stage of development, has demonstrated confident growth with CAGR of 8% and less developed life insurance growing tremendously with CAGR of 34%. Russian life insurance market is expected to continue to grow faster than non-life on the back of lower interest rates, credit availability and increasing customer awareness.

The performance of the Russian insurance market in 2020 with a 4% growth according to the CBR despite the COVID-19 pandemic shows that it is rather resilient to the COVID-19 pandemic and is consistently adapting to new circumstances.

Gross Written Premium (RUB billion)



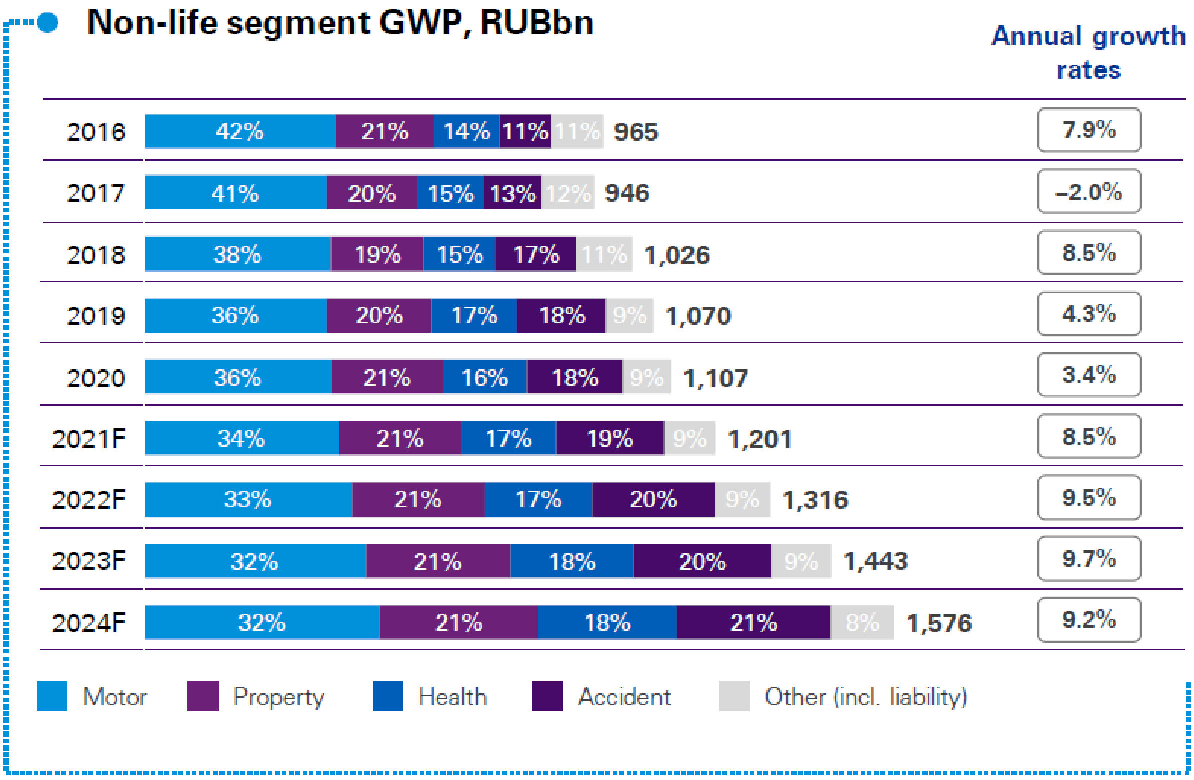
Source: KPMG Report

The Russian life insurance market is highly concentrated. Top 10 players account for approximately 80% of the total premiums, and regulatory reform resulting in stricter supervision is expected to support the concentration trend going forward. Geographical concentration is also quite high, with approximately 57% and 48% of GWP in life and non-life, respectively, attributable to Moscow and Saint-Petersburg alone. This creates a considerable potential for regional penetration via smart and optimally priced products. High Internet penetration and e-services adoption combined with the early stage of digital transformation of the insurance business may bring about a significant potential that lies in the digitalization of traditional channels and development of online direct and partner sales.

Non-life insurance

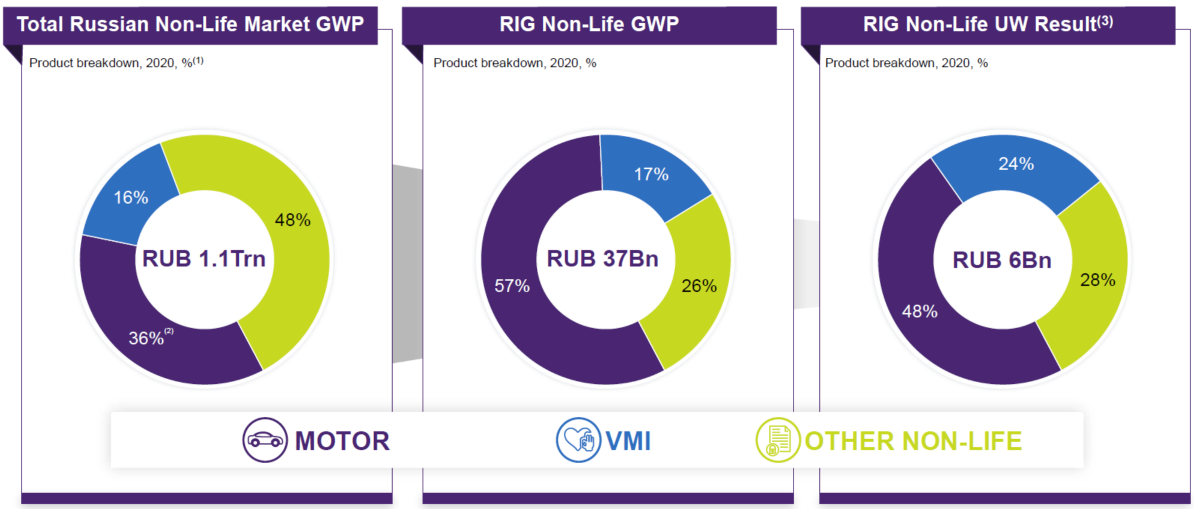
In recent years, the growth of the non-life insurance market is mainly driven by accident insurance and individual property insurance, which themselves are driven by increased volumes of consumer and mortgage lending. These segments are also expected to continue to grow, primarily due to low product penetration and development of retail banking. Non-life insurance market will also be driven by health insurance development, mainly due to the transformation of existing products into tailored insurance solutions with more affordable plans and personalized coverage. CMTPL segment has remained relatively stable recently and the MOD segment has slightly decreased as a result of the introduction of franchised products and a decrease in household income.

Non-Life GWP Evolution (RUB billion)



Well-Diversified Non-Life Portfolio (RUB billion and %)

Source: KPMG Report, CBR data



Source: KPMG Report, Company data

Motor insurance

Motor insurance is the largest insurance group of products in the non-life segment and one of the pioneer products in the Russian insurance market. The group consists of two main insurance products, MOD and CMTPL. Both of these products are associated with vehicle-related risks and depend on the development of the car industry. However, CMTPL, as a mandatory type, is highly regulated and its development to some extent depends on regulatory initiatives, whereas MOD as a kind of voluntary insurance is primary driven by the ability of companies to customize the product to meet customer need.

Motor insurance underwent a period of re-calibration over 2016-2019, as the market sought to strike a balance between product pricing, profitability, and value for customers. The MOD market was characterized by a rising popularity of customized products (mainly with deductibles), which resulted in consistent growth in policies sold. The CMTPL market saw reduction of tariffs due to a certain liberalization trend and anti-fraud measures of the CBR.

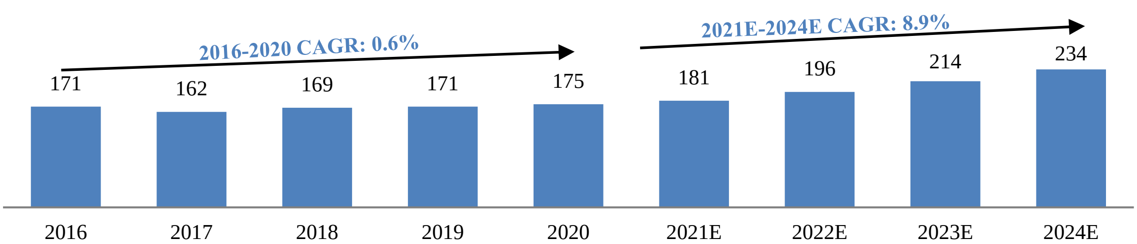
According to the KPMG Report, in 2020 motor insurance showed slight growth of 3%, despite the COVID-19 outbreak, which slowed down the car industry for several months. In Q1 2020 both MOD and CMTPL demonstrated robust year-on-year growth, followed by a period of deceleration in April and May 2020, which in turn affected H1 2020 results. Subsequently, the car industry saw a rebound in consumer demand, which created a good foundation for motor insurance performance in H2 2020.

According to the KPMG Report, motor insurance is expected to revert to a growth trend in the forecast, following greater car fleet penetration and a stabilization of average tariffs. MOD penetration into the car fleet in the mid-term may be facilitated by improvements related to product availability and greater variety, as well as the creation (or enhancement) of a digital experience. CMTPL penetration into the car fleet is expected to benefit from further CBR and government initiatives.

MOD

MOD was historically geared towards new cars sales by insurance companies' partners (e.g., auto dealers), especially for credit purchases. Currently, the product is mainly used for cars aged up to 10 years. For a long time, MOD was seen as a standard product with full coverage, but customized offerings are gaining popularity, especially policies with deductibles. The wide coverage of MOD with deductibles, and the emergence of boxed products, such as limited MOD, guaranteed assets protection (GAP) insurance, and extended warranty, are characterized by a growing number of policies sold. Due to limited coverage, these products are more affordable, which is reflected in a downward average premium trend. MOD remains one of the most profitable products, despite a recent rise in the combined ratio before overheads. Acquisition costs are rising, due to sales partners' increasing commissions, and the loss ratio is hit by rising car repair costs. MOD is mainly popular in the Moscow and St. Petersburg metropolitan areas: according to the KPMG Report, 61% of all MOD GWP in 2020 were underwritten in these regions.

MOD Gross Written Premium (RUB billion)



Source: KPMG Report

According to the KPMG Report, the MOD market is projected to capitalize on increasing product penetration into the used car fleet, which in turn will be driven by improvements in value proposition and digital transformation, and the market will be supported by a smooth growth in new car sales from 2021 and onwards, together with an increasing share of purchases on credit and car leases. It is expected that the key factor behind the penetration increase in the MOD market, particularly in regions other than the Moscow and St. Petersburg metropolitan areas, will be the development of boxed products and products with deductibles, which is expected to provide clients with customized solutions that give a more flexible choice in terms of coverage and tariffs.

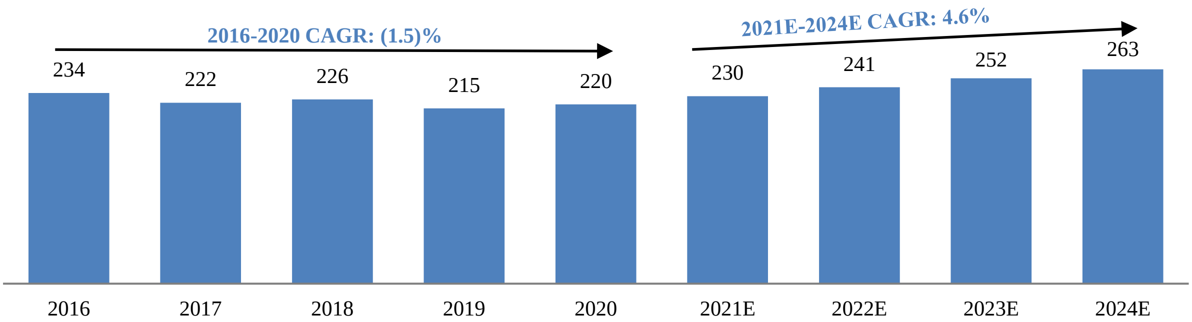
Digital disruption is also likely to give a boost to the market, as most players aim to create a fully digital experience in the near future. This will allow the market to achieve operational simplicity and convenience throughout the entire customer experience, thereby making MOD a more widespread and credible product. In addition, the development of an online channel might facilitate a reduction in acquisition costs and, thus, pricing optimization, which is an important factor for penetration in other (less penetrated) regions.

CMTPL

CMTPL was introduced in 2003 as a government measure to boost the insurance market and develop a refined approach to handling traffic accidents. Since 2014 the CBR has made commendable progress towards the liberalization of pricing and client risk assessment by introducing a CMTPL tariff corridor (prior to this, prices were fixed). In subsequent years the CBR improved the tariff corridor system a number of times, and thus facilitated more personalized and fair pricing. The most recent changes, involving extended tariff boundaries and personalized risk coefficients, were introduced on 5 September 2020.

Following CBR initiatives towards pricing optimization, average premium fell in recent years, as a large share of car owners were eligible for low-priced CMTPL policies due to their low risk profile. Historically, CMTPL profitability was close to break-even, however, with a more sophisticated pricing approach, the market should be able to find the right balance between affordability and profitability. Although CMTPL is an obligatory type of insurance, its car fleet penetration has not reached the maximum level. According to the KPMG Report, in 2020 car fleet penetration in the Moscow and St. Petersburg metropolitan areas was above 90%, whereas in other regions it was roughly 85%.

CMTPL Gross Written Premium (RUB billion)



Source: KPMG Report

According to the KPMG Report, further extension of the tariff corridor will enhance the availability of CMTPL policies and is expected to drive car fleet penetration, and greater monitoring by the authorities of CMTPL policies is also expected to contribute to the growth in penetration, especially outside of Moscow and St. Petersburg conglomerates.

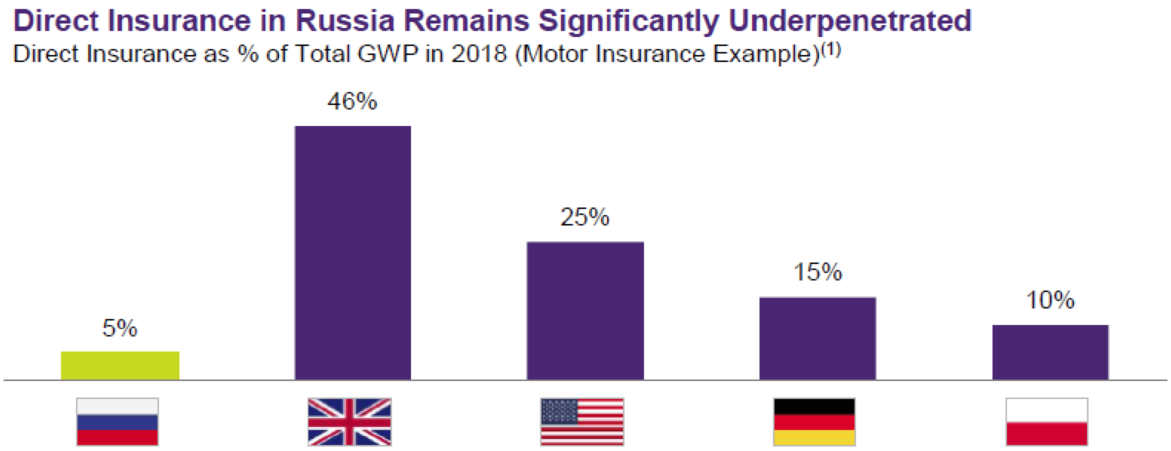
Distribution channels for MOD and CMTPL

Agents historically played a crucial role in establishing relationships with customers, especially when promoting MOD for used cars. Although agents' shares were gradually shrinking over 2017-2020, there is potential for them to regain their positions, following permission being granted by the CBR for agents to participate in online sales after the COVID-19 lockdown.

CMTPL premiums underwent a drastic transition to the online channel, driven by a CBR directive of 2017 to underwrite policies online only upon a customer request. For MOD, the online share is still at a low level, though the channel has upside potential, especially in light of pandemic limitations and the development of the respective ecosystems and marketplaces.

Partners comprise of auto dealers, leasing companies and other intermediaries. The share of auto dealers remains high, especially in MOD insurance, as they play a key role in promoting policies for new cars. The share of auto dealers and other partners is expected to be preserved in the medium term.

Direct Insurance in Russia Remains Significantly Underpenetrated (%)



Source: KPMG Report, CBR

Health insurance

Health insurance is the fourth largest product group in the non-life segment. It consists of two products, VMI and travel insurance, which are different by nature, but reported jointly by the CBR under health insurance.

VMI market development mainly hinges on growth of the medical care sector and the penetration of insurance products in such sector. The latter, in turn, will depend on the market players' success in capturing SME and retail client bases via enhanced and customized product propositions. The key driver for travel insurance is the volume of outbound international travel.

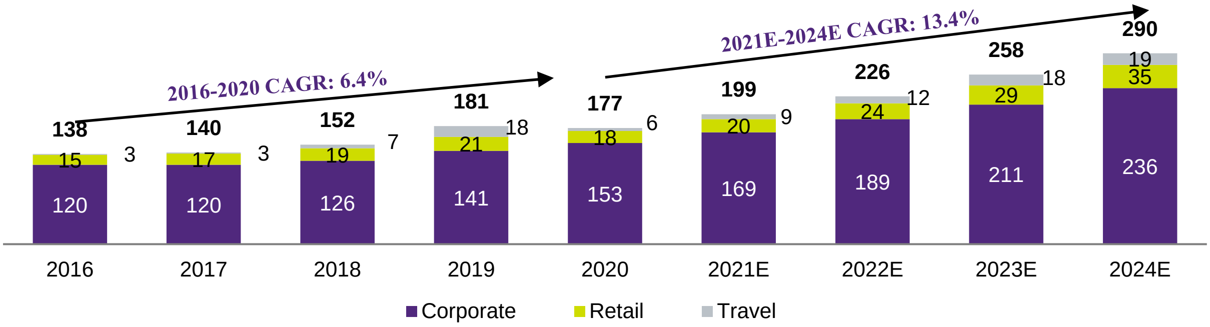
According to the KPMG Report, in 2016-2018 total health insurance GWP demonstrated modest average growth of 5% (roughly equal to the inflation rate), while in 2019 the market surged following growing demand for customized insurance products with more affordable plans (for example, products with deductibles). A significant portion (40%) of growth in 2019 was also attributable to travel insurance.

Despite lockdown measures in major cities and closure of borders due to the COVID-19 pandemic, the health insurance market showed overall flat dynamic in 2020, and VMI market within it showed 5% growth in 2020 compared to 2019. The impact of the economic downturn caused by COVID-19 in April and May 2020 was moderate, as a significant part of health insurance contracts were underwritten in the 1st quarter of 2020 before the pandemic. Travel insurance plummeted in 2020, due to the suspension in international travel, resulting in the travel insurance GWP decreasing by 65% in 2020 compared to 2019. According to the KPMG Report, travel insurance GWP is expected to rebound to the same level of volumes as before the COVID-19 pandemic in 2023, with some future growth potential.

According to the KPMG Report, health insurance growth will be driven by:

- the development of product proposition, which will facilitate greater penetration into commercial medical care;
- industry digitalization;
- the transformation of existing products into tailored insurance solutions with more affordable plans and personalized coverage;
- the digitalization of commercial medicine and the introduction of digital health solutions, especially for retail clients.

Health Insurance Gross Written Premium (RUB billion)



Source: KPMG Report

According to the KPMG Report, overall, health insurance has exhibited stable dynamics in loss ratios from 2017 to 2019. Despite high inflation in medical costs, market players managed to maintain margins through cost base optimization measures and improved claims monitoring, and the 2020 COVID-19 lockdown measures contributed to a significant decrease in loss ratio.

Corporate VMI

Historically, corporate VMI was mostly popular among large corporations, including state companies and local and international corporations. This segment has a relatively saturated client base and modest growth prospects. A recent surge in premiums as well as the number of insured individuals demonstrate further expansion of the corporate client base and growing interest within the SME segment.

According to the KPMG Report, a modification of the existing product line towards limited coverage with optimal pricing will allow market players to seize opportunities in the SME segment: with limited capabilities compared to large corporations, the SME segment requires optimal VMI product and options that will fit their potential insurance budget, as well as medical coverage needs. Potential product modifications include deductibles, co-financed and other options that address client needs in terms of providing a wider choice of options and more affordable insurance plans.

Retail VMI

Retail VMI segment includes a range of products, from “full/classic” to “limited/boxed” VMI products with a predetermined set of conditions and fixed risks (telemedicine, critical illnesses, dentistry, tick-bite). A separate, obligatory type of retail VMI segment exists in Russia for foreign citizens to support work permit applications. According to the KPMG Report, the share of classic VMI and limited products is relatively low and has high potential to grow in the upcoming years.

Insurers are actively looking for ways to capture the retail segment, which has enormous unmet demand for medical services. The launch of smart insurance products with high added-value personalized experience is expected to be a key factor in penetrating the retail segment. The development of limited products with customized coverage and tariffs will also facilitate increased interest from retail clients. It is expected that trends in preventive healthcare and conscious consumption will support the growth of both “full/classic” VMI programs and “limited/boxed” solutions (check-ups, telemedicine, and others). In addition to product improvements, digitalization and the integration of insurance players with clinics might boost retail VMI through a seamless and more convenient customer experience.

Travel insurance

For a long time travel insurance used to be an imputed product, with demand maintained by visa application requirements for short and long-term insurance in some regions and countries. In recent years, GWP demonstrated significant growth, following the successful mass launch of travel insurance bundled with debit and credit cards by market players. One of the market leaders was successful in selling bundled products, demonstrating quadruple growth in premiums, and thereby driving the market in 2019.

COVID-19 limitations, which adversely affected the travel industry and international trips generally, resulted in the decrease of the travel insurance GWP by 3 times in 2020.

In 2021 travel insurance GWP volume is expected to start a smooth recover, following partial cancellation of COVID-19 travel restrictions and also supported by another major source of premiums relating to bundled products which is less affected by the pandemic and will likely maintain the same level of GWP. According to the KPMG Report, the rebound to pre-pandemic GWP volumes with future growth potential is expected in 2023.

Accident

Accident insurance is the third-largest product group in the non-life insurance market. The main product is general accident insurance, with other types of insurance products sharing an insignificant portion of the market, including travel, passengers, patients and employees' accident insurance.

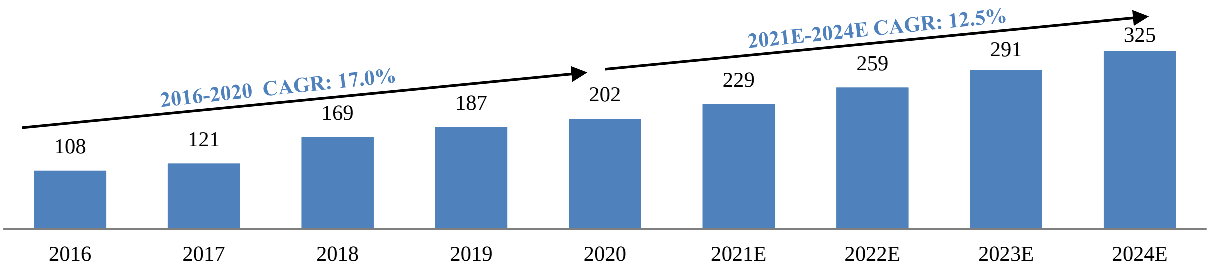
General accident insurance policies are usually sold through financial institutions together with retail loans, therefore growth in premiums is highly correlated with retail lending volumes. Macroeconomic factors, in particular the increase in retail lending, support growth in accident insurance premiums in the medium term. The segment might also have an additional upside from an increase in products with risk-preventive features and technological compatibility within partner channels.

Accident insurance demonstrated significant growth following the expansion in retail lending volumes. Historically the volume of new issued retail loans has been growing at an average annual rate of 25%, driving a surge in accident insurance. Also, a rise in acquisition costs stimulated growth in commissions for market leaders, resulting in growth in GWP.

The global COVID-19 pandemic caused a drop in retail lending and reduced accident GWP volumes in H1 2020. However, due to an observed restoration of retail lending in the second half of the year, H2 2020 results managed to offset the H1 setback, and accident insurance demonstrated an 8% growth in 2020 overall as compared to 2019.

Accident insurance is expected to further benefit from a growing retail banking industry, and to achieve high penetration in the medium term through technological improvements. According to the KPMG Report, over 2021-2024 volumes of new issued loans are projected to rise by 13% per year and accident insurance is expected to follow this trend, with loan penetration remaining at maximum levels. Service improvement through digital technologies and greater compatibility with partner channels to form a coherent ecosystem may support further growth.

Accident Gross Written Premium (RUB billion)



Source: KPMG Report

Market growth historically was driven mainly by the expansion of a few market leaders, which results in higher-than-average market growth rates for the market leaders but a high market concentration in general. For example, SOGAZ and VTB's market shares increased from 45% in 2017 to 50% in 2020. As a result of aggressive expansion and an ultimate merger between SOGAZ a company that specializes in corporate insurance, and VTB, a company that specializes in retail insurance (the new company was called SOGAZ & VTB), acquisition costs soared for the market leaders. Other companies maintained stable double-digit growth in GWP for accident insurance, and at the same time managed to keep the Acquisition Ratio close to 40%. High market concentration pushes other market players to develop standardized solutions, harness competitive digital advantages with the latest technologies and improve product attractiveness in order to compete.

Accident insurance policies are predominantly sold through banks in tandem with the issuance of personal loans to customers. There are two types of contracts underwritten through banks. The first type is a direct contract between insurance companies and banks, which represents a direct channel, and the second type involves the bank playing an intermediary role in promoting accident insurance policies to customers. Sales through banks is expected to remain the predominant distribution channel in the future, and may even grow in channel shares as a result of the development of ecosystems.

Property

According to the CBR data, property insurance was the second-largest non-life segment by written premiums in 2020 and one of the most promising insurance sectors, consisting of corporate and individual property insurance.

Corporate property insurance comprises of general corporate property insurance and freight cargo insurance. This product group depends on the macroeconomic climate in the country, as well as the volume of physical trade.

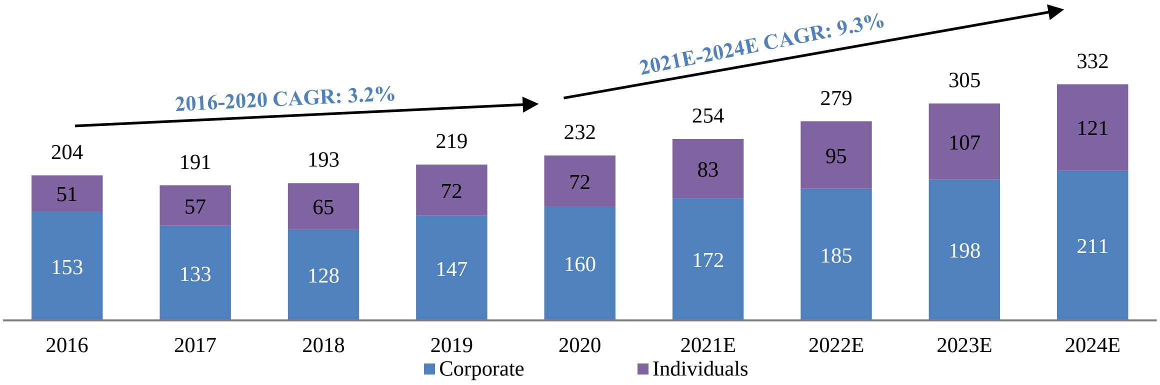
Individual property insurance consists of general personal property insurance and residential property insurance. The main drivers for individual property insurance are housing market dynamics, personal disposable income, the availability of personal credit and the financial literacy of the public.

While corporate property insurance segment growth dynamics remained flat from 2016 to 2019, historical growth was observed for individual property insurance. Overall, according to the KPMG Report, the property insurance market saw modest growth in this period, mainly driven by a 40% rise in individual property insurance, while corporate property insurance saw little growth.

According to the KPMG Report and the CBR data, the temporary lockdown due to the COVID-19 pandemic had almost no impact on the corporate property insurance market in 2020: GWP increased by 9% against the previous year. Annual GWP for individual property remained flat overall in comparison with 2019, with a drop in the first half of 2020 and a medium recovery in the second half of 2020.

Based on the KPMG Report, property insurance is expected to see consistent future growth in the corporate property segment, and significant future growth in individual property insurance. Growth in individual property insurance is expected to be driven by a rise in insurance penetration and the sustainable development of the corporate segment. Additional market upsides could be gained through the introduction of individual property insurance co-financed by the state and technological improvements that reduce risks for retail customers.

Property Gross Written Premium (RUB billion)



Source: KPMG Report

Corporate property

Corporate property insurance consists of two types of insurance: general corporate property insurance and cargo insurance. General corporate property insurance covers important corporate assets, including corporate buildings and key production equipment. The segment has historically seen consistent demand and stable GWP volumes. Cargo corporate insurance secures freight cargo in transit against various risks associated with shipping, and has also historically seen consistent demand and stable GWP volumes. The majority of corporate insurance segment policies are written by insurance companies' headquarters, which are mostly located in Moscow, thus geographically are mainly represented in Moscow.

According to the KPMG Report, corporate property insurance market trends follow GDP dynamics and two key factors affect further growth of this market:

- economic activity and industrial production volumes: as businesses grow, there is increased necessity to hedge company property against risks, and the volume of trade underpins the volume of freight cargo transported within a country; and

- the emergence of new insurance niches and evolving risks that can be addressed by product modification using Internet of Things and data digitalization.

Direct sales is a primary channel for corporate property insurance distribution, as large corporate contracts are usually executed in head offices. According to the KPMG Report, the segment will be dominated by the direct channel, therefore, no structural shifts in distribution are expected.

Individual property

The individual property segment combines two types of insurance: residential property and general individual property insurance.

Residential property insurance was historically driven by increasing insurance penetration and region-specific activities from municipal governments to simplify the insurance process: for instance, Moscow government included a voluntary insurance option into utility bills, which led to a decrease in average premiums and a greater number of total contracts.

General individual property insurance comprises various types of personal property coverage, for example, personal electronics, home appliances, and domestic pets (but not including homes and cars). Historical significant growth in general individual contracts confirms the expansion trend for this type of insurance, stimulated by retail lending volumes. Geographically, a significant share of individual property insurance is attributed to Moscow, due to relatively higher income per capita levels.

According to the KPMG Report, compared to developed countries, which have close to 90% penetration, Russian market penetration has significant growth potential: with the ratification of laws on state emergency home insurance, residential property insurance is expected to grow, supported by the development of “smart home” technologies. Product modifications, including “limited/boxed” solutions, and growth in retail lending are expected to drive individual property insurance. Furthermore, in the 2020 KPMG Russian insurance market survey, the insurance of domestic pets and electronic appliances were identified as key growth points for the personal property insurance market (cited by 13% of respondents).

Historically, individual property insurance has relied heavily on the banking and agency channels. The increasing share of the banking channel correlates with the growing share of assets other than residential property that are sold on credit (mobile devices, home appliances, etc.). According to the KPMG Report, large opportunities exist for the online channel, due to growing popularity in online loans and the ecosystem / marketplaces model.

Life Insurance

Life insurance includes two main groups of products: savings insurance and credit life insurance. Other life insurance products, such as risk insurance, for instance, formed less than 5% of the life insurance GWP in 2020.

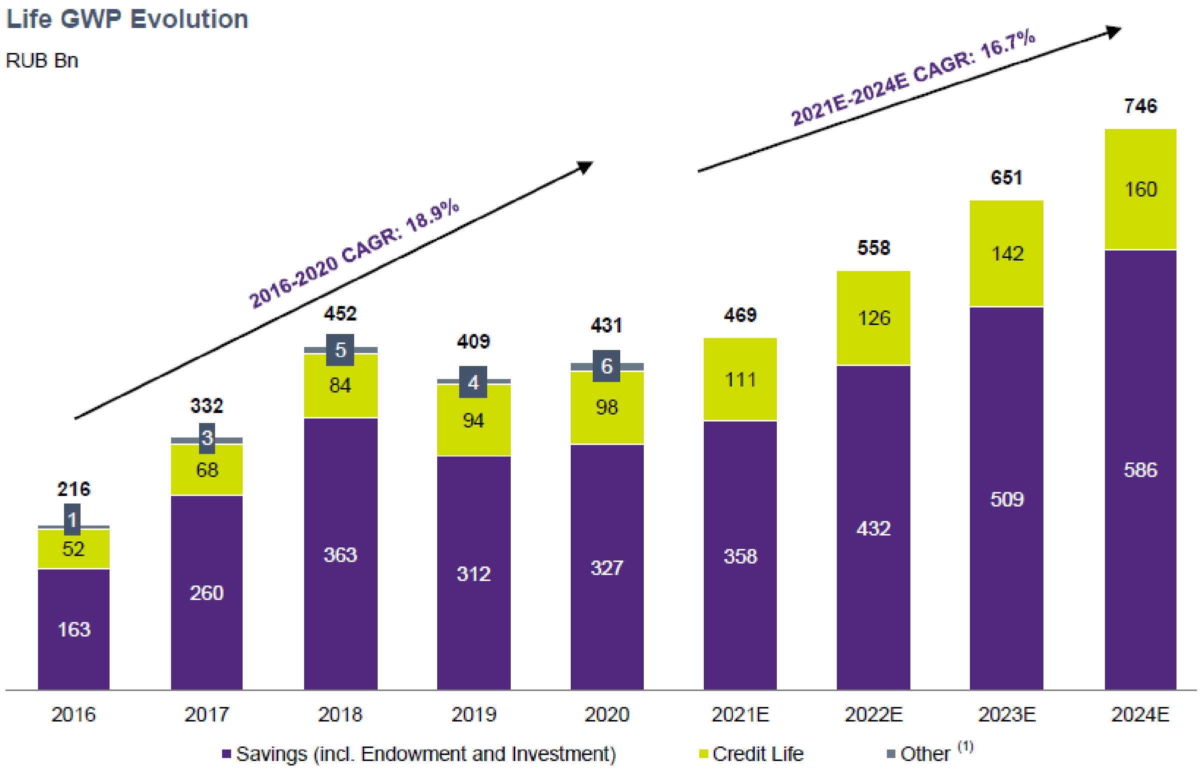
Savings insurance includes endowment life insurance, which is a single and regular premium savings product providing a long-term capital accumulation combined with insurance coverage (death, disability, critical illness), and investment life insurance, which is a single premium savings product with a significant investment component combined with a guarantee of a premium refund upon maturity and minimum risk coverage.

Credit life insurance covers the debt of a borrower in the event of the policyholder’s death, permanent and/or temporary disability, sickness, unemployment and certain other circumstances.

Both of these groups significantly benefit from a low interest rate environment, since low interest rate makes potentially high-yield endowment products more attractive compared to bank deposits, and stimulates growth in credit life insurance as a result of higher retail loan issuance.

Life insurance was the fastest-growing segment, with GWP doubling in recent years due to the active promotion through investment insurance products. According to the KPMG Report, in 2020 it was the largest insurance segment, with a 28% market share of the entire insurance market in Russia.

Life GWP Evolution (RUB billion)



Source: KPMG Report

Endowment insurance GWP almost doubled between 2016 and 2019, with a significant rise in investment products as a result of proactive sales by banks. Over 2016-2018 life insurance was the fastest-growing segment, with a CAGR of 45%.

2019 saw a temporary fall in premiums, mainly due to the initiatives the CBR and All-Russian Insurance Association ("ARIA") to boost the transparency of the sales process and customer awareness.

Despite the impact of COVID-19, the market demonstrated positive trends in 2020 with a 5% growth as compared to prior year GWP. New business related to investment and savings life products rose over 30% in 2020 for the overall market. Interruption of steady growth during the period between 2019-2020 as compared to 2018 was caused by the fact that the industry leader, Sberbank Life Insurance, has significantly reduced its life underwriting volumes. The rest of the life market, having gone through a minor slowdown in 2019, enjoyed a strong recovery in 2020. Growth in the savings segment was driven by lowering interest rates and proactive sales effort by banks.

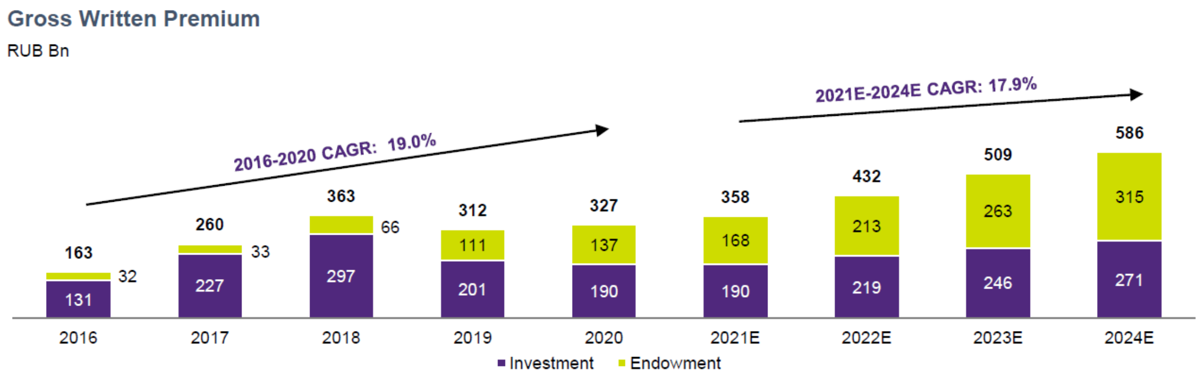
Credit insurance is driven by growth in retail lending (both general consumer and mortgages). Overall, life insurance is quickly emerging as one of the most dynamic and rapidly growing segments of the Russian financial services industry.

Investment life insurance

Investment life insurance products are relatively new – they were first introduced to the market in 2009. Historically, the market comprised of mostly short-term (approximately three to five years) contracts with single premiums. In 2016-2019, savings market almost doubled, with a significant rise in investment products as a result of proactive sales by banks. 2019 saw a temporary fall in premiums, mainly due to ARIA and CBR initiatives to boost transparency of the sales process and to overcome mis-selling practice. Starting from 2019, endowment insurance started to outgrow investment insurance, and this trend is expected to continue, according to the KPMG

Report. Despite the impact of COVID-19, the market demonstrated positive trends in 2020, with a growth of GWP of approximately 5% compared to 2019.

Investment Gross Written Premium (RUB billion)



Source: KPMG Report

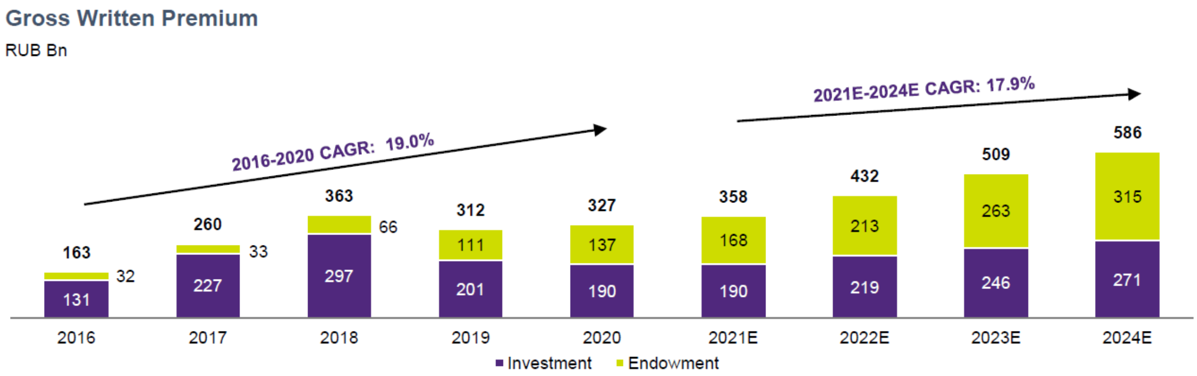
According to the KPMG Report, the investment insurance segment has the following opportunities and potential growth factors:

- Greater investment attractiveness compared to deposits in an environment of low interest rates.
- Envisaged changes in regulation of investment products sales aimed to improve transparency, which have resulted in advance preparation of the insurers to the changes leading to a modest growth rate forecast for 2021, but also create additional opportunities for further growth in 2022-2024.
- Better client awareness of product parameters following ARIA and CBR initiatives, as well as favorable regulatory changes, including state guarantees and an extension of tax incentives.
- Other potential product modifications, which may include coupon payments of investment income, the introduction of minimum guaranteed income, extension of the risk component, promotion of regular premium contracts and longer-term contracts (up to seven years), and a personalized and dynamic investment strategy.
- The introduction of unit-linked products, following necessary regulatory changes.

Financial institutions (banks) are the dominant distribution channel for investment life insurance products, as they are promoted as alternative to bank deposits. The share of other channels is insignificant.

Endowment life insurance

Endowment Gross Written Premium (RUB billion)



Source: KPMG Report

Total aggregate endowment and investment market GWP accounted for RUB 260 billion and RUB 327 billion as of 2017 and 2020, respectively, demonstrating an 8% CAGR as compared to the forecasts presented in the KPMG Report for 2021 and 2024 for RUB 358 billion and RUB 586 billion, respectively, with an 18% CAGR expected.

Historically the market was dominated by long-term (approximately 10 to 30 years) contracts with regular premiums. A recent trend towards shorter-term contracts with single premiums makes the endowment product similar in nature to the investment one, and blurs the line between the two types of savings products.

GWP of the segment grew steadily between 2017 and 2020 from RUB 33 billion to RUB 137 billion. ARIA and CBR initiatives introduced in 2019 to improve sales transparency did not affect the segment for two main reasons: customers are familiar with the product, and a significant share of sales was made through the non-banking channel (mostly agents), which was more transparent to begin with.

According to the KPMG Report, endowment life insurance segment has the following opportunities and potential growth factors:

- Greater investment attractiveness in an environment of low interest rates;
- Improved client awareness surrounding product parameters following ARIA and CBR initiatives, as well as favorable regulatory changes, including state guarantees and an extension of tax incentives;
- Further potential product modifications, which include an extension of rider coverage, with various assistance options, such as telemedicine, second medical opinion, medical check-ups, preparing tax allowance documents, etc.;
- Product transparency at the after-sale stage, which will improve through personal digital accounts (website, mobile app) showing policy info, accrued bonuses, expected investment income, etc.;

Sales via financial institutions (banks) are significant for the endowment product, which is mainly due to the fact that the market leader Sberbank Life Insurance does not use any other channels. Excluding Sberbank of Russia, the importance of agent channels for endowment products is very high. Agents are a “fit for purpose” distribution channel for endowment, as products require a proper sale to a client using financial planning. Sales via other channels mostly include sales via the agent network of a parent company in the case of insurance groups, which makes the share of the agents channel above 40% for the endowment product.

Credit life insurance

The credit life market comprises protection products, sold mostly by banks to secure loan repayments in the case of adverse events affecting a borrower. Depending on the type of loan, credit insurance penetration rates vary from the highest, above 90% in mortgage loans, to 40%-60% in auto, personal, and POS loans.

According to the KPMG Report, GWP of credit life insurance has grown from RUB 68 billion in 2017 to RUB 98 billion in 2020, with some slowdown towards the end of the period (GWP in 2018 and 2019 was RUB 84 billion and RUB 94 billion, respectively).

The aggregate credit life and other products market GWP accounted for RUB 71 billion and RUB 104 billion as of 2017 and 2020, respectively, demonstrating a 14% CAGR, as compared to the forecasts presented in the KPMG Report with respect to 2021 and 2024 for RUB 111 billion and RUB 160 billion, respectively, with a 13% CAGR expected.

Historically, the credit life insurance market was characterized by high commission rates and significant pressure from banks to further increase commission rates, reducing insurer margins and, correspondingly, coverage. Hence, according to the KPMG Report, in 2020 although GWP of credit life insurance increased, premiums net of commissions remained within the same range.

According to the KPMG Report, credit life insurance segment has the following opportunities and potential growth factors:

- Increased retail lending volumes and improved customer and partners experience due to the use of compatible technologies forming a coherent ecosystem.

- Product modifications following the renegotiating of intermediaries' commissions and the transfer of this value to customers.

- A further sharp jump in technological development, including internet of things and big data, which could enhance attractiveness of the risk-preventive component of the life credit insurance.

Banks are the core channel for credit life insurance, as the product is usually underwritten together with personal loans. The direct channel comprises of group insurance contracts between insurers and banks, with no agency commission under this type of agreement. However, borrowers still pay a separate fee to banks for the referral of insurance services.

BUSINESS

Overview

Being, according to the CBR data, one of Russia's largest independent insurers, the Group operates a leading digital insurance platform across life and non-life insurance and asset management segments disrupting the traditional insurance market in Russia by offering innovative, technologically advanced and user-friendly solutions committed to providing first-class service to its customers.

The Group's management believes that its proven track record of delivering innovation differentiates the Group from traditional industry players and fosters organic growth. Furthermore, the Group believes that its leading digital insurance platform offers additional scaling and growth opportunities in the growing Russian insurance market.

Market Position

According to the CBR data, the Group is the largest independent life insurance and the fourth largest independent non-life insurance company in Russia, based on GWP for the years ended 31 December 2020 and 2019. The Group achieved a GWP CAGR of 17% between 2017 and 2020, which is 8% higher than the GWP CAGR of the other top-10 insurance providers in Russia for the same period, according to the Company and the CBR data. The recent substantial growth, according to the Group' management, is in line with the Group's long-term trends, as its GWP increased 6.5-fold between 2010 and 2020, from RUB 12.8 billion for the year ended 31 December 2010 to RUB 82.8 billion for the year ended 31 December 2020, which was primarily due to organic expansion and value accretive acquisitions, while the total GWP in the Russian insurance market grew 2.8-fold times in the same period from RUB 556 billion to RUB 1,537 billion. In the six months ended 30 June 2021, the Group generated a GWP of RUB 47.7 billion, earned RUB 1.3 billion of net profit and had net assets of RUB 31.6 billion.

The Group demonstrated an 18% CAGR in net profit from RUB 3.4 billion in 2018 to RUB 4.7 billion in 2020, and this substantial growth was coupled with RoATE reaching 21.6% in the six months ended 30 June 2021.

Net Profit Growth (in RUB billion)

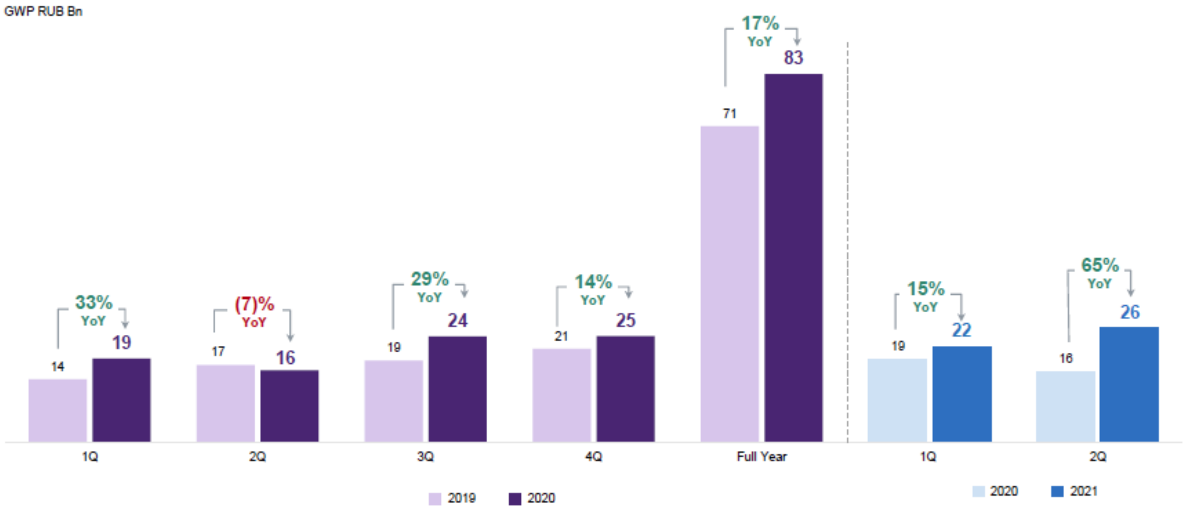
Source: Company data

(1) Net profit for the last 12 months adjusted for amortisation of value of business in force divided by equity adjusted for goodwill, intangible assets and value of business in force for the specified period.

(2) RoATE for the six months ended 30 June 2021 calculated as sum of net profit for the last 12 months and estimated amount of RUB 520 million gain from sale of pension business divided by average equity adjusted for goodwill, intangible assets and value of business in force as of 30 June 2021 and 30 June 2020.

The Group has also managed to maintain growth despite the implications of the COVID-19 pandemic. According to the Group, the COVID-19-related slowdown in GWP growth in the second quarter of 2020 was more than offset by the growth in the subsequent periods, as demonstrated in the chart below:

Growth in Premiums Despite the Challenges Posed by the COVID-19 Pandemic



Source: Quarterly data based on management accounts

Key Products

The Group's key Non-Life insurance products are motor insurance (corporate and retail), VMI and other Non-Life products (including property, accident, travel, cargo and other insurance), which represented 57%, 17% and 26%, respectively, of the Group's total Non-Life GWP for the year ended 31 December 2020. In the six months ended 30 June 2021, motor, VMI and other Non-Life insurance products represented 58%, 20% and 22%, respectively, of the Group's total Non-Life GWP. Non-Life insurance products are primarily distributed through the Group's internal salesforce, financial and non-financial intermediaries and dealers. Net profit attributable to the Non-Life insurance segment amounted to RUB 2.1 billion, or 44.4%, of the Group's net profit for the year ended 31 December 2020, and RUB 0.4 billion, or 30.6%, of the Group's net profit for the six months ended 30 June 2021.

In the Life insurance segment, the Group offers three product lines, namely, investment, endowment and credit and risk Life products, which represented 54%, 17% and 29%, respectively, of the Group's total Life GWP for the year ended 31 December 2020; and 36%, 17% and 47%, respectively, of the Group's total Life GWP for the six months ended 30 June 2021. The main distribution channel for Life insurance products is bancassurance channel, supported by direct sales of the Group. As of 30 June 2021, the Group had 46 banking partners in the Life insurance segment. Net profit attributable to the Life insurance segment amounted to RUB 2.4 billion, or 51.2%, of the Group's net profit for the year ended 31 December 2020, and RUB 1.1 billion, or 85.4%, of the Group's net profit for the six months ended 30 June 2021.

Asset Management

The Group manages part of its own investments through Sputnik Asset Management, the asset management segment of the Group's business. As at 31 December 2020, Sputnik Asset Management had RUB 40 billion of the Group's assets under management, which accounted for 25% of the Group's total assets. As at 30 June 2021, Sputnik Asset Management had RUB 53 million of the Group's assets under management, and assets under the management of Sputnik Asset Management accounted for 30% of the Group's total assets. In the year ended 31 December 2020, Sputnik Asset Management recorded a net profit of RUB 98.5 million, which accounted for 2.5% and of the Group's total net profit, and in the six months ended 30 June 2021, Sputnik Asset Management recorded a net loss of RUB 28 million, which accounted for negative 2.1% of the Group's total net profit. According to the Group's management, remuneration is typically paid to Sputnik Asset Management at the end of each year and the net loss as at 30 June 2021 is attributable to the seasonality.

Client Base

As of 31 December 2020, the Group had approximately 3.5 million customers and it believes it had a balanced split of GWP for the year ended 31 December 2020, with the Non-Life segment contributing RUB 37.1 billion (or 44.8%) and the Life segment contributing RUB 45.7 billion (or 55.2%) to the total GWP of the Group.

The number of the Group's Non-Life clients was equal to 2,060 thousand as at 31 December 2018; 2,142 thousand as at 31 December 2019; 2,063 thousand as at 31 December 2020 and 2,346 thousand as at 30 June 2021, respectively. The number of the Non-Life Core Clients amounted to 826 thousand, 1,015 thousand, 1,028 thousand and 1,187 thousand Non-Life Core Clients as at 31 December 2018, 2019 and 2020 and as at 30 June 2021, respectively.

The number of the Group's Life clients grew from 1,380 thousand as at 31 December 2018 to 1,578 thousand as at 31 December 2019, 1,903 thousand as at 31 December 2020 and 2,060 thousand as at 30 June 2021. As of 30 June 2021, the Life Core Clients accounted for 19%, 6% and 6% of the Group's Life clients, respectively, and customers that purchased credit life insurance accounted for 69% of the Group's Life clients. Despite their significant share in the Life client base, the Group does not view the latter as its core clients (unless they have purchased other Life products as well), because the purchase of credit Life products is less driven by preferences towards the Group's brand. The number of the Life Core Clients amounted to 205 thousand, 289 thousand, 367 thousand and 373 thousand as at 31 December 2018, 2019 and 2020 and as at 30 June 2021, respectively.

As of 30 June 2021, the Group's CLT was 3.0 years with an average of 1.3 products per client. The Group's Life insurance average CLT was 4.4 years with an average of 1.4 products per client. The Group's management believes that the Group has demonstrated significant level of client retention and cross-selling ability, with 22% of the Group's core clients purchasing more than two products per client and 26% of the Group's core clients having a CLT of more than five years as of 30 June 2021.

Awards and Recognition

As of 30 June 2021, the Group was recognised as one of the two leading insurers by customer rating, according to the "Sravni.ru" rating (one of Russia's major independent online marketplaces for banking and insurance services). According to the Masmi Survey, the Group's brand awareness rate in the Russian market was 78% and the Group was ranked as one of the top-four Russian insurers with the highest brand awareness rates. According to the Masmi Survey, for the same period, the Group's consideration rate (a measure of consumers' willingness to consider purchasing a brand they are aware of) for MOD, travel insurance and CMTPL products was 19%, putting the Group among the top-five Russian insurance providers based on this metric. As of March 2021, according to Rus Opros, the Group was ranked the fifth largest insurance provider based on the NPS).

According to the Group, it has been recognised for its innovative and technologically advanced digital offering in the Russian insurance market, for both customer-facing solutions and internal processes, including automated claims handling process and digitalisation of distribution channels. "Banki.ru" (one of Russia's major independent financial web media and marketplaces) designated the Group's Non-Life operations as the "Best Insurance Company of 2019", denoting its ongoing transformation, digital advancements in claims handling process and the Group's ability to efficiently adjust its operations in a speedy fashion. The Group was also recognised as the "Number One Insurer by Customer Rating" by "Sravni.ru".

The Group believes that it has a unique business model that focuses on offering its clients technologically advanced solutions. To achieve this, the Group has already implemented a strong partner integration system based on a single application programming interface, which allows the Group to efficiently integrate with partner ecosystems, Russia's first online agency solution, a wide range of innovative digital core insurance products and solutions (including, among others, automated policy solutions, smart online rates, smart auto rates and scoring capabilities, automated claims handling systems, use of big data and artificial intelligence (AI)) and, importantly, an end-to-end digital user experience for customers. In addition, the Group is a pioneer in direct motor insurance in Russia (see "*Business—Business Segments—Non-Life Segment—Direct Insurance—Motor Direct Insurance*"),

operating through its two brands, Renaissance Insurance and InTouch. The Group considers InTouch to be a leading direct insurance brand with a substantial scalability potential.

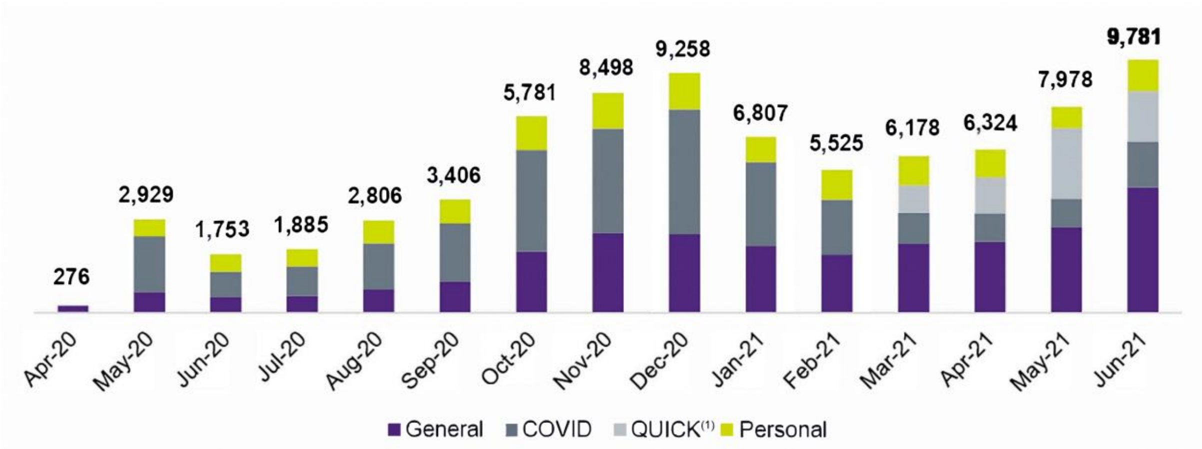
Digital Health

Considering the increasing prominence of the Russian medical insurance market, the Group developed the Digital Health to compliment the Group's VMI products and differentiate them from those of the Group's competitors, as well as to reduce the cost of VMI sales (see "*Business—Business Segments—Non-Life Segment—Voluntary Medical Insurance (VMI)—Digital Health*"). At the core of the Digital Health is the "Budu" mobile application, a user-friendly e-health solution that serves as a gateway to all of the services offered by the ecosystem. The "Budu" application offers the Group's clients a wide range of medical services both online and offline and provides access to more than 100 doctors at the Group's own clinic "Renaissance Clinic", as well as to clinics operated by medical partners of the Group. In the second quarter of 2021, "Budu" mobile application had a monthly average of approximately 22 thousand active users.

According to VEB Ventures data, the Russian telemedicine market is expected to almost double each year until 2025, with the primary reason being the increased demand for telemedicine services during the COVID-19 lockdown. Among other services, "Budu" offers telemedicine consultations through its own platform and through integration with partner applications, such as the Renaissance Health mobile application.

According to the Group, it demonstrated a significant growth in telemedicine consultation services for the period from April 2020 to June 2021, as shown in the chart below.

Telemedicine Consultation Monthly Dynamic



Source: Company data

In September 2021, the Company and some of its existing shareholders agreed the key terms of the contemplated transfer of 51% of JSC "Renaissance Health", the Company's associated entity engaged in the "Budu" business, to such existing shareholders, which is expected to provide JSC "Renaissance Health" with RUB 850 million to develop the "Budu" ecosystem (see "*—Recent Developments*"). The parties intend to execute the necessary transaction documentation in the fourth quarter of 2021. The Group intends to continue using the "Budu" ecosystem in its business.

Competitive Strengths

The Group believes that the following strengths have contributed to its success and will continue to support its competitive position and strategic development:

The Group is a leading independent composite insurer in Russia

According to data published by the CBR, the Group is the largest life insurer and the fourth largest non-life insurer measured by GWP for the year ended 31 December 2020 among independent, non-captive insurance companies in Russia. The Group defines independent, non-captive insurers as insurance companies that are not ultimately controlled by the state and are not members of a banking group or other financial conglomerate. In 2020, the Group accounted for 11% of the total GWP in the Russian life insurance market, which is more than double that of the second largest independent life insurance company in Russia. In the Non-Life segment, the Group accounted for 3.4% of the total GWP in the Russian non-life insurance market for the same period. Based on total GWP for the year ended 31 December 2020, the Group is the eighth largest insurance company in Russia.

The Group's business model is representative of a true composite insurer with Non-Life GWP representing 45% and Life GWP representing 55% of the Group's total GWP for the year ended 31 December 2020. The Group believes that, while most of the other top-10 insurance companies in Russia by GWP have more concentrated portfolios with predominance of either life or non-life products, the Group's more diverse business profile and balanced contribution by segments offers better business risk diversification, and at the same time offers meaningful scale with its strong market positions among both independent and state-owned Russian insurance companies.

The Group believes there are a number of advantages to being an independent insurance company. Managing insurance business is at the core of the Group's focus and strategy at all times, the management's focus is fully devoted to developing insurance strategy and managing insurance operations, and is not dependent on any broader group agenda or potential conflicts. As an independent company, the Group can make faster decisions and be more agile, quick to change, transform and innovate. A flexible business model with high diversification of income sources ensures sustainable growth and profitability of the Group. Moreover, an independent offering makes the Group attractive for broader partnerships that trust the Group's expertise and face no competing interests. Finally, the Group's brand of being an independent, dedicated insurance provider appeals to both retail and corporate customers, which is an important success factor. Whilst being independent, the Group also notes its competitive strength of being able to smoothly integrate its products into mature ecosystems of any of its partners.

The Group is operating in an attractive market

The Group operates in Russia, one of the largest emerging market countries with a population of 146.17 million people as of 1 January 2021, according to Rosstat. The insurance sector in Russia has been expanding rapidly over the last 10 years with its total GWP having grown at a CAGR of 11% and reaching RUB 1,537 billion in 2020, which is approximately three times higher as compared to 2010, according to the CBR data.

In terms of segmental growth, the life insurance segment of the Russian insurance market has expanded at a faster pace than non-life. In particular, total life GWP increased from RUB 23 billion in 2010 to RUB 130 billion in 2015 and reached RUB 431 billion in 2020. Total non-life GWP increased from RUB 533 billion in 2010 to RUB 894 billion in 2015 and reached RUB 1,107 billion in 2020. The non-life segment grew two-fold during the abovementioned period at a CAGR of 8%, while the life segment expanded at a CAGR of 34%, representing a 19-fold growth during the same period, according to the CBR data.

The non-life segment is more established compared to the life segment and has undergone pricing transformation and product diversification in the last three years, with the rise in policy numbers partially offset by a reduction in average premiums. On the other hand, the life insurance segment has been a newly emerging part of the Russian insurance market and, according to the KPMG Report, its expansion stems from growing retail lending that is fueling credit-related insurance as well as active proposition of endowment products via banking channels. External factors, such as the impact of the low interest rates environment on deposit rates, have also had positive effects on life savings products, and increasing customer sophistication adds to the growing demand for investment products.

According to the KPMG Report, the Russian insurance market remains significantly underpenetrated compared to other markets, such as those in Europe, Middle East and Africa ("**EMEA**"), emerging Asia or the world generally, signaling further fundamental potential for accelerated expansion. In 2019, the Russian total premiums to GDP ratio was 1.35% as compared to 1.90% for emerging EMEA, 3.90% emerging Asia and 5.90% globally (excluding the United States). Based on the information provided by KPMG, the Russian insurance industry has experienced a three-fold growth between 2010 and 2020, from a GWP of approximately RUB 0.5 trillion for 2010 to a GWP of approximately RUB 1.5 trillion for 2020, with GWP in the more established non-life segment more than doubling in the same period. In the same period, GWP in the life segment grew 19-fold, from approximately RUB 23 billion for 2010 to RUB 431 billion for 2020. In 2020, investment products accounted for 44% of the total life segment GWP, while endowment with regular premium, endowment with single premium and credit and risk products accounted for 17%, 15% and 24% of the total life segment GWP, respectively.

According to the KPMG Report, the Russian insurance market is forecast to expand at a CAGR of 11% between 2020 and 2024, reaching RUB 2.3 trillion in 2024 (with the non-life and life segments accounting for RUB 1.6 trillion and RUB 0.7 trillion, respectively). The Russian non-life insurance segment is forecast to grow at a CAGR of 9% and the Russian life insurance segment at a CAGR of 15% in the same period. According to the KPMG Report, key growth drivers for the Russian insurance market will include favourable macroeconomic conditions and evolving regulation that increases transparency of the market and trust in insurers. KPMG also names technology enablers as future growth drivers for the insurance industry, including continued online and mobile adoption, expansion of digital economy and ecosystems that integrate insurance products, and forecasts that leading digital platforms will lead the market consolidation. The Group believes that, being one of the digitally advanced insurers, it will benefit from this trend.

Delivering stronger-than-the-market average growth and superior profitability

The Group demonstrated a very strong GWP growth between 2017 and 2020, at a level which is double that of the other top-10 insurance companies in the Russian insurance market, expanding at a CAGR of 17% as compared to the average CAGR of 9% for the other top-10 insurance companies (including VTB and SOGAZ, AlfaStrakhovanie, Sberbank Insurance, Ingosstrakh, RESO, RGS, VSK, Soglasie, RSHB-Strakhovanie), according to the CBR data. In the same period, the Group's Life GWP increased at a CAGR of 24% as compared to the average CAGR of 7% for the other top-10 life insurance providers (including Sberbank Insurance, AlfaStrakhovanie, VTB and SOGAZ, RGS, Capital-Life, RSHB-Strakhovanie, Rosbank Strakhovanie, CIV-life, and Allianz (but excluding Rosgosstrakh, which did not have life operations as of 2017)). The Group's Non-Life GWP grew at a CAGR of 11% as compared to the average CAGR of 8% for the other top-10 non-life insurance providers (including VTB and SOGAZ, AlfaStrakhovanie, RESO, Ingosstrakh, RGS, VSK, Soglasie, Sberbank Insurance, Tinkoff Strakhovanie) during the same period.

The attractive growth profile has also been accompanied by high profitability demonstrated by the Group. The Group's total RoATE for the years ended 31 December 2020 and 31 December 2019 reached 29% on average, which is significantly higher than the average RoATE of 19% achieved by the other top-10 insurance companies in Russia for the same period, based on the CBR data. The Group's Life segment delivered a RoATE of 37% and Non-Life segment a RoATE of 25% for the same period, both of which are higher than the average RoATE of the other top-10 insurance companies in the respective segments (31% in the life segment and 21% in the non-life segment).

The Group reported the highest GWP CAGR between 2017 and 2020 and the second highest profitability based on RoATE for the years ended 31 December 2020 and 31 December 2019 as compared to both domestic independent insurers (including Ingosstrakh, RESO, Soglasie, VSK) and a number of international publicly listed insurance companies, such as insurers from Central and Eastern Europe (including PZU (Poland), VIG (Austria), Uniqa (Austria)), Western Europe (including Allianz (Germany), AXA (France), Zurich (Switzerland), Generali (Italy), Talanx (Germany), Mapfre (Spain), Ageas (Belgium)) and the emerging markets outside Europe (including Ping An (China), CPIC (China), Porto Seguro (Brazil)).

Strong digital capabilities and innovation underpinned by agile organisation and culture

The Group is a digital leader and pioneer in the Russian insurance market, continuously investing in technological advancement and innovation. Digitalisation runs through the entire value chain of the Group from distribution (indirect, partnerships and digitalisation of traditional channels), insurance underwriting and claims handling, to back office and operational efficiency. All of the Group's initiatives and their successful implementation are supported by an agile organisational structure and an entrepreneurial culture that are quick to adapt to change and deliver innovation. Its multichannel, digital infrastructure and service automation enable business growth without significant cost increases. The Group believes that its strong digital capabilities offer a number of competitive advantages that differentiate the Group from traditional industry players in the following areas.

Leading direct insurer positioned to scale

The Russian direct insurance sector is significantly underpenetrated as compared to other countries, which creates substantial potential for growth. For example, direct motor insurance premiums in Russia comprised only 5% of the total GWP for 2018 as compared to 10% in Poland, 15% in Germany, 25% in the United States and 46% in the United Kingdom for the same year, according to the KPMG Report. The Group has a well-established strategy to capture future growth in the direct insurance market, operating via its two brands, Renaissance and InTouch.

The Group's direct insurance segment has demonstrated strong and accelerating growth trends further proving the growth and scalability potential of digital direct sales as compared to traditional channels. In 2020, the Group reported a 13% growth in direct insurance sales, including sales through retail partners' channels, from RUB 2,059 million in 2019 to RUB 2,332 million in 2020, comprised of a 10% growth in the Group's own direct insurance sales from RUB 1,402 million to RUB 1,538 million and a 21% growth in sales through the Group's digital retail partners from RUB 657 million to RUB 794 million. The growth significantly increased in the six months ended 30 June 2021, with the Group reporting a 56% increase in own direct sales and a 60% growth in sales via digital retail partners as compared to the same period in 2020.

Predicated on the absence of geographical barriers to entry, faster rollout and expense-light operating model, direct sales through digital channels can offer execution speed as well as superior economics. For instance, in 2020, the Group's motor Acquisition Ratio (net acquisition costs divided by net premium earned) and insurance Underwriting Quality (the sum of Acquisition Ratio and loss ratio) was 21% and 1%, respectively, lower in digital direct sales as compared to sales through the traditional retail channels.

The direct model success hinges on the Group's strong brand and customer loyalty (see "*Business—Overview—Awards and recognition*").

Unique digital partnership proposition

The Group has developed an application programming interface ("**API**") solution that offers an unmatched speed of connectivity and improved convenience for the integration of insurance products within partner ecosystems. The new solution offers a much faster connection to partner systems, currently requiring only one to two days to connect as compared to the older solutions taking one to one and a half months. The connection process offered by this new solution is also more efficient and less costly, and, since the launch of the API technology in the first quarter of 2020, the Group has attracted over 70 new partners across a diverse set of industries ranging from telecommunication to online retail and pet shops. The Group believes that this new solution provides it with stronger digital capabilities and has the potential to become a major marketplace facilitating successful partnership integration.

Digitalisation of traditional channels

The Group has delivered digital transformation initiatives across traditional channels in both Non-Life and Life insurance segments.

In the Non-Life segment, in December 2020 the Group launched the first online agency platform in Russia. The platform offers a new professional experience for agents, providing training and information resources, including data on sales, premiums and losses, within a digital workplace that gives agents the flexibility to work remotely within Russia and sell policies to the Group's customers online. The platform provides the Group with a unique opportunity to attract new agents, scale its business to benefit from the rapidly growing Russian insurance market and expand its geographical footprint to reach regions where the Group currently has no operations. The platform offers a cost efficient solution that helps the Group to monetise traffic on sales by its competitors of policies that the Group decided not to underwrite itself.

The platform also offers an attractive value proposition to the Group's agents, as they get access to a convenient ecosystem where they can issue and renew policies online and deal with customer issues. Since the launch of the platform, it has attracted over 700 new agents and has brought GWP of over RUB 80 million, and the Group expects to attract approximately 20 thousand agents by the end of 2025.

The dealer channel, traditionally offline, has also seen an increasing need for digitalisation, and the Group has identified key business development areas across four segments and has successfully implemented a tech-enabled expansion into regions of Russia where the Group had no physical presence.

One of the Group's key channels for direct distribution is tied salesforce. The Life segment has seen the introduction of a new automated insurance underwriting system, as well as other initiatives in tied salesforce designed to increase business agility. The introduction of this new automated insurance underwriting system operated by agents allowed the Group to increase efficiency and productivity of its insurance operations, enabled a live automated policy decision-making for 40% of all applications and reduced processing times for the remaining applications to just one day, as compared to an average of three days it used to take to make policy decisions on those applications previously.

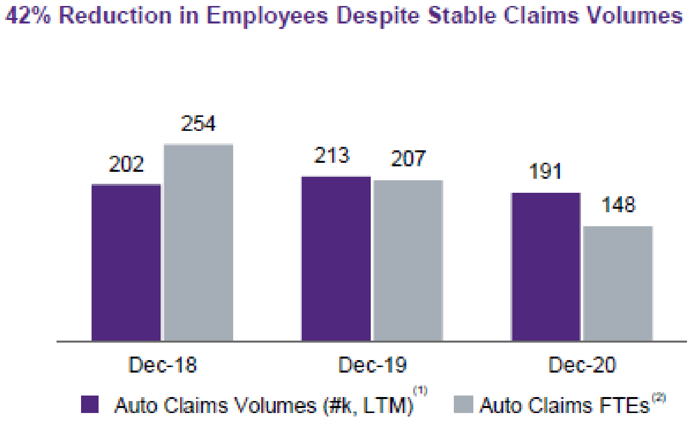
Other digital initiatives across partner relationship management, customer relationship management and product design systems have increased business agility and the Group's ability to move quicker through better reporting, unified customer base, and improved design tools for new product introduction.

Innovative solutions for user-friendly customer experience, from online tariffs to automated claims handling

The Group has developed a range of innovative solutions offering a more user-friendly customer experience while ensuring more accurate insurance underwriting and more efficient claims management. With the Group's smart online scoring model, 100% of all CMTPL and 75% of all MOD tariff decisions are made online, and the Group is continuing to work on improving the model for MOD to bring that percentage up to 90%. The smart online automated tariff decision-making allows the Group to make better informed decisions while making the application process more convenient for customers. In May 2021, the Group launched a new scoring model in CMTPL, capturing 60 scoring parameters, and increased the number of scoring parameters in the MOD scoring model from 25 to 40, with a view to further increasing that number to 70, while achieving a 54% reduction in the number of application fields in direct insurance applications.

The claims handling process has been overhauled and automated, resulting in greater efficiency and scalability and first-class customer experience in every Russian region. The claims registration system moved to a single window, intuitive chat-bot interface, assisting both customers and claims handling staff. The introduction of this new claims handling system demonstrated strong results in the six months ended 30 June 2021, with 70% of all MOD claims having been handled through digital channels (WhatsApp, website and chat-bot) over this period as compared to just 13% in January 2020. As a result, the Group managed to reduce the number of claims handling full-time employees by 42%, from 254 in December 2018 to 148 in December 2020, providing noticeable scalability benefits, and to decrease the time-to-market of changes from 12 to just two weeks. The Group has significantly increased its claims handling efficiency by reducing claims processing times by the back-office staff by 30% and by the front-office staff by 25%.

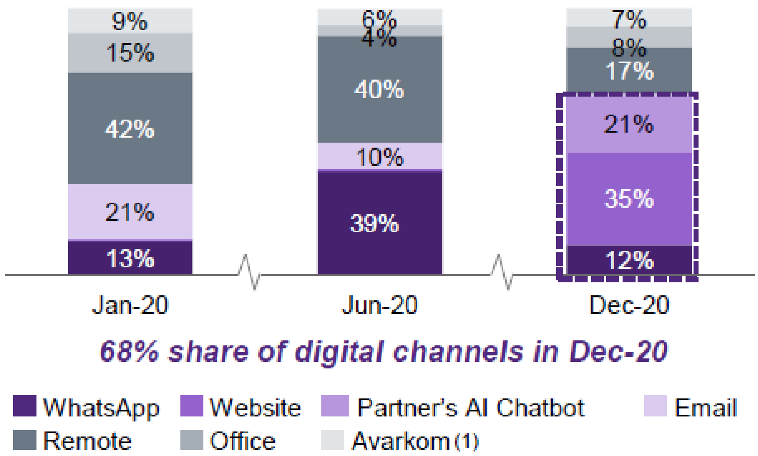
Innovative automated claims handling system with greater efficiency and scalability



Source: Company data

(1) For the 12 months ending the last day of the corresponding period.
(2) As of the last date of each corresponding period.

Share of Claims Handling Through Digital Channels in Voluntary Motor Retail (in %)



Source: Company data

(1) Denotes emergency commissar (damage surveyor).

To achieve such high level of automated claims handling, the Group has pioneered a number of innovative solutions in the Russian insurance market. Such innovative solutions include the use of WhatsApp as the main channel for customer interaction, AI document and picture recognition, automatic damage estimation, automated claims handling and contact with repair shops, the use of a chat-bot in claims handling and the use of big data in scoring models (including for assessing fraud and litigation probability).

The Group has also introduced smart underwriting solutions, including a new scoring model offering tailored pricing for the Group's customers, a new analytics model offering an assessment of the impact of the COVID-19 pandemic on losses and automated verification of clinics. As of June 2021, about 40% of clinics are verified automatically.

As of May 2021, the Group's key claims handling channels, namely the Group's website or app and the Group's partners' chat-bot interface, accounted for 32% and 24%, respectively, of the total claims handling share, while remote, office, Avarkom, and WhatsApp and email accounted for 21%, 5%, 5% and 12%, respectively as compared to 49%, 36%, 9% and 6% as of December 2018.

One of the best VMI applications in the market

The Group has also developed a unique application for the VMI segment with a leading range of services and mobile functionality in the Russian insurance market. The features of this application include, among others, treatments (such as telemedicine, online booking of appointments with 100 participating doctors as of 31 August 2021), a range of general services (such as doctor selection and evaluation, clinics recommendations), other health services (such as health-related content, pill box, online meditation), insurance policy purchases and an online customer chat. The application has gained significant traction since its launch in April 2020, reaching a monthly average of 48,000 active users and a daily average of 4,300 active users, as well as over 36,000 consultations in aggregate as of 31 August 2021. It has gained wide acceptance in the Russian market with a penetration rate of approximately 70% of the corporate VMI portfolio.

In 2020, the Group also introduced a COVID-19 support programme, including online consultation, navigation and therapy. More than 5,000 people participated in the Group's COVID-19 support programme in 2020. The Group also launched a proprietary chat-bot to provide day-and-night support and reduce the load on the call centre. Thus, the average daily number of customers using the chat-bot interface in June 2021 was 2,000. Furthermore, integration with emergency services halved the time of ambulance arrival to the patient.

Leaner and better managed structure and improved internal processes resulting in increased efficiency

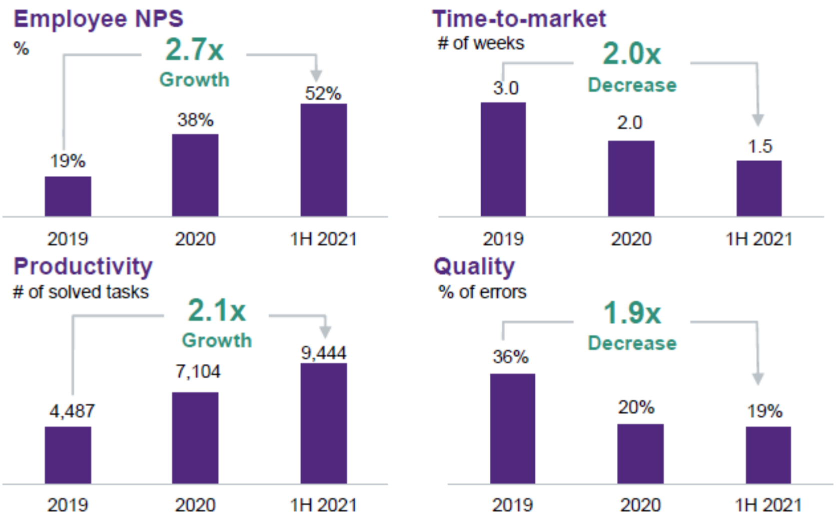
As the Group enhanced many of its business channels and processes, it also transformed how it works as an organisation. The Group has a start-up mindset and culture that enables change, transformation and continuous innovation. The Group has reduced hierarchy within its organisation and introduced micro teams, thereby achieving higher autonomy and better and more efficient management of teams.

The Group's efficient and agile structure has allowed it to reduce the total number of full-time employees ("**FTE**") from 3,662 as of 31 December 2019 to 3,227 as of 31 December 2020 while increasing the Group's GWP. For instance, GWP per FTE in the Non-Life segment increased by 35% between 2017 and 2020, from RUB 12.9 million in 2017 to RUB 17.5 million in 2020, while the number of Non-Life FTEs increased by 1% from 2,111 in 2017 to 2,127 in 2020, before decreasing to 2,102 in June 2021. All of these initiatives were achieved with the growing employee support reflected in the employee net promoter score tracked by the Group on a regular basis, which increased by 21% between December 2019 and October 2020.

The Group's information technology ("**IT**") development process for Life insurance products is based on an agile approach (except for large infrastructure projects where the project management methodology is used). The Group had one agile "release train" and six value streams containing 13 teams as of 30 June 2021. The Group's IT personnel also includes certified scrum masters.

The following charts show efficiency and stability of the Group's work on IT projects:

Efficiency and Stability of the Group's IT Projects

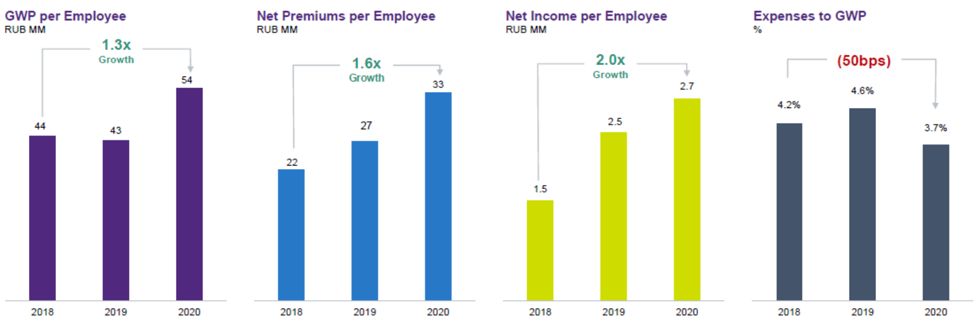


Source: Company data

The Group is also working on improving the efficiency of its operations in the Life segment. Time-to-market for new products has been reduced to just one to three days as compared to two months previously. The digitalisation of own sales channels and automation of insurance underwriting processes have helped to reduce the time it takes to provide relevant services. The issuance of a policy now takes three days as compared to nine days previously, and more than 50% of all policies are now issued online. Since the second quarter of 2020, the Group has been using new payment methods in the Life segment, such as Google Pay, Apple Pay and Samsung Pay. Starting from the fourth quarter of 2020, the Group has implemented the Fast Payment System.

Set out below are certain important efficiency indicators of the Group's Life operations:

Group's Highly Efficient Life Operations



Source: Company data

Some of the Group's digital innovations that have increased back office efficiency include electronic policies (70% of all policies are electronic), electronic document exchange, online contract changes and robotisation of repetitive tasks. Back office is moving towards acting as a maintenance unit for automated processes with a single front office system (iRIS), single claims system for losses in the auto (Claims X) and cargo (Insurer) segments, and integrated data verification and accounting.

In addition to organic growth, the Group is expanding its business through mergers and acquisitions, which requires the integration of external systems into its existing infrastructure and harmonisation of its systems with a view to increasing the efficiency of operations. In particular, the new API technology developed by the Group helped to harmonise the front office systems and replaced nine legacy solutions. A new back office platform is expected to replace 10 existing platforms and a new integration platform will replace five existing systems. Thus, the Group's infrastructure is scalable for potential mergers and acquisitions and allows the Group to integrate new business effectively thanks to the Group's advanced IT infrastructure.

Vast and growing Life customer base served through strong banking partnerships and successful direct cross-selling and upselling

The Group's Life segment offering mostly investment, endowment and credit Life products has been a rapidly growing business supported by strong market fundamentals. In particular, the investment and endowment Life segment growth is linked to retail savings and deposits rates of the population. Continued low interest rates environment is expected to further support the growth in investment and endowment premiums. According to the KPMG Report, deposits of individuals are expected to grow at a 4% CAGR between 2021 and 2024 having grown at a 8% CAGR between 2017 and 2020. As a result, according to the KPMG Report, the total endowment and investment market GWP is expected to grow at a CAGR of 18% between 2021 and 2024, as compared to a 8% CAGR between 2017 and 2020. Credit life and other insurance products growth is driven by the lending activity in the Russian banking sector and this segment is also expected to grow on the back of continued expansion of retail lending in Russia. According to the KPMG Report, the volume of new retail loans is expected to grow at a 13% CAGR between 2021 and 2024, having grown at a 19% CAGR between 2017 and 2020. This is expected to further fuel growth in the credit life and other life insurance market, which is expected to grow at a 13% CAGR between 2021 and 2024, as compared to a 14% CAGR between 2017 and 2020, in each case according to the KPMG Report.

The Group's Life segment has been a rapidly growing business with its GWP having expanded at a CAGR of 24% between 2017 and 2020 and it continues to grow fast – premiums increased by 53% during the six months ended 30 June 2021 as compared to the same period in the previous year. The Group's Life insurance GWP expanded at a higher pace than the market, which grew at a CAGR of 9% between 2017 and 2020.

The Group's successful expansion track record has been supported by bancassurance partnerships, as the Group is an attractive partner for banks, given its independence from the state and bigger conglomerates, early adoption of new life insurance products, an attractive product line and a streamlined partner integration process. The Group has 46 partners in the Life segment and within these partnerships the Group has a range of core partnerships with long-standing relationships and well-operating incentivisation schemes through profit sharing and advance commissions. In September 2021, Renaissance Life signed a five-year bancassurance contract with one of its core banking partners. The contract relates mainly to sales of saving Life insurance products and is expected to generate GWP in an amount exceeding RUB 60 billion during the five-year period starting from 1 January 2022. It constitutes an important part of the Group's bancassurance partnership network and, together with some other long-term bancassurance partnerships, secures a substantial volume of sales for the Group.

Furthermore, the Group has won seven out of 12 tenders for partnerships it participated in between 2019 and 2020. The core distribution channel for Life insurance products is bancassurance, which accounts for 89% of the Group's Life insurance GWP, while own channels and other partners account for 6% and 5%, respectively, as at 31 December 2020. In the six months ended 30 June 2021, premiums obtained through the bancassurance channel increased by 53% as compared to the same period in the previous year. Between 2018 and 2020, Life GWP in bancassurance grew from RUB 30 billion in 2018 to RUB 41 billion in 2020. More than half of the Group's partnerships have lasted for longer than three years.

Breakdown of partnerships with banks across different products in the Life segment as at 30 June 2021 is shown below.

Long-Standing Partnerships with Banks Across Products Mix

Source: Company data, Banki.ru

The following table also shows selected bancassurance partnerships as at 30 June 2021.

Selected Bancassurance Partnerships

	Bank	Year of Initiation	Ranking by Loan Portfolio	Ranking by Retail Deposits
State owned	GAZPROMBANK	2017	3rd	4th
	ДОМ РФ БАНК "DOM.RF Bank"	2018	17th	39rd
Private / international	HOME CREDIT BANK	2011	27th	21st
	ВОСТОЧНЫЙ БАНК "Vostochny Bank"	2016	36th	26th
	МТС БАНК "MTS Bank"	2017	28th	28th

Source: Company data, Banki.ru

In addition to the bancassurance sales, the Group has also grown its own sales channel, which has expanded at a CAGR of 55%, from the total GWP of RUB 1.1 billion (RUB 0.6 billion of which is attributable to renewals of policies and RUB 0.5 billion to new business) to RUB 2.7 billion (RUB 1.1 in renewals and RUB 1.6 billion in new business) in the period from 2018 to 2020, and saw a 119% increase during the six months ended 30 June 2021 as compared to the same period in 2020, including a 193% increase in new business premiums over the same period. The strong results have been achieved owing to the proactive work with client database, up-selling and cross-selling efforts, as well as various customer relationship management initiatives resulting in sharper focus and an ability to sell quicker. The direct sales channel is synergetic with the vast banking partnerships network that together bring a secure flow of clients.

Customer-centric company with attractive digital proposition driving customer loyalty and stickiness

The Group is focused on increasing customer satisfaction through its attractive digital proposition, which in turn increases customer loyalty and stickiness supporting the Group's continued growth. The multichannel, digital infrastructure and service automation, coupled with the Group's customer-centric approach, have allowed the Group to reach market-leading customer satisfaction rates that still keep improving. For instance, the Group is one of the top-three Russian insurance companies in MOD retail by NPS as of March 2021, according to Rus Opros and has been able to improve its NPS in MOD retail by 11% since December 2020 to 82% in May 2021.

In addition, the Group has significantly increased the client participation levels in its loyalty programme, with the total number of Renaissance Club members increasing from 107 thousand in December 2018 to 162 thousand in December 2019 and to 255 thousand in December 2020. Moreover, the Group maintains a strong position in independent ratings of Russian insurers, as demonstrated by its "Best Insurance Company of 2019" award received from the web-portal "Banki.ru" and its top-two position in customer rating among Russian insurers according to the aggregator "Sravni.ru". As a result, the Group has been able to achieve high product renewal rates, including a 64% renewal rate in MOD retail insurance and 83% in VMI in 2020.

Strong financial profile

The Group delivered strong growth in GWP in the period between 2018 and 2020, expanding at a CAGR of 9%, despite challenges posed by the COVID-19 outbreak. The COVID-19-related slowdown in the second quarter of 2020 was more than offset by the growth in the subsequent periods and, as a result, the Group's GWP increased by 17% in 2020 as compared to 2019, and has continued to increase in 2021 despite the difficult operating environment. The Group delivered a 38% premium increase in the six months ended 30 June 2021, growing faster than the market in such key products as MOD, CMTPL and VMI.

The Group retains a conservative, fixed income based investment strategy that continues yielding attractive results. The Group also maintains unlevered capital structure, with leverage ratio (defined as debt as proportion of debt and equity) standing at just 16% as of 30 June 2021, and expects to further reduce its leverage ratio following the repayment of a credit facility that has been drawn to refinance existing debt.

The Group also retains conservative capital buffers with Solvency Ratio having reached 141% as of 30 June 2021, which implies a 36% capital buffer above the solvency requirement of 105%.

Experienced management team and supportive shareholders driving change and business growth

The Group's business is led by an experienced and motivated management team and supportive founding shareholders with a proven track record of organic business expansion, masterminding digital transformation, product innovation and developing optimal business strategies, as well as executing a number of successful strategic mergers and acquisitions with full integration processes. As evidenced by the Group's operating and financial results under the leadership of its existing management team, the Group has grown operations by more than six times in the last 10 years, while consistently delivering high return on capital. Key shareholders, as well as core members of the management team, have been with the Group for years, essentially building it from a start-up to a leading independent composite insurance provider in the Russian market. The group of shareholders which has joined the Group recently has extensive business expertise across a variety of industries, both in Russia and globally, and the Group expects them to contribute to the overall success of its business going forward.

The Group believes that the skills, industry competence and operating expertise of its management team, as well as the continued support of its shareholders, provide the Group with a distinct competitive advantage as it continues to grow.

Business Strategy

The Group aims to continue expanding its business, while maintaining a leading position in the Russian insurance market, as well as differentiating itself from traditional industry players, and to deliver strong profitability and returns to shareholders. The Group intends to achieve these goals by focusing on the following strategic priorities:

Continuing to differentiate its insurance proposition from traditional industry players

The Group prides itself on its ability to innovate, which has allowed it to achieve a leading position in the Russian insurance market as a pioneer with an innovative digital proposition, and it sees these features at the core of the Group's strategy going forward in order to set itself apart from traditional industry players.

The global insurance landscape is changing rapidly with an increased digitalisation and a shift in customer preferences to on-demand digital offerings. The Group is at the forefront of this digitalisation effort and has been transforming its business model by offering direct insurance under its brand, InTouch, which is expected to grow rapidly in line with the growing online presence of insurance providers, especially post-COVID-19. The Group is also transforming traditional channels, particularly in the Non-Life business, by using automation, online scoring models and digitising its claims handling processes. These innovations drive improved customer satisfaction, while also improving efficiencies and allowing to reduce the Group's employee and cost bases. In addition, a significant part of the Group's Non-Life expenditure is attributable to new initiatives and continued innovation ensuring that the Group maintains its leading position as a digital innovator going forward.

The Group is focused on maintaining its leading position in online sales, expecting online to continue becoming an increasingly important sales channel, both for the insurance sector generally and for the Group in particular.

The Group has also built an innovative API-integrator, offering an unmatched speed of connectivity and improved convenience for integrating insurance products within partner ecosystems within various industries. The new system offers a more cost-efficient and significantly faster solution to connect with partners and, as of June 2021, has attracted over 70 new partners across a very diverse range of industries since its launch in the first quarter of 2020. According to the management team, this internally developed API solution has the potential to become the new market standard and compete with aggregators.

The Group has also developed a disruptive e-health telemedicine application called "Budu" with an ecosystem encompassing two divisions, Digital Health Technology and "Renaissance Clinic". The Group's goal is to give customers an ability to control and manage their health easily and conveniently by developing and providing a convenient telemedicine service, as well as a wider range of e-health services. "Budu" is a universal application that allows customers to track their health and get support from professional medical team online, encompassing online screening with tests in partners' labs, personal health map and recommendations, providing a comprehensive customer experience. The Group's management believes that the Group's digital health business is supported by a highly favourable market environment. According to Statista, the global digital health market is expected to grow at a 25% CAGR between 2019 and 2025, while the Russian telemedicine market is expected to almost double in size each year until 2025, and the Group is expecting to benefit from the sector growth by utilising its first mover advantage and the unique "Budu" proposition.

The Group has plans to further develop its digital health product lines, including by creating chronic disease management and mental health applications.

The Group also aims to keep high employee satisfaction levels as it continues growing its business and encourages innovation internally. The Group targets a 70% employee NPS (as compared to the Non-Life employee NPS of 39% and the Life employee NPS of 47% as at 30 June 2021) and aims to become the best insurance company to work for allowing it to attract and retain top talent.

Expanding Non-Life business predominantly through online presence

The Group sees its technological capabilities and continuous digitally-enabled innovation as some of the key differentiating it from its competitors and, as such, has undertaken significant investments to innovate, develop and improve its digital offering and sees online sales as the key driver for growth of the Non-Life segment in the coming years. The Group's online offering and online agency network allow it to expand its presence into regions where it currently does not have a physical footprint, thereby increasing the size of its customer base. Management believes that the Group's tailored, customised offering, as well as its tech-enabled real-time process management, will become increasingly important in the digital economy and will allow the Group to attract more customers in the coming years.

The Group is also developing a mobile ecosystem where insurance represents only a part of the overall offering and customers are eligible to receive various other financial services and products (including partner products) through a single access point with seamless interface improving customer experience. Ecosystem approach is expected to drive the Group's direct sales, give it an ability to cross-sell financial products to its customer base and increase customer retention. Management also believes that the use of ecosystems will lead to faster product scalability, given immediate access to customers, both directly and via partner channels.

Expanding Life business through cross-selling and upselling, ecosystem partner network and core bancassurance partners

Life insurance sector is the fastest growing insurance segment in Russia with life GWP having grown 19-fold in the last 10 years and is expected to continue growing at higher rates than the overall sector in the coming years on the back of increasing consumer lending volumes, lower interest rate environment and increasing customer sophistication and interest towards investment products. As of December 2020, the Group was the largest independent life insurer in Russia and, as such, it is uniquely positioned to take advantage of the life insurance sector growth in the coming years.

Management sees various drivers for continued growth in the coming years leveraging the Group's existing customer base, its ecosystem partner network as well as its banking partners to gain further market share..

- **Leveraging the existing customer base through cross-sale and up-sale**. The Group already has a relatively large customer base of more than four million customers as of 30 June 2021. The Group has developed targeted cross-selling and up-selling strategies in the Life insurance segment, that already have a proven track-record of being successful with combined conversion of cross-selling and up-selling in the Life segment reaching 22% of the overall transferred contracts for the six months ended 30 June 2021. As the Group continues growing its customer base through digital sales or partner sales described below, it expects to also be able to cross-sell or up-sell Life products to these customers driving segment growth rates higher. The Group also expects to further improve its cross-sale rates by utilising new cross-selling algorithmic model based on machine learning that should allow it to market targeted offerings to the entire customer base.

- **Growth fueled by partner ecosystems.** As the Group continues to develop its digital offering and create service offering ecosystems together with its partners, it expects to be able to get access to new customers on the back of partner relationships and increased customer reach. The Group also expects to be able to attract new customers over time to its network due to a more comprehensive product offering in its ecosystem. Life insurance marketplaces can be employed as extensions of ecosystems to connect millions of stakeholders in the life insurance market to facilitate cross-selling, the customisation of products, and assessments of the benefits of investing in life insurance compared to other investment vehicles.

- **Growth on the back of banking partnerships.** The Group's bancassurance partnerships still remain the core of the Group's Life insurance distribution channels and are expected to remain one of the leading growth drivers in the coming years. As of 30 June 2021, the Group had 46 bancassurance partnerships with state-owned and private banks, approximately 50% of which were longer than three years, and its agreements with a number of core partners secure a substantial volume of sales of savings Life insurance products. The Group has a successful track-record of winning tenders for such agreements, having won seven out of 12 partnership tenders it participated in between 2019 and 2020. Notably, its largest partners have signed long-term partnership agreements with the Group despite having their own captive insurers.

The Group's strategy is to constantly increase the number of partners among banks on the back of its comprehensive product suite and convenient process of connection to partner's systems and have a full range of the Group's products presented in every partnership.

Maintaining best-in-class profitability through operational and underwriting excellence and scalable growth

The Group has over the years prided itself on strong profitability and overall robust financial profile. As the Group innovates and grows its business further, it aims to maintain the best-in-class profitability, prudent underwriting standards, and strive for continuously improving efficiency of its lean and agile business model. The Group's digital advancement and continued innovation has allowed it to improve its scoring models, thus maintaining the highest underwriting standards and the Group expects this to drive continued operational and underwriting excellence. Ongoing technological advancements are also expected to continue driving the Group's expenses down, while offering scalability potential and higher sales growth with unchanged level of investment. Lastly, the Group has historically maintained a relatively conservative investment strategy that has allowed it to deliver strong results and has proven resilient even in the financial turmoil triggered by the COVID-19 crisis. Management expects to continue following the Group's successful investment management strategy going forward.

The Group aims to ensure balance between investments into business development (including inorganic growth), achievement of the Group's strategic goals, compliance with its capital requirements and dividend distributions to shareholders. The Group's strategy is to achieve a dividend payout ratio of at least 50%. The table below sets out the Group's key short-term and medium-term strategic financial targets. The targets are for organic development only and are not factoring in potential mergers and acquisitions. The targets include factor in the impact of the new solvency regulation (see "*Regulation of the Russian Insurance Sector—Regulation of Insurance Business—Key Requirements Applicable to Insurers*" for more details).

			2020	Short-term target(5)	Medium-term target(6)
Group metrics	Growth	GWP growth, incl.	+9% CAGR'18-20 +20% CAGR'16-20	>15% p.a.	12-15% p.a.
		-Non-Life GWP growth		>18% p.a.	10-12% p.a.
		-Life GWP growth		12-15% p.a.	>15% p.a.
	Investments	Investment return(1)	8.3%	8-9%	8-9%
	Profitability	RoATE(2)	25.9%	~18-20%	>20%
	Capital	Solvency Ratio(3)	187%	>170%	>130%
Non-Life segment	Underwriting margins	Combined Ratio(4)	97.6% avg. 2018-20 95.1% avg. 2016-20	~96%	<96%

Notes:

(1) Investment Return excluding pension business are shown. Investment Return is calculated as total net income from investing activities divided by the average of investment assets for the reporting period.

(2) RoATE is calculated as sum of net profit for the last 12 months adjusted for amortisation of value of business in force divided by the average total equity adjusted for goodwill plus intangible assets plus value of business in force for the specified period.

(3) Medium-term and long-term targets are shown under the new regulation. 2020 actual solvency is shown before implementation of new regulation.

(4) Combined Ratio is calculated as the sum of net claims incurred plus net acquisition costs plus administrative expenses plus allowance for impairment of insurance and reinsurance receivables plus other operating income plus other operating expense, divided by net premium earned.

(5) Growth rates starting from 2020 are shown. Indicative targets by 2023.

(6) Indicative targets by 2026.

Pursuing selective value accretive inorganic growth opportunities

The Group is well positioned to be one of the key players benefitting from further consolidation of the insurance market in Russia, which remains fragmented. The Group has a proven track record of M&A transaction execution. In 2005, the Group acquired insurance company "Progress Neva" to strengthen its position in the Northwestern Federal District of Russia. As a part of the acquisition, the Group performed full optimisation of excess Operating Expenses of the target by bringing it into the Group's platform. In 2017, the Group combined its business with Blagosostoyanie Insurance with key integration actions completed within five months. Two years after the merger, the Group was able to reduce combined headcount of the Group's Non-Life segment and merged companies by approximately 20% and to re-position Blagosotoyanie Non-life business to above-market growth.

The Group has well-defined set of criteria for acquisitions and it sees multiple potential targets available in both Life and Non-Life segments in the Russian insurance market. In the Life segment the Group may target smaller size independent players operating the agents channel and captive players predominantly distributing insurance products through a sister bank. In Non-Life segment, the Group may target independent players of similar size with less efficient operations than the Group to benefit from synergies.

The table below shows selected similar size independent non-life players in the Russian insurance market with less efficient operations:

	Operating ratio(1)
	2020
The Group's non-life segment	93.1%
Player 1	94.3%
Player 2	95.0%
Player 3	95.4%

Player 4	95.5%
Player 5	98.0%
Player 6	99.0%
Player 7	99.2%

Source: CBR data.

Note:

(1) Operating ratio is calculated as one less profit after tax divided by the result of deduction of net reinsurance from earned premiums.

The Group's digitally enabled cost-efficient platform provides a great opportunity for value creation through full integration with potential targets, improved efficiency and costs savings. The Group may expect significant synergies in various digital-driven operations, including underwriting, use of sales channels, customer analytics and anti-fraud measures, among others. In addition, the Group may expect improvement of bargaining power with partners, as well as potential cross-sale and up-sale to the client base of potential targets.

The table below sets out indicative sources of value creation through the acquisition of a traditional insurer:

Item	Sources of potential value creation
GWP	• Improvement of bargaining power with partners (e.g., strengthening cooperation with car dealers by increasing the volume of repair flow) • Combination of expertise and technology in underwriting • Leveraging technological solutions of Renaissance in sales channels (e.g., Online Agent platform for agents, digital solutions for dealers, connection of target partners to Renaissance API) • Improvement of the sales funnel through the expertise in customer analytics • Potential cross-sell and up-sell to the target client base
Claims	• Leveraging Renaissance technologies in the settlement of the target portfolio, a single centre for claims settlement • Combination of expertise in anti-fraud field • Negotiating position with service providers (e.g. obtaining more favourable price conditions from service stations and medical facilities) • Potential savings on regulatory reserves
Acquisition costs	• Combination of marketing budgets • Optimization of personnel in own sales channels
Administrative expenses	• Combination of HQ functions (management, IT, finance, lawyers, operators, etc.) • Leveraging digital operational processes to further personnel headcount optimization • Optimization of sales channels • Reduction of rental and other operating expenses
Investment income	• Improving the quality of portfolio management and risk management on the basis of own management company
Capital requirements	• Capital release due to decreased Statutory Solvency Margin

History

The Group is one of the first private insurance companies established in Russia. The following are the principal events in the Group's history:

1993 A group of individuals established Limited Liability Partnership Insurance Company "Delos".

1997 Limited Liability Partnership Insurance Company "Delos" was reorganised into Limited Liability Company "Renaissance Insurance Group".

1998 The Group launched the medical business and established Medcorp LLC.

2004 Establishment of the life insurance company "Renaissance Life" by Renaissance Insurance Group with Sputnik Group as a major shareholder in partnership with the European Bank for Reconstruction and Development.

2005 The Group acquired Insurance Company "Progress Neva" and Life Insurance Company "Progress Neva", Russian regional insurance companies.

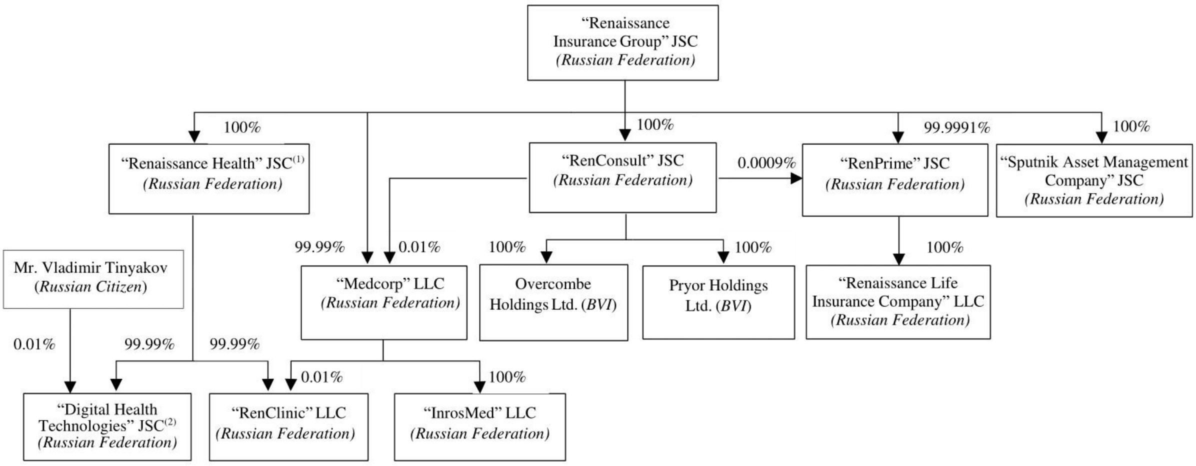
2008 The Group became one of the top-10 non-life insurance companies in Russia by GWP.

2009-2014 Active development by the Group of new insurance products and sales channels, regional expansion and significant increase in gross insurance premiums.

2015-2017	The Group consolidated 100% control over Insurance Company Renaissance Life.
2017	Renaissance Insurance Group combined business with NPF Blagosostoyanie and Baring Vostok investment fund to combine insurance assets and raise liquidity. Additional investments into Renaissance Insurance Group amounted to RUB 13 billion. The combined Renaissance and Blagosostoyanie insurance business was rebranded into “Renaissance Insurance Group”.
	The Group consolidated with JSC “Insurance Company Blagosostoyanie”, JSC “Insurance Company Blagosostoyanie General Insurance”, JSC “InTouch Insurance” and “NSPF “Blagosostoyanie MNC”.
2018	The Company merged with JSC “InTouch Insurance”.
	JSC “Insurance Company Blagosostoyanie” changed its name to “Renaissance Health”, JSC.
	NPF “Blagosostoyanie” was reorganized to JSC “NSPF Renaissance Pensions”.
2019	JSC “Insurance Company Blagosostoyanie General Insurance” was amalgamated with the Company.
2020	Implementation of an online strategy contemplating, among other things, the development of online distribution channels for the Group’s products, direct insurance under the “InTouch” brand and digital health services.
2021	The Group sold its entire stake in JSC “NSPF Renaissance Pensions” to a third party.
	The Group launched a pilot e-health ecosystem called “Budu” comprising Digital Health Technology and “Renaissance Clinic”.
	In May 2021, NPF Blagosostoyanie sold 9.99% of shares in the Company to “GRANO” LLC, 9.55% of shares in the Company to Invest AG LLC, 7.16% of shares in the Company to Spetsinvestservis LLC, 4.77% of shares in the Company to Ob Capital LLC and 4.33% of shares in the Company to Mr. Andrey Gorodilov.
	“Renaissance Health”, JSC transferred its insurance portfolio to the Company and terminated its insurance operations.
	In October 2021, the Company was converted into a public joint stock company.

Group Structure

The chart below sets out the Group's corporate structure as at the date of this Offering Memorandum showing its significant subsidiaries.



Note:

(1) 100% of participatory interests in "Renaissance Health" JSC will be transferred in the course of restructuring to a holding company in which the Company will hold 49% while the remaining 51% will be held by some of the Principal Shareholders.

(2) 0.01% of shares in "Digital Health Technologies" JSC will be transferred in the course of restructuring to Sputnik Management Services Limited.

The Company ("Renaissance Insurance Group" PJSC) is the parent company of the Group. The Company and "Renaissance Health" JSC operate the Non-Life segment, and Renaissance Life operates the Life segment, "Sputnik Asset Management Company" JSC operates the Asset Management segment, and "Medcorp Medical Company" LLC, "Inros-Med" LLC, "Digital Health Technologies" JSC and "RenClinic" LLC operate and develop the medical business of the Group. "RenConsult" JSC, Overcomber Holdings Ltd., Pryor Holdings Ltd. and "RenPrime" JSC are holding companies.

Business Segments

The Group's operations are divided into three main business segments:

- The Non-Life segment, which includesmotor (Retail MOD, Retail CMTPL, Motor Fleets (which, in turn, includes Corporate MOD and Corporate CMTPL)), VMI (which includes Corporate VMI and Retail VMI) and other Non-Life products (which includes corporate and retail property insurance and additional insurance products such as insurance of accident, travel, mortgage, real estate, cargo);

- The Life segment, which includes three main product lines: investment, endowment and credit life and risk life products; and

- The Asset Management segment, which is represented by Sputnik Asset Management, which manages a substantial part of the Group's investments comprised of insurance reserves and equity capital of the Group's insurance companies.

Non-Life Segment

The key product lines in the Non-Life segment are Motor, VMI and Other Non-Life products including property, accident, travel, cargo and other insurance. In the year ended 31 December 2020, Motor, VMI and other Non-Life insurance products accounted for 57%, 17% and 26%, respectively, of the segment GWP.

In the years ended 31 December 2018, 2019 and 2020, the Non-Life segment generated GWP of RUB 36.1 billion, RUB 38.0 billion and RUB 37.1 billion, respectively, which accounted for 51.3%, 53.0% and 44.9% of the Group's total GWP, respectively. In the six months ended 30 June 2021, the Non-Life segment generated GWP of RUB 21.1 billion, which accounted for 44.2% of the Group's total GWP. Net profit attributable to the Non-Life segment amounted to RUB 2.9 billion, RUB 2.0 billion and RUB 2.1 billion, or 86.5%, 48.4% and 44.4%, of the Group's net profit in the years ended 31 December 2018, 2019 and 2020, respectively. In the six months ended 30 June 2021, net profit attributable to the Non-Life segment amounted to RUB 0.4 billion, or 30.6%, of the Group's net profit. In the year ended 31 December 2020, the Group was the seventh largest insurance company in the non-life insurance segment in Moscow with a market share of 4% measured by GWP and the third largest insurance company in the non-life insurance segment in Saint-Petersburg with a market share of 10% measured by GWP, according to the CBR's GWP data for these cities. In the year ended 31 December 2020, 56% of the Non-Life GWP was underwritten in Moscow and the Moscow region, while the remaining 30% and 14% of the Non-Life GWP was underwritten in Saint-Petersburg and the Leningrad region and other regions, respectively.

The table below sets forth certain key performance indicators of the Non-Life segment as used by the Group's management for the periods indicated:

	As of		
	31 December 2020 (unaudited)	**31 December 2019 (unaudited)**	**31 December 2018 (unaudited)**
Acquisition Ratio(1)	35.1%	35.6%	36.3%
Loss Ratio(2)	47.3%	47.2%	43.5%
Administrative Expense Ratio(3)	13.1%	12.8%	13.4%
Combined Ratio(4)	97.9%	98.7%	96.1%
Net Profit Ratio(5)	5.6%	5.3%	8.1%

Notes:

(1) Acquisition Ratio is calculated as net acquisition costs divided by net premium earned.
(2) Loss Ratio is calculated as net claims incurred divided by net premium earned.
(3) Administrative Expense Ratio is calculated as administrative expenses divided by net premium earned.
(4) Combined Ratio is calculated as sum of net claims incurred, net acquisition costs, administrative expenses, allowances for impairment of insurance and reinsurance receivables, other operating income and other operating expenses, which are then divided by net premium earned.
(5) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.

	As of	
	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**
Acquisition Ratio(1)	33.2%	36.0%
Loss Ratio(2)	53.6%	41.8%
Administrative Expense Ratio(3)	11.6%	11.3%
Combined Ratio(4)	100.8%	92.2%
Net Profit Ratio(5)	1.9%	8.5%

Notes:

(1) Acquisition Ratio is calculated as net acquisition costs divided net premium earned.
(2) Loss Ratio is calculated as net claims incurred divided by net premium earned.
(3) Administrative Expense Ratio is calculated as administrative expenses divided by net premium earned.
(4) Combined Ratio is calculated as sum of net claims incurred, net acquisition costs, administrative expenses, allowances for impairment of insurance and reinsurance receivables, other operating income and other operating expenses, which are then divided by net premium earned.
(5) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.

The table below sets out the breakdown of certain key financial and performance indicators as used by the Group's management by product category for the periods indicated:

Period	**Products**	**GWP**	**Loss Ratio(1)**	**Acquisition Ratio(2)**	**Underwriting Quality(3)**	**Result of Insurance Operations**
(*in billions of Rubles and %*)						

Six months ended 30 June 2021	Auto	12.3	60.1	29.5	89.6	1.0
	VMI	4.3	71.4	9.5	80.9	0.6
	Other	4.6	24.3	59.9	84.2	0.7
	Total	**21.1**	**53.6**	**33.2**	**86.8**	**2.4**
Six months ended 30 June 2020	Auto	9.2	47.0	30.9	77.9	2.1
	VMI	3.7	59.8	13.9	73.7	0.8
	Other	4.4	15.2	65.7	80.9	0.8
	Total	**17.2**	**41.8**	**36.0**	**77.8**	**3.7**
Year ended 31 December 2020	Auto	21.1	54.7	30.2	84.9	3.0
	VMI	6.5	65.0	12.3	77.3	1.4
	Other	9.6	17.3	63.3	80.6	1.7
	Total	**37.1**	**47.3**	**35.1**	**82.4**	**6.1**
Year ended 31 December 2019	Auto	21.8	55.3	29.1	84.4	3.0
	VMI	6.7	71.0	15.7	86.7	0.8
	Other	9.5	14.7	62.1	76.8	2.3
	Total	**38.0**	**47.2**	**35.6**	**82.8**	**6.1**
Year ended 31 December 2018	Auto	19.2	49.4	27.7	77.1	4.1
	VMI	6.3	70.3	19.3	89.6	0.6
	Other	10.6	16.5	62.4	78.9	2.1
	Total	**36.1**	**43.5**	**36.3**	**79.8**	**6.8**

Notes:

(1) Loss Ratio is calculated as net claims incurred divided by net premium earned.
(2) Acquisition Ratio is calculated as net acquisition costs divided by net premium earned.
(3) Underwriting Quality is calculated as the sum of Acquisition Ratio and Loss Ratio.

Motor Insurance

Retail Motor Own Damage (MOD) Insurance

Retail MOD insurance products are offered to retail customers and cover the risk of car damage and theft. The Group offers Retail MOD policies with a number of different features, including but not limited to: (i) MOD with a base insurance coverage, including car damage, theft or destruction, evacuation, car repair, franchise and roadside assistance, (ii) MOD policies with a selected coverage, such as constructive total loss and theft coverage, and (iii) telematics policies such as SafeDrive.

In order to make its Retail MOD insurance products more competitive, the Group also offers its customers additional insurance coverage that, among other things, includes (i) guaranteed assets protection (GAP) insurance that covers the difference between the market and depreciated value of the vehicle, (ii) voluntary third party liability insurance, and (iii) extended warranty insurance for used vehicles. In 2020, the Group offered its customers Retail MOD products with an average premium of approximately RUB 40,000 for the time period of one year as compared to an average premium of approximately RUB 41,000 as of the date of this Offering Memorandum. In 2020, the average renewal rate in relation to Retail MOD was 64%.

Unlike CMTPL tariffs, MOD tariffs are not subject to state regulation. The Group prices its MOD products based on a number of factors, including vehicle characteristics, such as model, production year and mileage, driver characteristics, such as age and driving experience, and specific features of the MOD policy, such as the insurance coverage, the type and size of deductible and other factors. The Group regularly reviews and adjusts its MOD products' pricing structure. In particular, the Group adjusts prices for its MOD insurance policies once they are renewed by the Group's customers. Such adjustments allow the Group to offer its customers personalised prices for MOD products based on the Group's assessment of historical risks related to a particular client. This, in turn, allows the Group to retain customers and positively affects underwriting results and profitability. Regular pricing structure adjustments also allow the Group to offer its customers competitive insurance terms.

Retail MOD insurance products are distributed through diversified sales channels, including agents, financial and non-financial intermediaries, such as banks, brokers, car dealers, direct sales (a call centre and the Internet), other partners, including online and offline retailers, and direct internal salesforce. The Group has also implemented multiple initiatives aimed at lowering its marketing costs by offering Retail MOD insurance products directly to its customers (see "*Business—Direct Insurance*"). As of 30 June 2021, the Group was the sixth largest independent insurance company in Russia in retail MOD segment by GWP, according to the CBR data, and overall the seventh MOD insurer in Russia by GWP, according to the KPMG Report. Based on the data of Rus Opros marketing agency, the Group was among the top-three market players in retail MOD in Russia by NPS in 2020. As of 30 June 2021, according to the Group's and CBR data, the Group's motor insurance products were used by approximately 1 million active clients, including 21.5 thousand corporate clients.

Retail Compulsory Motor Third Party Liability (CMTPL) Insurance

Retail CMTPL insurance products are offered to retail customers and cover the risk of third party civil liability in the event of an accident caused by the insured driver. CMTPL insurance is mandatory for all motor vehicles operating in Russia and is subject to state regulation. Pursuant to the CMTPL Law, the government sets the maximum CMTPL tariff rates that may be charged by insurers, which in turn makes the CMTPL insurance market highly competitive. In addition, the government sets a limit on commissions that an insurance company may charge for selling CMTPL insurance products. Specifically, in setting CMTPL tariffs, an insurer may incorporate into the tariffs expenses incurred in connection with writing the relevant CMTPL policies, including agents' commissions; however, such expenses may not exceed 20% of the relevant tariff. The claims handling procedure for CMTPL policies must be carried out in accordance with the rules set out in the CMTPL Law (as defined below) and applicable regulations. See "*Regulation of the Russian Insurance Sector*" and "*Industry*" for more details. Due to being regulated, CMTPL tariffs vary across various Russian regions. The government reportedly contemplates liberalising the CMTPL market with a view to moving from the state-regulated CMTPL tariff system to a freely set tariff system. In August 2020, as the first step in the reform, the CBR increased a range of base rates and expanded a number of driver categories, which may lead to additional tariff differentiation. As a second step, the range of base rates for the calculation of insurance premiums was further increased and insurance companies received a right to use their own criteria in setting up tariffs.

In 2020, the Group offered its customers Retail CMTPL products with an average premium of approximately RUB 6,000 per annum as compared to an average premium of approximately RUB 6,500 as of the date of this Offering Memorandum. In 2020, the average renewal rate in relation to Retail CMTPL was 54%.

Motor Fleet Insurance

Motor fleet insurance comprises MOD and CMTPL offered to corporate customers operating motor fleets, including car sharing and car leasing companies such as LLC Yandex Drive, ALD Automotive LLC, LLC Arval and others.

In 2020, the Group offered its customers motor fleet insurance for a one-year period with an average premium of approximately RUB 31,000. However, in the motor fleet segment, the Group also offers a usage-based or "pay as you drive" insurance, where a premium is written only for the time a vehicle is being used. Having been introduced in 2018, the "pay as you drive" based MOD insurance has rapidly grown in the motor fleet MOD insurance segment and, for the six months ended 30 June 2021, it accounted for 17% of the total motor fleet MOD by GWP.

Motor segment financial summary

In 2018, 2019 and 2020, motor insurance products generated GWP of RUB 17.7 billion, RUB 21.8 billion and RUB 21.1 billion, representing 53.2%, 57.4% and 56.9% of the Non-Life GWP and 27.3%, 30.4% and 25.5% of the overall Group's total GWP, respectively. In the six months ended 30 June 2021, motor products generated GWP of RUB 12.3 billion, which accounted for 58.1% of the Non-Life GWP, as compared to RUB 9.2 billion, or 53.4% of the Group's total GWP, generated by auto products in the six months ended 30 June 2020.

In 2018, 2019 and 2020:

- Retail MOD generated GWP of RUB 8.1 billion, RUB 9.2 billion and RUB 8.2 billion, or 42%, 42% and 39% of the total GWP generated by motor insurance products, respectively.

- Retail CMTPL generated GWP of RUB 5.8 billion, RUB 5.3 billion and RUB 5.8 billion, or 30%, 24% and 28% of the total GWP generated by motor insurance products, respectively.

- Motor Fleet insurance generated GWP of RUB 5.3 billion, RUB 7.4 billion and RUB 7.0 billion, or 28%, 34% and 33% of the total GWP generated by motor insurance products, respectively.

In 2018, 2019 and 2020, in motor insurance products, the Group had an Acquisition Ratio of 27.7%, 29.1% and 30.2% and a loss ratio of 49.4%, 55.3% and 54.7%, respectively. In 2020, the Group's motor Acquisition Ratio for the traditional retail segment accounted for 83.0% as compared to 82.1% for the digital direct retail for the same period. The Group's average loss ratio in the motor products segment for the period from 2018 to 2020 was 6% lower than the Russian average loss ratio in the motor products segment for the same period. In the six months ended 30 June 2021 and 2020, the Acquisition Ratio in the motor products segment was 29.5% and 30.9%, respectively, and the loss ratio in the motor products segment was 60.1% and 47.0%, respectively. In 2020, the Group's traditional retail Acquisition Ratio amounted to 46.5% and was 21% higher than the digital direct retail Acquisition Ratio of 36.6% for the same period. In 2020, the tariff to insured amount ratio in the motor segment accounted for 3.0% and 2.7% for the traditional retail and for the digital direct retail, respectively.

As of 30 June 2021, the Group's motor insurance policies covered approximately 1.2 million motor vehicles.

Voluntary Medical Insurance (VMI)

There are two types of medical insurance in Russia: obligatory and voluntary. Obligatory medical insurance covers treatment at state-owned hospitals and other public medical facilities and is available free of charge to Russian citizens. In addition to obligatory medical insurance, those wishing to obtain a broader spectrum of medical services or receive medical services at private clinics or public clinics that offer medical care on a commercial basis may opt to acquire VMI. The Group offers individual and group VMI policies. The prices of VMI products are calculated by the Group on the basis of a number of factors, such as the customer's profile (gender, age, place of residence, company's economic sector, gender composition of the company's personnel, etc.), the region, the list of medical institutions available under the insurance programme and their location, the list of medical services and insurance programmes. The Group revises the prices of VMI policies on a regular basis. Group VMI policies are sold mainly to corporate clients as umbrella medical policies available to all or selected employees of the corporate clients, whereas individual VMI policies are sold directly to retail customers. As of 30 June 2021, the Group had over 3.3 thousand corporate and over 155 thousand retail customers in the VMI segment.

The Group has a comprehensive suite of services for corporate clients such as (i) classic VMI (individual programmes for corporate customers), (ii) international medical insurance (VMI with extended global coverage), (iii) critical illness insurance (treatment of oncological and other serious illnesses in Russia and abroad), (iv) VMI with deductible services (an insurance programme with mandatory co-payment for medical services), (v) insurance coverage of preliminary and periodical medical checkups in accordance with applicable laws, and (vi) compulsory insurance for foreign nationals working in Russia. In 2018, 2019 and 2020, corporate VMI products generated 85%, 88% and 90% of the total VMI GWP of the Group, respectively.

In May 2019, the Group launched the "Renaissance Health" mobile app for the VMI segment with a broad range of services and mobile functionality. The "Renaissance Health" mobile app includes, among others, such features as (i) treatments (e.g., telemedicine, online booking of doctor appointments and ambulance services), (ii) general services (doctor selection, evaluation, recommended clinics, documents, appointment history, franchise and complaints), (iii) health services (health content, pill box, medicine bag checklists, health index, podcasts, online meditation), (iv) insurance policy purchases (telemedicine, travel, accident, critical illness, anti-tick-bite) and (v) online customer chat. The Group expects to generate revenue from VMI products offered through the "Renaissance Health" mobile app by the Group's partners, such as clinics and pharmacies, as well as commissions payable by the Group's partners. As such, the offering of digital medical services through the Group's partners is expected to complement the Group's VMI business, resulting in an increased customer base, higher margin and a stronger market position in the VMI segment.

As of 30 June 2021, the "Renaissance Health" mobile app reached a monthly average of 50,000 active users and a daily average of 4,200 active users as compared to a monthly average of 48,000 active users and a daily average of 4,300 active users as of 31 August 2021. As of 31 August 2021, the Group has provided more than 36,000 online consultations since the launch of the "Renaissance Health" mobile app in May 2019. In the six months ended 30 June 2021, customers received over 28,000 consultations per month on average, and the average customer rating of consultations was 4.9 for the six months ended 30 June 2021. As of 30 June 2021, the Group had over 110,000 mobile app users. As of 30 June 2021 and as of 31 August 2021, the Group also had wide acceptance with a penetration rate of approximately 70% of the corporate VMI portfolio of the Group. As of 31 August 2021, there were 100 doctors that could be booked through the "Renaissance Health" mobile app. For the period from the launch of the “Renaissance Health” mobile app to 31 August 2021, the Group had a monthly average of 3,900 thousand consultations.

The Group has long-standing relationships with Russia’s major state-owned and private clinics that provide medical care on a commercial basis. As of 30 June 2021, the Group partnered with over 6,000 clinics in Russia and abroad. The Group’s VMI policyholders are also entitled to receive medical services through the Group’s own “Renaissance Clinic” medical hub.

In 2020, VMI products were distributed primarily through corporate sale channel, which accounted for 86% of GWP generated by VMI sales, while agents, partners and direct sales accounted for 6%, 7% and 1% of GWP generated by VMI sales, respectively. Marketing efforts of the Group’s own salesforce are primarily focused on sales to Russian corporate clients, which are purchasing the Group’s VMI products to provide their employees with medical insurance. Sales of the VMI products to individuals are effected primarily through agents and non-financial intermediaries, which accounted for 7% and 38%, respectively, of the Group’s VMI sales in 2020.

In 2018, 2019 and 2020, VMI products generated GWP of RUB 6.3 billion, RUB 6.7 billion and RUB 6.5 billion, or 17.5%, 17.6% and 17.5%, of the Non-Life GWP, and 9.0%, 9.3% and 7.9% of the Group’s total GWP, respectively. For the six months ended 30 June 2021, VMI products generated GWP of RUB 4.3 billion, which accounted for 20.2% of the Non-Life GWP and 8.9% of the Group’s total GWP. According to the KPMG Report, the Group was the eighth largest insurance company in Russia by GWP in the VMI segment in 2020, with a market share of 3.8%.

In 2018, 2019 and 2020, the Group had an Acquisition Ratio for VMI products of 19.3%, 15.7% and 12.3% and a loss ratio for VMI products of 71.0%, 68.1% and 65.0%, respectively. In the six months ended 30 June 2021, the Group had an Acquisition Ratio for VMI products of 9.5% and a loss ratio for VMI products of 71.4% as compared to 13.9% and 59.8%, respectively, in the six months ended 30 June 2020. In the period from 2018 to 2020, the average VMI loss ratio of the Group was 69% as compared to the average Russian loss ratio of 80%, and the average Underwriting Quality in VMI was 85% as compared to the average Russian Underwriting Quality in VMI of 91%.

Digital Health

In 2019, the Group piloted the “Renaissance Health” digital platform with integrated telemedicine services offered to the Group’s VMI policyholders. The digital health initiative was introduced by the Group to differentiate its VMI products from similar products offered by the Group’s competitors and reduce the Group’s losses in VMI sales.

In the fourth quarter of 2020, the Group decided to develop “Budu”, the e-health telemedicine project, and in 2021, the Group launched its e-health ecosystem (the “**Digital Health**”), comprising Digital Health Technology and “Renaissance Clinic”.

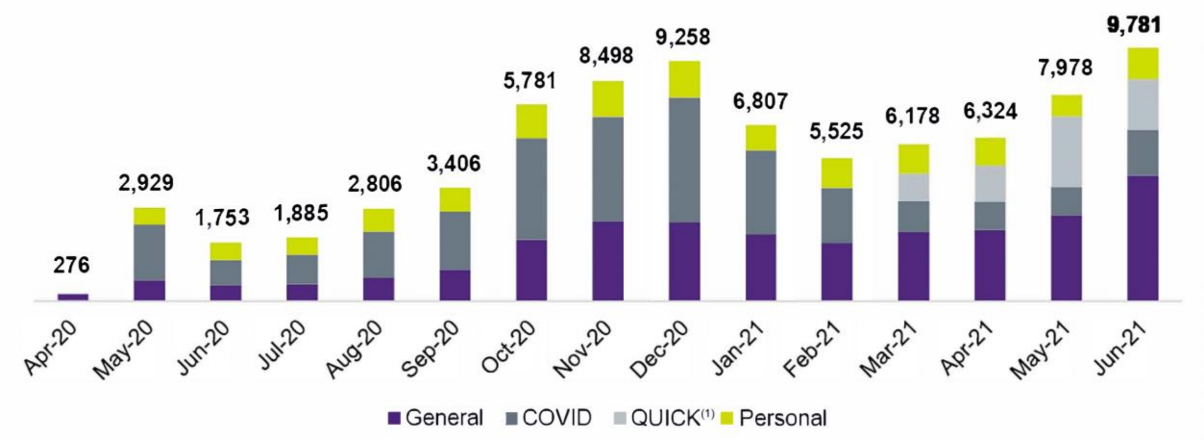
The Group believes that the retail health services market in Russia has a high growth potential, which spawns opportunities for offering “b2c” (or business-to-consumer) insurance and non-insurance services. The focus on the development of a digital platform for “b2c” clients until 2022 is divided into three areas: (i) increasing customer lifetime value (“**LTV**”) by connecting new products of the Group and its partners, (ii) setting up additional payment options and (iii) developing digital healthcare functionality and improving customer service.

At the core of the Digital Health ecosystem is the “Budu” mobile application which serves as a gateway to all of the services offered by the ecosystem. With the “Budu” mobile application, the Group’s customers are able to, among other things, obtain all information on VMI products offered by the Group, arrange appointments with specialists or home visits, receive telemedicine consultations and health-coaching, monitor health index and conduct health-habit tracking. In addition, the Group plans to develop cardio-support medical programmes and recently purchased and integrated the “CardioJournal” mobile application in Digital Health Technology. The mobile application has a user-friendly interface and offers features such as an interactive map of clinics with patients’ reviews and satisfaction ratings, a medical appointment calendar, an online pharmacy, and online meditation. In the second quarter of 2021, “Budu” mobile application had a monthly average of approximately 22 thousand active users.

Digital Health provides a comprehensive suite of online and offline medical services to the Group's customers. Digital Health offers, among others, telemedicine services, such as online consultations with pediatricians, specialists and premier doctors in Russia and abroad, medical concierge services, such as support from a healthcare attorney, the search and selection of medicines, a score health assessment system, inpatient and outpatient care, a counselling hotline and international travel insurance. The users of the "Budu" mobile application are entitled to receive medical service in the Group's own "Renaissance Clinic" medical hub or at clinics operated by medical partners of the Group. As of 30 August 2021, "Renaissance Clinic" had more than 100 doctors of different specialties that could be booked through Digital Health. As of June 2021, there were approximately 78 thousand medical consultations through all apps and channels.

According to the Group's management, the Group demonstrated significant growth in telemedicine consultations for the period from April 2020 to June 2021, as shown in the chart below.

Telemedicine Consultation Monthly Dynamic



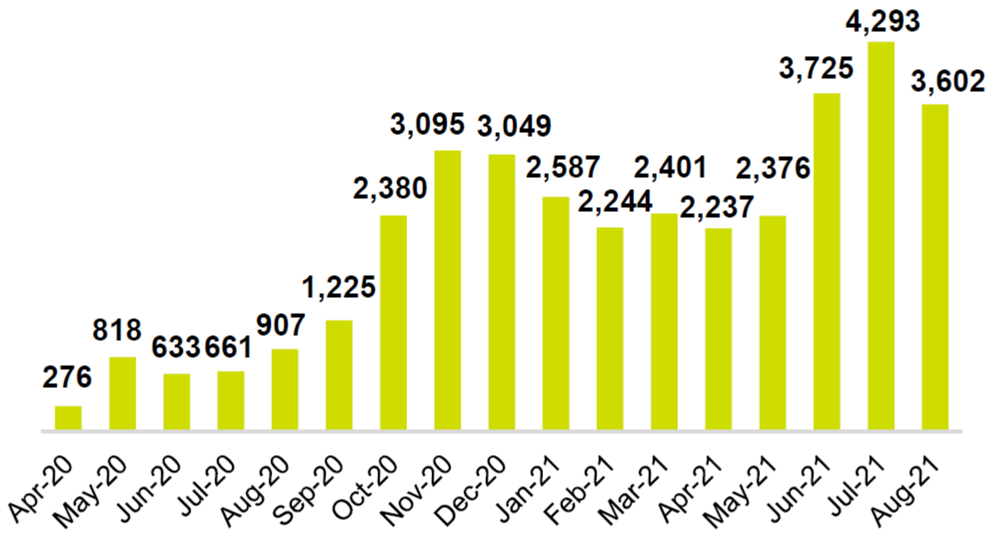
Source: Company data

Note:

(1) Consultations with doctors via text messages.

The Group believes that the Digital Health ecosystem with the "Renaissance Health" and "Budu" mobile applications will enable it to disrupt the retail health services segment by building a proprietary health management network that provides an end-to-end functionality directly from the mobile application to the Group's customers, which in turn will increase the Group's market share in the medical business and the VMI segment in Russia.

Number of Telemedicine Consultations through Renaissance Health



Source: Company data

The Company intends to sell 51% of shares of JSC "Renaissance Health", which owns rights to the "Budu" application, to some of its shareholders (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Recent Developments*").

Other Non-Life insurance

The Group also offers corporate property insurance (cargo insurance, marine insurance, carrier's civil liability insurance, property insurance for enterprises, insurance of construction and installation objects), retail property insurance (insurance of residential buildings, townhouses, pets, phones and furniture) and additional products (insurance of accident, travel, mortgage, real estate and financial risks).

The corporate property insurance is the core product of the other Non-Life insurance product line, which generated 43%, 53% and 55% of the Group's total Non-Life GWP in 2018, 2019 and 2020, respectively, as compared to 12%, 14% and 10% of the Group's total Non-Life GWP generated by the retail property insurance for the same periods.

Property insurance primarily comprises mortgage insurance and other private property insurance. Mortgage insurance policy compensates lenders (or investors) for damage to, or losses attributable to, mortgaged property. Such insurance policy typically covers defects in title to the property and structural construction defects, as well as losses resulting from damage to the mortgaged property, including fire, water damage, gas explosion and natural disasters. In the Russian real estate mortgage market, if the downpayment on the property is below a certain threshold (for instance, below 20% of the sale price or appraised value), the mortgage interest rate charged by the lender may be significantly reduced if the mortgagee purchases a mortgage insurance. Moreover, certain banks are still requiring lenders to insure mortgage properties as a matter of their risk policy. Therefore, almost all mortgagees in Russia purchase mortgage insurance. The key feature of mortgage insurance is a very low loss ratio as compared to other Non-Life insurance products with more inherent insurance risks.

Mortgage insurance policies are distributed by the Group primarily through partner banks, which sold approximately 89.7%, 98.3% and 97.3% of the total mortgage insurance policies underwritten by the Group in the years ended 31 December 2020, 2019 and 2018, respectively. As of 30 June 2021, approximately 68.1% of the total mortgage insurance policies underwritten by the Group were distributed through partner banks.

Property insurance policies other than mortgage insurance cover real estate owners' risks related to property damage. The Group's property insurance is categorised into two types of properties: apartments and houses. Both types of insurance policies cover a broad range of risks, including, among others, fire, water damage, gas explosion and natural disasters. Insurance policies for apartments may also cover damage to furnishings, moveable property, domestic appliances and equipment, heating and water supply systems, and plumbing and sanitary ware, and also cover civil liability to third parties (such as water damage to a third party's apartment caused by the insured party). Insurance policies for houses offer standard coverage for damage resulting from fire, water, gas explosion and natural disasters, but also offer protection for other types of property such as stand-alone sauna buildings, garages, fences and landscaping. The Group uses brokers, agents and direct sales (a call centre and the Internet) for the sale of its property insurance products.

Cargo insurance policies cover all risks of physical loss of or damage to goods during transit, imports, exports and domestic carriage, including any incidental storage. In 2020, the Group was the leading Russian market player in the cargo segment by GWP, based on the CBR data, with RUB 4.1 billion GWP generated by cargo insurance sales.

The Group's additional products generated 45%, 32% and 35% of the Group's total Non-Life GWP in 2018, 2019 and 2020, respectively. The Group's accident insurance policies cover physical injury, temporary and permanent disability and death of policyholders. Travel insurance policies cover medical and dental expenses (including emergencies and hospitalisation) as well as other travel-related occurrences. Financial risk insurance is an insurance product offered by the Group to manufacturers and suppliers of goods to cover the risks of claims related to sales of products with defects. The main distribution channels for other Non-Life insurance products are the Group's direct internal salesforce and financial and non-financial intermediaries and dealers.

As of 30 June 2021, the Group had approximately 1.2 million active clients, 5.8 thousand of which are corporate customers in other Non-Life insurance business. In 2020, the Group was one of the top-four largest Russian insurers in the other Non-Life segment by GWP, along with Ingosstrakh, VSK Insurance and RESO.

Other Non-Life segment financial summary

In 2018, 2019 and 2020, other Non-Life products generated GWP of RUB 10.6 billion, RUB 9.5 billion and RUB 9.6 billion, which accounted for 29.4%, 25.0% and 25.9% of the Non-Life GWP, and 15.1%, 13.3% and 11.6% of the Group's total GWP, respectively. In the six months ended 30 June 2021, other Non-Life products generated GWP of RUB 4.6 billion, which accounted for 21.8% of the Non-Life GWP and 9.6% of the Group's total GWP. According to the CBR data, the Group was the ninth largest insurance company in Russia by GWP in other non-life segments in 2020, with a market share of 2.2%.

In 2018, 2019 and 2020, the Group had an Acquisition Ratio for other Non-Life products of 62.4%, 62.1% and 63.3% and a loss ratio for other Non-Life products of 16.5%, 14.7% and 17.3%, respectively. In the six months ended 30 June 2021, the Group had an Acquisition Ratio for other Non-Life products of 59.9% and a loss ratio for other Non-Life products of 24.3%.

Direct Insurance

Currently, direct internal salesforce, financial and non-financial intermediaries, brokers, agents and dealers are the main distribution channels for the Group's Non-Life products. As part of its digital strategy, the Group seeks to develop alternative distribution channels in order to optimise costs, grow its customer base, and increase its margin and market share. Since 2019, the Group has been working on the implementation of a direct insurance operating model in its two business lines: (i) motor insurance (the "**Motor Direct Insurance**"), being the core of the Group's direct insurance model, and (ii) electronics and appliance insurance, which involves the offering of insurance services through online and offline retailers and banks (the "**Partners Insurance**"). The direct insurance model contemplates the elimination of intermediaries in the value chain, which would enable the Group to deliver streamlined end-to-end services to customers. The Group believes that further roll-out of the direct insurance model will allow it to optimise costs and, as a result, offer more competitive prices, improve its acquisition and loss ratios, grow its customer portfolio and increase its market share.

In the six months ended 30 June 2021, total GWP generated by direct insurance accounted for RUB 2.3 billion, of which RUB 1.0 billion was attributable to Motor Direct Insurance and RUB 1.3 billion was attributable to Partners Direct Insurance. This constitutes an increase of RUB 0.3 billion, or 41%, and RUB 0.1 billion, or 6%, respectively, compared to the same period in 2020.

Motor Direct Insurance

Motor Direct Insurance contemplates the offering of MOD and CMTPL products to retail customers under the "InTouch" brand, primarily through a mobile website and a mobile application. The Group believes that the use of the "InTouch" brand will facilitate customer traffic due to its well-established reputation and will allow the Group to reduce its marketing costs. The Group already has a strong presence in the MOD and CMTPL direct insurance but sees significant upside potential in the segment as the Russian direct insurance segment remains underpenetrated compared to other countries. The implementation of Motor Direct Insurance requires both organisational and infrastructural changes, so as to ensure agile organisational structure with a lean management hierarchy and a cutting-edge IT infrastructure that would enable seamless customer-centric end-to-end service. As part of this transformation, the Group has launched a mobile application for the Group's customers of MOD insurance. The mobile application, among other things, allows vehicle inspection via online review of its photos and integrates a new Claims X auto claims handling system, which enables a simplified remote claims handling process where the client gets an approval for repair work in an accelerated manner and personal manager helps the client to collect documents, and facilitates tracking of the process by the customer. As at the date of this Offering Memorandum, the Group's expenditures since 2018 on Motor Direct Insurance have reached approximately RUB 1.1 billion (mainly being direct acquisition costs) and the Group expects to further invest approximately RUB 4.4 billion in the implementation of this business line during the course of the next five years, RUB 2.4 billion being allocated to brand marketing costs and the rest to IT costs.

Partners Insurance

Partners Insurance contemplates the offering of electronic insurance and bancassurance policies through online and offline retailers and banks, respectively. The Group intends to use "InTouch" as a separate brand for the marketing of Partners Insurance to avoid any potential conflict with the other distribution channels of the Group's Non-Life insurance products (see "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group relies on its network of intermediaries to sell and distribute many of its products and may not be able to maintain a competitive distribution network*"). The Group is partnering with universal and specialised online and offline retailers (such as Yandex, Citilink, OZON and others) so as to get access to a broader customer base. As of 30 June 2021, the Group had more than 300 partners, including, Yandex Go, Anywayanyday, Delimobil, Rent, MTS, Sberbank of Russia, Russian Post, MTS and Petshopru. The implementation of Partners Insurance also requires substantial infrastructural changes, including the integration of the Group's IT systems with those of its retail partners and banks.

Life Segment

The Group offers Life insurance policies through its subsidiary, Renaissance Life. The Life insurance segment is comprised of four main product lines: investment policies, endowment policies, credit Life insurance policies and risk Life insurance policies. According to the All-Russian Union of Insurers data, the Group is the largest independent life insurance provider in the Russian market in 2020 with more than 2.1 million active clients as of 30 June 2021.

The share of GWP generated by the Life segment of business in the Group's total GWP increased significantly over the years. Life insurance products generated GWP of RUB 1 billion in 2010 and RUB 18 billion in 2016. In 2018, 2019 and 2020, the Life segment generated GWP of RUB 34.2 billion, RUB 33.7 billion and RUB 45.7 billion in GWP, which accounted for 48.6%, 47.0% and 55.2% of the Group's total GWP, respectively. In the six months ended 30 June 2021, the Life segment generated GWP of RUB 26.7 billion, which accounted for 55.8% of the Group's total GWP. Based on the ranking of life insurers in the KPMG Report, the Group is the largest independent life insurance provider, as all larger insurance providers are captive. In 2020, the Group was the fourth largest life insurer by GWP in the Russian market with a market share of approximately 10%.

The Group's total Life GWP in 2020 was composed of investment and endowment products by 71% and credit Life and other Life insurance products by 29%, as compared to the Russian life market's total of 77% and 23% for the same period, respectively.

In the six months ended 30 June 2021, investment Life insurance products, endowment Life insurance products and credit Life and other Life insurance products generated 36%, 17% and 47% of the Group's total Life GWP, respectively.

The table below sets forth certain key performance indicators of the Life segment for the periods indicated:

	As of		
	31 December 2020	**31 December 2019**	**31 December 2018**
Underwriting Profit Ratio(1).........	9.9%	11.7%	8.4%
Administrative Cost Ratio(2)........	3.7%	4.5%	4.2%
Commission Ratio(3)	38.6%	37.7%	49.9%
Net Profit Ratio(4)........................	5.3%	5.9%	3.4%

Notes:

(1) Underwriting Profit Ratio is calculated as Underwriting Result divided by gross insurance premiums. Underwriting Result is calculated as net profit for the period less administrative expenses less income tax expense.
(2) Administrative Cost Ratio is calculated as administrative expenses divided by gross insurance premiums.
(3) Commission Ratio is calculated as total acquisition costs divided by gross insurance premiums.
(4) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.

	As of	
	30 June 2021 (unaudited)	**30 June 2020 (unaudited)**
Underwriting Profit Ratio(1).........	9.3%	5.0%
Administrative Cost Ratio(2)........	4.2%	4.0%
Commission Ratio(3)	49.9%	31.5%
Net Profit Ratio(4)........................	4.3%	1.3%

Notes:

(1) Underwriting Profit Ratio is calculated as Underwriting Result divided by gross insurance premiums. Underwriting Result is calculated as net profit for the period less administrative expenses less income tax expense.
(2) Administrative Cost Ratio is calculated as administrative expenses divided by gross insurance premiums.
(3) Commission Ratio is calculated as total acquisition costs divided by gross insurance premiums.
(4) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.

Tables below set out the breakdown of certain key financial and performance indicators by product category for the periods indicated:

Period ended	**Insurance Policies**	**GWP(1)**	**Underwriting Result(1) (2)**	**Net Profit(1)**	**Commission ratio(1)(3)**	**Underwriting Profit Ratio(1) (4)**	**Net Profit Ratio(1)(5)**	**Administrative Cost Ratio(6)**
			(*in billion RUB*)			(*in %*)		
31 December 2020...............	Investment	24.6	2.7	1.9	12.2	11.1	7.8	2.0
	Endowment	7.7	1.4	0.6	29.3	17.6	7.3	9.2
	Credit Life and Risk Life insurance products	13.3	0.4	(0.1)	93.0	3.1	(0.7)	3.6
	TOTAL	**45.7**	**4.5**	**2.4**	**38.6**	**9.9**	**5.3**	**3.7**
31 December 2019...............	Investment	18.4	2.2	1.5	11.0	12.2	8.1	2.7
	Endowment	5.1	1.1	0.3	31.4	20.5	6.4	11.7
	Credit Life and Risk Life insurance products	10.2	0.7	0.2	88.9	6.6	1.6	4.3
	TOTAL	**33.7**	**4.0**	**2.0**	**37.7**	**11.7**	**5.9**	**4.5**
31 December 2018...............	Investment	15.2	0.8	0.4	11.6	5.3	2.5	2.5
	Endowment	3.5	1.0	0.4	34.9	30.6	11.7	15.9
	Credit Life and Risk Life insurance products	15.5	1.0	0.4	91.1	6.2	2.5	3.2
	TOTAL	**34.2**	**2.9**	**1.2**	**49.9**	**8.4**	**3.4**	**4.2**

Notes:

(1) Based on the Company's management accounts.
(2) Underwriting Result is calculated as net profit for the period less administrative expenses less income tax expense.
(3) Commission Ratio is calculated as total acquisition costs divided by gross insurance premiums.
(4) Underwriting Profit Ratio is calculated as Underwriting Result divided by gross insurance premiums.
(5) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.
(6) Administrative Cost Ratio is calculated as administrative expenses divided by gross insurance premiums.

Period ended	Insurance Policies	GWP(1)	Underwriting Result(1)(2)	Net Profit(1)	Underwriting Profit Ratio (1)(4)	Net Profit Ratio(1) (5)	Commission Ratio(1) (3)	Administrative Cost Ratio(1)(6)
		(*in billion RUB*)			(*in %*)			
30 June 2021 (unaudited)...........	Investment	9.6	0.8	0.3	8.3	3.1	12.0	3.6
	Endowment	4.5	0.7	0.2	15.6	4.4	22.4	10.3
	Credit Life and Risk Life insurance products	12.6	1.1	0.7	8.7	5.6	88.5	2.5
	TOTAL	**26.7**	**2.5**	**1.1**	**9.4**	**4.1**	**49.9**	**4.2**
30 June 2020 (unaudited)...........	Investment	10.7	0.2	0.04	1.9	0.4	11.6	1.9
	Endowment	2.9	0.4	0.1	13.8	3.4	32.7	10.1
	Credit Life and Risk Life insurance products	3.9	0.3	0.07	7.7	1.8	85.9	5.1
	TOTAL	**17.4**	**0.9**	**0.2**	**5.2**	**1.1**	**31.5**	**4.0**

Notes:

(1) Based on the Company's management accounts.
(2) Underwriting Result is calculated as net profit for the period less administrative expenses less Income tax expense.
(3) Commission Ratio is calculated as total acquisition costs divided by gross insurance premiums.
(4) Underwriting Profit Ratio is calculated as Underwriting Result by gross insurance premiums.
(5) Net Profit Ratio is calculated as net profit divided by gross insurance premiums.
(6) Administrative Cost Ratio is calculated as administrative expenses divided by gross insurance premiums.

As of 30 June 2021, the Life segment had more than 2,060 thousand clients, 1,426 thousand of which are credit Life policyholders, 391 thousand are risk Life policyholders, 127 thousand are investment insurance policyholders and 115 thousand are endowment policyholders.

The table below set out the breakdown of the Group's customer base in the Life insurance segment.

Insurance Policies	Share of Female Policyholders	Share of Male Policyholders	Average age of Policyholders	Number of Insurance Policies per Policyholder as of 31 December 2019	Number of Insurance Policies per Policyholder as of 31 December 2020	Number of Insurance Policies per Policyholder as of 30 June 2021
Investment	68%	32%	59 years	1.15	1.22	1.29
Endowment	63%	37%	46 years	1.25	1.30	1.39
Credit Life insurance products	57%	43%	42 years	1.42	1.45	1.54
Risk Life insurance products	50%	50%	44 years	1.50	1.49	1.57

The Group considers customers that purchased its investment insurance policy, endowment insurance policy or medicine products as core clients in the Life segment. In 2018, 2019 and 2020, the number of Life Core Clients was 205 thousand, 289 thousand and 367 thousand, respectively. In 2020, the premium per client received by the Group from its Life Core Clients amounted to RUB 183.3 thousand and the average client lifetime value amounted to RUB 41.5 thousand.

As at 30 June 2021, the Group had 373 thousand of the Life Core Clients.

Investment Insurance Policies

Investment insurance policies are single premium insurance products that generate investment income. The Group offers investment insurance products with a number of different features, including, but not limited to: (i) investment policies linked to options (options-based investment insurance), (ii) investment policies linked to fixed income instruments (fixed income investment insurance) and (iii) investment policies linked to discretionary asset management offered by Sputnik Asset Management (see "*Business—Risk Life Products—Asset Management Segment*") (asset management investment insurance). All investment insurance policies offered by the Group provide for a guaranteed recovery of investment principle contemplating a full return of the invested insurance premium to the policyholder.

Investment policies linked to options contemplate that premiums received from customers are invested into fixed income instruments, such as investment grade or government bonds and exchange-traded options. Investment in fixed income instruments guarantees the return to the customer of the nominal value of their insurance policy, while partial investment in options allows the Group's customers to benefit from changes in prices of such options that derive their value from the underlying assets. The Group also purchases structured notes with protection of the notional amount and embedded option. Such structured notes are used primarily for the purposes of hedging the Group's exposure under the investment insurance policies written to the customers, which provide for similar terms as structured notes. Purchase of investment policies linked to options allows the Group's customers to receive Russian rouble-denominated benefit from the upside of the underlying assets of the option, whilst protecting the notional amount of their investment.

Investment policies linked to fixed income instruments allow the Group's customers to receive income in U.S. dollars that is linked to various fixed income instruments nominated in foreign currency purchased by the Group (e.g., eurobonds of Russian corporates nominated in U.S. dollars). Investment policies linked to fixed income instruments allow the Group's retail customers to benefit from the foreign currency fixed income market by making relatively small investments in the investment policies offered by the Group as compared to the investments that would have been required to invest in the relevant fixed income instruments.

Investment policies linked to discretionary asset management allow the Group's customers to benefit from asset management services offered by the Group. Such investment products contemplate that proceeds from the sale of insurance policies will be invested by the Group in various publicly traded assets on the basis of constant proportion portfolio insurance ("**CPPI**") strategies that allow for an exposure to the upside potential of risky assets held in the portfolio while providing a guarantee for the Group's customers against the downside risk. The Group has set up a low minimum investment amount that shall be paid by the customers to purchase investment policies linked to discretionary asset management, which is currently equal to RUB 30 thousand.

The average premium received by the Group from an investment insurance policy is approximately RUB 400,000, which is equal to the average insured amount thereunder, and the average term of an investment insurance policy is 3.7 years.

Investment policies are distributed primarily through the banking distribution channel, which accounted for approximately 98%, 97% and 97% of the Group's investment polices sales in 2018, 2019 and 2020, respectively. The remaining part of the Group's investment products were distributed through direct internal salesforce.

Investment insurance products are one of the largest contributors to the Group's GWP. In 2018, 2019 and 2020, retail investment products generated GWP of RUB 15.2 billion, RUB 18.4 billion and RUB 24.6 billion, which accounted for 44.4%, 54.6% and 53.8% of the Life GWP, and 21.6%, 25.7% and 29.7% of the Group's total GWP, respectively. In the six months ended 30 June 2021, retail investment products generated GWP of RUB 9.6 billion, which accounted for 36.0% of the Life GWP and 20.1% of the Group's total GWP. The Group is a leading provider of investment insurance by GWP in the Russian market with a total market share of 10% in 2020, according to the CBR data.

In 2018, 2019 and 2020, the Group had a Commission Ratio for Life investment insurance products of 11.6%, 11.0% and 12.2% and an Administrative Cost Ratio for Life investment insurance products of 2.5%, 2.7% and 2.0%, respectively. In the six months ended 30 June 2021, the Group had a Commission Ratio for Life investment insurance products of 12% and an Administrative Cost Ratio for Life investment insurance products of 3.6%. Net Profit Ratio for the same periods accounted for 2.5% in 2018, 8.1% in 2019 and 7.8% in 2020. In the six months ended 30 June 2021, the Group had a profit ratio of 2.9% for the Life investment insurance products. Net profit attributable to investment insurance policies amounted to RUB 387 million in 2018, RUB 1,494 million in 2019, RUB 1,919 million in 2020, and RUB 279 million in the six months ended 30 June 2021.

Endowment Life Products

Endowment life policies are long-term life insurance products that give customers benefits from both investment and insurance, including coverage in the case of death, disability or critical illness, under a single policy. The Group offers its endowment insurance products to retail customers generally based on the combination of risk of "surviving to policy maturity" and risk of "death from any causes". Depending on the type of endowment product, insurance coverage may be provided against any life insurance risks. Endowment life products are designed as regular savings plans with embedded life insurance, medical and other general services. Medical services under the endowment policies may include, among others, telemedicine, cancer treatment, second doctor's opinion, physiological treatment and others. A number of other services available to the holders of endowment life policies include legal and tax advice, concierge services and career guidance services.

In 2020, the average premium received by the Group from an endowment Life insurance policy amounted to approximately RUB 53,000 with the average insured amount equaling approximately RUB 481,000, depending on the distribution channel, and the average term of an endowment insurance policy was 7.5 years.

Endowment Life insurance policies are distributed primarily through the banking distribution channel, which accounted for approximately 74%, 77% and 72% of the Group's endowment Life sales in 2018, 2019 and 2020, respectively. In the six months ended 30 June 2021, endowment Life insurance policies which were distributed through the banking distribution channel accounted for approximately 54.7% in the Group's endowment Life polices sales. In 2020, the average premium received by the Group from an endowment Life insurance policy distributed through the banking distribution channel amounted to approximately RUB 55,700 with the average insured amount equaling approximately RUB 432,000, and the average term of an endowment insurance policy was five years and three months.

Another important distribution channel for the Group's endowment insurance products is the internal direct salesforce (the Group's own tied salesforce, portfolio management centre and digital platforms), which accounted for 20%, 18% and 25% of the Group's endowment insurance policy sales in 2018, 2019 and 2020, respectively. In the six months ended 30 June 2021, the Group's endowment insurance products which were distributed through the Group's own channels accounted for approximately 44% of the Group's endowment sales. In 2020, the average premium received by the Group from an endowment insurance policy distributed through direct internal sales amounted to approximately RUB 47,800 with the average insured amount equaling approximately RUB 640,000, and the average term of an endowment insurance policy was 13.5 years.

Endowment insurance products are also distributed by other partners of the Group acting as brokers. In 2018, 2019 and 2020, the Group's endowment insurance products distributed by other partners accounted for 6%, 5% and 3% of the Group's endowment insurance policy sales, respectively.

In 2018, 2019 and 2020, endowment insurance products generated GWP of RUB 3.5 billion, RUB 5.1 billion and RUB 7.7 billion, which accounted for 10.2%, 15.1% and 16.8% of the Life GWP, and 5.0%, 7.1% and 9.3% of the Group's total GWP, respectively. In the six months ended 30 June 2021, endowment insurance products generated GWP of RUB 4.5 billion, which accounted for 16.8% of the Life GWP and 9.4% of the Group's total GWP. According to the All-Russian Union of Insurers data, the Group was the second largest independent player by GWP in the Russian endowment life market with a market share of 5% in 2020.

In 2018, 2019 and 2020, in endowment insurance products, the Group had a Commission Ratio of 34.9%, 31.4% and 29.3% and an Administrative Cost Ratio of 15.9%, 11.7% and 9.2%, respectively, and a Net Profit Ratio of 11.7%, 6.4% and 7.3%, respectively. Net profit attributable to endowment insurance policies in the same periods amounted to RUB 410 million, RUB 326 million and RUB 566 million, respectively. In the six months ended 30 June 2021, in endowment insurance products, the Group had a Commission Ratio of 22.4%, an Administrative Cost Ratio of 10.3% and a profit ratio of 3.5%. Net profit attributable to endowment insurance policies in the Life segment in the six months ended 30 June 2021 amounted to RUB 0.2 billion.

Credit and Risk Life Products

Credit life insurance products are single premium life insurance policies designed to pay off a borrower's debt to the lender in the case of the borrower's death or permanent and/or temporary disability (in the case of disability, only disability categories I and II are usually covered, i.e., conditions of heavy or intermediate severity), sickness or unemployment. Credit life insurance policies typically cover the full loan amount and provide coverage until loan maturity. Credit life insurance policy can provide for a proportionate reduction of coverage over the term based on the policyholder's loan repayment schedule or interest rates charged by lenders. The Group offers to retail customers individual credit Life insurance policies and to corporate customers group policies, which cover borrowers as insured parties.

Risk Life insurance products are single premium life insurance policies that provide coverage against medical expenses or financial protection in the case of disability or loss of job by the policy holder.

The average premium received by the Group from a credit Life insurance policy from its retail and corporate business amounts to approximately RUB 40,000 and the average insured amount is approximately RUB 314,000, and the average term of a credit Life insurance policy is three years and eight months. Premiums for credit Life insurance policies are usually paid by the Group's customers in an upfront single payment.

The average premium received by the Group from a risk Life insurance policy amounts to approximately RUB 14,000 and the average insured amount is approximately RUB 4.8 million, and the average term of a risk Life insurance policy is one year. Premiums for risk Life insurance policies are usually paid by the Group's customers in an upfront single payment.

Main distribution channels for credit Life insurance policies are credit institutions and brokers. Sales of credit Life products through banking distribution channels accounted for 78%, 62% and 83% of all credit Life insurance policies sales in 2018, 2019 and 2020, respectively. Sales of insurance policies in the credit Life segment through non-financial intermediaries accounted for approximately 22%, 38% and 17% of all credit Life insurance policies sales in 2018, 2019 and 2020, respectively. In the six months ended 30 June 2021, sales of credit Life products through banking distribution channels and non-financial intermediaries accounted for approximately 91.9% and 8.1% of all credit Life insurance policies sales, respectively.

Risk Life insurance policies are distributed by the Group through banking distribution channels, non-financial intermediaries and internal direct salesforce. Sales through each of these distribution channels accounted for 88%, 7% and 5%, respectively, in the year ended 31 December 2018, 92%, 3% and 5%, respectively, in the year ended 31 December 2019, and 96.7%, 0.9% and 2.4%, respectively, in the year ended 31 December 2020. Sales through each of these distribution channels accounted for 97.4%, 0.3% and 2.3% in the six months ended 30 June 2021.

Credit Life insurance products are a significant contributor to the Group's GWP. In 2018, 2019 and 2020, credit Life products generated GWP of RUB 13.5 billion, RUB 8.7 billion and RUB 11.4 billion, which accounted for 39.4%, 25.9% and 24.9% of the Life GWP, and 19.2%, 12.2% and 13.8% of the Group's total GWP, respectively. In the six months ended 30 June 2021, credit Life products generated GWP of RUB 11.3 billion, which accounted for 42.5% of the Life GWP and 23.7% of the Group's total GWP. The Group is the leading independent insurance provider in the credit life market in Russia by GWP, accounting for 12% of the total credit life GWP in 2020, based on the CBR data. The contribution of risk Life to the Group's GWP is not as significant as that of credit Life.

In 2018, 2019 and 2020, in credit Life insurance products, the Group had a Commission Ratio of 91.1%, 88.9% and 93.0%, respectively, an Administrative Cost Ratio of 3.2%, 4.3% and 3.6%, respectively, a Net Profit Ratio of 2.5%, 1.6% and -0.7%, respectively. Net profit attributable to credit Life insurance products amounted to RUB 379 million, RUB 159 million and RUB -87 million, respectively. In the six months ended 30 June 2021, in credit Life insurance products, the Group had a Commission Ratio of 88.5%, an Administrative Cost Ratio of 2.5%, a Net Profit Ratio of 5.6%, with a net profit of RUB 703 million.

Asset Management Segment

In 2001, the Group established Sputnik Asset Management, the asset management arm of its business. Sputnik Asset Management manages a substantial part of the Group's investments comprised of insurance reserves and equity capital of the Group's insurance companies.

As at 31 December 2018, 2019 and 2020, Sputnik Asset Management had RUB 38 billion, RUB 39 billion, and RUB 40 billion in assets under management, respectively. All assets under management of Sputnik Asset Management are investment assets of the Group, and accounted for 35.8%, 29.5% and 24.4% of the Group's total assets as of 31 December 2018, 2019 and 2020, respectively. As at 30 June 2021, Sputnik Asset Management had RUB 53 million of the Group's total assets under management, and assets under the management of Sputnik Asset Management accounted for 29.6% of the Group's total assets.

The following table provides a breakdown for assets under management of Sputnik Asset Management broken down by segment for the periods indicated:

	As of							
	30 June 2021 (unaudited)		**31 December 2020**		**31 December 2019**		**31 December 2018**	
	RUB billions	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*
Non-Life Segment	21	39.6	19	47.5	16	41.0	14	36.8
Life Segment	22	41.5	12	30.0	17	43.6	22	57.9
Pensions Segment	10	18.9	9	22.5	6	15.4	2	5.3
Total	**53**	**100**	**40**	**100**	**39**	**100**	**38**	**100**

The following table summarises information on the assets under management of Sputnik Asset Management by asset class for the periods indicated:

	As of			
	30 June 2021 (unaudited)	**31 December 2020**	**31 December 2019**	**31 December 2018**
		(*in billion RUB*)		
Corporate bonds................	25	20	23	22
Government bonds[(1)].........	17	14	11	8
Equity...............................	11	6	5	8
Total	**53**	**40**	**39**	**38**

Note:

(1) Government bonds are comprised of federal loan bonds issued by the Ministry of Finance of the Russian Federation, municipal bonds issued by regions of the Russian Federation, large Russian cities and other public bodies.

Investment performance of the investments of insurance companies' assets under management of Sputnik Asset Management yielded 8.3%, 12.8% and 10.4% in the years ended 31 December 2018, 2019 and 2020, respectively.

In the years ended 31 December 2018, 2019 and 2020, Sputnik Asset Management recorded a net profit of RUB 3 million, RUB 102 million and RUB 99 million, which accounted for 0.1%, 2.5% and 2.1% of the Group's total net profit, respectively. In the six months ended 30 June 2021, Sputnik Asset Management recorded a net loss of RUB 28 million, which accounted for negative 2.1% of the Group's total net profit.

Investment Strategy

The investment strategy of Sputnik Asset Management is based on the Group's investment policy that is aimed at striking a balance between generating returns and managing market risks. Protecting the capital position of the Group is an important factor in this context. Under the Group's investment policy, the investments of the Group may be comprised of equities, exchange-traded funds, fixed income instruments, derivatives and other assets with acceptable market risk. The composition of the relevant financial instruments in the Group's portfolio is determined on the basis of a balance between risky and defensive assets. Another factor affecting the investment strategy is the requirement to allocate assets in accordance with the relevant Russian regulatory rules applicable to asset allocation that set out the limits for investments in particular asset classes. See "*Regulation of the Russian Insurance Sector*".

Sputnik Asset Management is pursuing the CPPI strategy, which allows it to maintain exposure to the upside potential of a risky asset while providing a capital guarantee against the downside risk, and focuses on investing into liquid assets, primarily in bonds with short duration and high credit quality. Such approach is taken by Sputnik Asset Management on behalf of the Group for the purposes of mitigating the market and other risks related to the Group's investments. In order to enhance returns on investments under management, Sputnik Asset Management, subject to limitations set out in its investment declarations, invests a portion of its assets under management in equities that are bearing higher risk than fixed income instruments but show higher returns (see "*—Equities*").

The Group's investments are subject to various risks, including, among others, market risk, interest rate risk, liquidity risk and credit risk (see "*Risk Factors—Financial and Market Risks*"). The Group has adopted necessary risk management measures and procedures for the purposes of risk mitigation that are consistently applied by Sputnik Asset Management with respect to the Group's investments. For more information, see "*—Risk Management —Investment Risks.*"

Bonds

Bonds under management of Sputnik Asset Management accounted for RUB 30 billion, RUB 34 billion and RUB 34 billion as of 31 December 2018, 2019 and 2020, respectively. As of 30 June 2021, bonds under management of Sputnik Asset Management accounted for RUB 42 billion. Bonds managed by Sputnik Asset Management comprise Russian rouble-denominated government and corporate bonds.

The table below sets out the market value of the respective bonds under management of Sputnik Asset Management by rating as at 31 December 2018, 2019 and 2020 and 30 June 2021.

	As of							
	30 June 2021 (unaudited)		**31 December 2020**		**31 December 2019**		**31 December 2018**	
	RUB billions	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*
Corporate bonds[(1)]								
AAA.....................	-	-	-	-	-	-	-	-
AA........................	-	-	-	-	-	-	-	-
A...........................	-	-	-	-	-	-	-	-
BBB	11	26.2	10	29.4	12	35.3	13	43.3
BB........................	10	23.8	6	17.6	7	20.6	8	26.7
B...........................	-	-	-	-	4	11.8	1	3.3
Less than B	-	-	-	-	-	-	-	-
Not rated	4	9.5	4	11.8	-	-	-	-
Government bonds[(1)]								
AAA.....................	-	-	-	-	-	-	-	-
AA........................	-	-	-	-	-	-	-	-
A...........................	-	-	-	-	-	-	-	-
BBB	15	35.7	13	38.2	8	23.5	5	16.7
BB........................	2	4.8	1	2.9	2	5.9	-	-
B...........................	-	-	-	-	1	2.9	1	3.3
Less than B	-	-	-	-	-	-	-	-
Not rated	-	-	-	-	-	-	2	6.7

	As of							
	30 June 2021 (unaudited)		31 December 2020		31 December 2019		31 December 2018	
Total	**42**	**100**	**34**	**100**	**34**	**100**	**30**	**100**

Note:

(1) Based on ratings of S&P, Moody's and Fitch (S&P rating scale is used) and, where those are unavailable, ratings of Russian rating agencies AKRA and Expert RA (using the conformity scale set by the CBR).

The table below sets out the market value of bonds under management of Sputnik Asset Management by maturity as at 31 December 2018, 2019 and 2020 and 30 June 2021.

	As of							
	30 June 2021 (unaudited)		31 December 2020		31 December 2019		31 December 2018	
	RUB billions	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*
More than 3 years(1)	2	4.5	2	5.9	2	5.9	3	10.0
From 2 to 3 years(1)	7	15.5	6	17.6	9	26.5	4	13.3
From 1 to 2 years(1)	14	32.4	13	38.2	8	23.5	7	23.3
Less than 1 year(1) .	20	47.6	13	38.2	15	44.1	16	53.3
Total	**42**	**100**	**34**	**100**	**34**	**100**	**30**	**100**

Note:

(1) Based on the closest repayment or offer date.

Equities

Equities under management of Sputnik Asset Management accounted for RUB 8 billion, RUB 5 billion and RUB 6 billion as of 31 December 2018, 2019 and 2020, respectively. As of 30 June 2021, equities under management of Sputnik Asset Management accounted for RUB 11 billion. Equities managed by Sputnik Asset Management comprise Russian rouble-denominated common shares of Russian large capitalisation issuers.

The table below sets out the breakdown of equities by type of shares held in the portfolio for the periods indicated:

	As of							
	30 June 2021 (unaudited)		31 December 2020		31 December 2019		31 December 2018	
	RUB billions	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*
Common shares	11	100	6	100	5	100	8	100
Preferred shares	-	-	-	-	-	-	-	-
Total......................	**11**	**100**	**6**	**100**	**5**	**100**	**8**	**100**

The table below sets out the breakdown of the equities under management of Sputnik Asset Management by industry as at 31 December 2018, 2019 and 2020 and 30 June 2021.

	As of							
	30 June 2021 (unaudited)		31 December 2020		31 December 2019		31 December 2018	
	RUB billions	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*	*RUB billions*	*% of total*
Oil and Gas....................	5.2	47.3	3.1	51.7	0.9	18.0	1.1	13.8
Electric Power	0.9	8.2	0.3	5.0	0.3	6.0	-	-
Metals and Mining	3.7	33.6	2.2	36.7	2.8	56.0	1.8	22.5
Financial Institutions.....	-	-	0.2	3.3	0.5	10.0	3.5	43.8
Telecommunications	1.0	9.2	0.1	1.7	-	-	0.5	6.3

	As of							
	30 June 2021 (unaudited)		31 December 2020		31 December 2019		31 December 2018	
Information Technology	-	-	-	-	-	-	0.8	10.0
Other............................	0.2	1.8	0.1	1.7	0.5	10.0	0.3	3.8
Total............................	**11.0**	**100**	**6.0**	**100**	**5.0**	**100**	**8.0**	**100**

Distribution network and sales channels

The Group has a highly diversified distribution network in Russia. As a nationwide insurer, the Group distributes its insurance products through 82 offices located in 27 regions of Russia. The Group also actively uses partner sales channels and online sales channels to ensure that the Group's insurance products are available to customers in all regions of Russia.

In the Non-Life segment, the Group's distribution network is divided into (i) corporate channel, which includes the Group's own salesforce (133 sales professionals) and international brokers such as AON, Marsh and Willis, and (ii) retail channel, comprising partners' sales (including banks), dealers, agents and direct sales. The Group's sales of Non-Life insurance products vary significantly from region to region, reflecting a regional variation in consumer wealth and the Group's particular distribution strength and focus on more economically developed regions such as Moscow and the Moscow region, Saint-Petersburg, the Sverdlovsk region and the Republic of Tatarstan. In 2020, 56.0% of the Non-Life GWP was underwritten in Moscow and the Moscow region, while the remaining 30.0% and 14.0% of the Non-Life GWP was underwritten in Saint-Petersburg and the Leningrad region and other regions, respectively. In the six months ended 30 June 2021, the Group's insurance products sold in Moscow and the Moscow region accounted for approximately 56% of the Group's Non-Life GWP.

The Group's Life insurance products are primary distributed through (i) the banks, (ii) the Group's own distribution channels, such as Portfolio Management Centre ("**PMC**"), supported by a wide regional tied salesforce and a digital end-to-end distribution channel, and (iii) car dealers.

Sales Channels

The Group's sales channels in the Non-Life segment include agents, brokers, car dealers, own salesforce, partners (including, among others, online retailers and mobile operators) and direct sales, and in the Life segment – banks, agents, own salesforce, partners (brokers, car dealers and other intermediaries) and direct sales.

As at 30 June 2021, each sales channel had the following share in the Group's total GWP: direct sales – 5.7%, agents – 7.5%, dealers – 8.8%, brokers – 7.9%, own salesforce – 13%, and other partners – 57.1%.

Contribution of each distribution channel varies from segment to segment. In the corporate Non-Life segment 77% of GWP is generated by own salesforce and 23% by brokers, while in the retail Non-Life segment, the Group's partners, dealers, agents and direct sales contribute to 38%, 32%, 23% and 8% of the Group's total GWP, respectively. Life segment distribution is dominated by banks: banks generate 97% of GWP in investment Life insurance, 72% of GWP in endowment Life insurance, 83% of GWP in credit Life insurance and 96% of GWP in risk Life insurance (and 89% of the segment's total GWP), but the overall mix of distribution channels is different for each of the above products.

The table below sets out the breakdown of the Group's GWP by sales channel for the periods indicated:

	As of							
	30 June 2021 (unaudited)		31 December 2020		31 December 2019		31 December 2018	
	RUB billion	*% of total*	*RUB billion*	*% of total*	*RUB billion*	*% of total*	*RUB billion*	*% of total*
Partners	27.3	57.1	49.1	59.2	36.6	51.0	38.6	54.9
Direct own salesforce .	6.2	13	12.2	14.7	12.6	17.4	11.3	16.0
Agents	3.6	7.5	6.3	7.6	6.1	8.5	5.6	8.0
Dealers	4.2	8.8	6.8	8.3	7.9	11.1	7.1	10.1
Brokers.......................	3.8	7.9	5.5	6.7	6.9	9.7	5.8	8.3

	As of							
	30 June 2021 (unaudited)		**31 December 2020**		**31 December 2019**		**31 December 2018**	
Direct sales	2.7	5.7	2.9	3.5	1.6	2.3	1.9	2.7
Total	**47.8**	**100.0**	82.8	**100.0**	71.7	**100.0**	70.3	**100.0**

Partners

The Group has diverse partnerships in broad spectrum of industries. Particularly, the Group's partners include financial and non-financial intermediaries such as banks, leasing operators, online retailers, pet shops and other corporate intermediaries. The Group's major focus in the partner distribution strategy is to own the Group's clients. As of 30 June 2021, the Group has bancassurance arrangements with 120 banks in the Non-Life segment, including Sberbank of Russia, VTB, Otpbank, Ikano Bank and Raiffeisen Bank, and other partnership arrangements with more than 300 partners, including YandexTaxi, AnyWayAnyDay, Rent Property, Ozon, MTS and Petshopru. The Group built a single API offering with an unmatched speed of connectivity and improved convenience for integrating insurance products in partners' ecosystems (for more information, see "—*Competitive Strengths—Unique digital partnership proposition*").

In 2020, sales of Non-Life and Life insurance products through partners' channels accounted for 22.1% of the Non-Life GWP and 89.3% of the Life GWP, respectively. In the six months ended 30 June 2021, the sales of Non-Life and Life insurance products through financial and non-financial intermediaries channels accounted for 18.1% of the Non-Life GWP and 91.6% of the Life GWP.

Banks are the primary distribution channel for the Group's Life insurance products by GWP. As of 30 June 2021, the Group had long-standing partnerships with 46 banks across the Life insurance product offering. As of 30 June 2021, the Group partnered with 19 banks in investment Life insurance, including PJSC Bank Otkritie Financial Corporation, Gazprombank, DOM.RF Bank and Minbank, 23 banks in endowment Life insurance, including Gazprombank, Home Credit Bank, Ak Bars Bank, DOM.RF Bank and MTS Bank, 24 banks in credit Life insurance and 19 banks in risk Life insurance, including Home Credit Bank, DOM.RF Bank and Gazprombank.

In its partnerships with banks, the Group actively uses such innovative cooperation techniques as profit conditions, exclusivity fees and advance commissions, and, based on agreements in force with its bancassurance partners, as of the date of this Offering Memorandum, the Group expects to generate more than RUB 50 billion in sales of Life insurance products.

According to the Group's management, the Group is also in the process of concluding a long-term partnership agreement with "Banki.ru", the largest marketplace for financial services in Russia, which is expected to cover the sale of savings insurance products in the next three years. The terms of the Group's cooperation with "Banki.ru" envisage (i) that Renaissance Life will be at the top of the list for the customers looking for deposits, investment products and foreign exchange services with correspondent products, (ii) that Renaissance Life will have its own exclusive section on "Banki.ru", and (iii) an API integration of Renaissance Life and "Banki.ru" across all savings products. The "Banki.ru" marketplace is anticipating an increase in the target penetration of savings insurance products in the next three years up to the existing penetration level of investment products into the bank deposits channel.

Additionally, the Group is developing a partnership with DeFin Crypto bank in order to sell standard term Life insurance, enabling policyholders to bequeath cryptocurrency wallets. Such Life insurance arrangements are expected to take the form of tripartite smart contracts where Renaissance Life will act as an "Oracle" (i.e. will feed data that the contract will need self-execute). Thus the line of Life insurance products may be extended with the option allowing beneficiaries to inherit cryptocurrency wallets in the case of policyholder's death.

Group's own channels

The Group's own distribution channels in the Non-Life segment are own salesforce, direct insurance and sales through the Group's own call centre. As at 30 June 2021, the Group had 143 sales representatives working on a full-time basis. Own salesforce is particularly important in health and property insurance, where most corporate insurance contracts are entered via the Group's own salesforce. Own salesforce generates approximately 77% of

GWP attributable to corporate products and is the largest distribution channel for Non-Life insurance products by GWP.

In the Life segment, the Group has own rapidly growing distribution channels comprising PMC, supported by a wide regional sales representatives network and a digital end-to-end distribution channel.

As at 30 June 2021, the Group had 72 sales offices and 1,044 sales representatives (tied salesforce) in the Life segment supported by 183 sales managers of the Group, which contributed approximately 30% to the Life GWP generated by the Group's own direct distribution channels.

PMC is a dedicated business unit with highly-skilled sales professionals that are supported by the Group's tied salesforce for cross-selling and up-selling of endowment and investments Life products. The Group's portfolio managers communicate directly with policyholders of Group's Life insurance products, attracted through the banking channel, consult them about the existing Life insurance policies or policies that are expected to mature in the near term and offer to purchase endowment and investments Life products of the Group. The selling process of endowment products through PMC is divided into two parts: (i) up-selling to the Group's customers with insurance policies expected to mature in the near term, and (ii) cross-selling to new customers who acquired the Group's products for the first time within the last six months. The Group launched the sales sub-units of PMC in Moscow and Saint-Petersburg in 2019 and in other regions of Russia in 2021. In Moscow and Saint-Petersburg, the conversion of transferred contracts amounted to 9% and 7% for cross-selling, respectively, and to 25% and 16% for up-selling, respectively, while in other regions of Russia, the conversion of transferred contracts amounted to 0.4% for cross-selling and 6% for up-selling in the six months ended 30 June 2021.

Due to the wide geographical spread of the Group's existing clients across Russia, not all of them may be reached by portfolio managers. As at the date of this Offering Memorandum, only 55% of maturities, and 80% of new sales can be transferred for up-selling and cross-selling to PMC units. The Group's customer resource base increased from 147,000 in 2018 to 201,000 in 2019 and to 258,000 in 2020. The Group believes that the existing customer resource base has a significant future sales potential.

As at 30 June 2021, PMC included 27 sales sub-units in different regions of Russia, where the Group has high concentration of its existing customers attracted by the banks. In the six months ended 30 June 2021, PMC contributed 60% to the Life GWP generated by the Group's own distribution channels.

In 2020, the Group launched a digital end-to-end sales channel focused on simple products with higher customer value due to lower acquisition costs and operational expenses. In March 2021, the Group started leveraging this digital channel to sell short-term, niche products to build a customer resource base independently of the banking-channel distribution partners. The end-to-end digital sales process comprises the following stages: (i) generating leads by internet marketing, (ii) sale of a promo product, where the client purchases digitally an end-to-end promo policy, (iii) maturity of the promo product, followed by a physical up-sale of the Group's standard product. The Group expects that up-selling conversion rate will account to 15-25% in the third quarter 2021. The conversion rate of the fourth stage of the end-to-end digital sales process should be further determined by the Group.

Since March 2021, 364 new customers have been attracted by the Group through the digital channel. In the six months ended 30 June 2021, the Group's agents contributed 8% of the Life GWP generated by the Group's own distribution channels. In 2020, sales of Non-Life and Life insurance products through the Group's own salesforce accounted for 32.4% and 0.4% of the Non-Life GWP and the Life GWP, respectively. In the six months ended 30 June 2021, sales of Non-Life and Life insurance products through the own salesforce accounted for 29.1% and 0.2% of the Non-Life GWP and the Life GWP, respectively.

Agents

Agents account for a significant portion of the Group's Non-Life GWP and include insurance agents who co-operate with several insurance companies (as opposed to agents exclusively working with the Group, which are viewed as the Group's own channel). Agents work on a commission basis, the size of the commission primarily depends on the agents' performance. The Group is serviced by agents who operate either as professional agents involved in the sale of the Group's insurance products or who sell policies in parallel with their other employment outside of the insurance sector.

Launched in December 2020, "Online Agent" is a scalable platform that allows the Group to attract new motivated agents constantly on a cost-efficient basis and increase the Group's regional market share. The Group also has an agent rating based on a scoring system that assists it to select agents with required qualifications and experience before they commence work and to monitor their performance. In 2020, agents' sales of Non-Life insurance products accounted for 13.2% of the Non-Life GWP. In the six months ended 30 June 2021, agents' sales of Non-Life insurance products accounted for 13.9% of the Non-Life GWP. In 2020, the average sales representatives' commission in the Life segment broken down by product amounted to 4% in investment Life insurance, 25% in endowment Life insurance and 33% in credit Life insurance and risk Life insurance, while in the Non-Life segment it constituted 11.6% in VMI, 24.4% in motor insurance and 29.6% in other Non-Life products in the same year.

Dealers

Car dealers make a substantial contribution to the Group's motor fleet insurance sales. The Group partners with large car dealers in Russia, including Rolf, Major, Avtodom and Avilon. In 2020, sales of Non-Life insurance products through car dealers accounted for 18% of the Non-Life GWP. In the six months ended 30 June 2021, sales of Non-Life insurance products through car dealers accounted for 19.9% of the Non-Life GWP.

The Group views premium car insurance segment as a stable market with high policy premiums and opportunities for cross-selling. Therefore, the Group is focused on strengthening its cooperation with dealers of premium cars, expansion of its cooperation with car importers and car producers in Russia, as well as growing its share in the used car insurance segment.

Additionally, in 2020, the Group launched new initiatives, such as (i) subscription in cooperation with Volvo Car Drive, YandexDrive and KiaMobility, (ii) peer-to-peer rent together with, (iii) online retail in cooperation with SberAuto and Volkswagen, and (iv) partnerships with Avito, Auto.ru and CarPrice. The basic principles of these initiatives are API integration, full online process and offering "pay as you drive" products. The Group believes these initiatives will improve its efficiency and performance within a shorter integration timeframe.

Brokers

Brokers act on behalf and in the interest of customers and help them to select the most appropriate insurance products in exchange for a fee generally payable by an insurance company. The Group uses brokers to sell both Non-Life and Life insurance products. In 2020, brokers' sales of Non-Life and Life insurance products accounted for 9.4% and 4.5% of the Non-Life GWP and the Life GWP, respectively. In the six months ended 30 June 2021, brokers' sales of Non-Life and Life insurance products accounted for 13.3% and 3.6% of the Non-Life GWP and the Life GWP, respectively.

Direct sales

The Group offers its Non-Life and Life insurance products directly through the Internet and its call centre. As part of its digital strategy, the Group is implementing a direct insurance operating model with Motor Direct Insurance and Partners Insurance (see "—*Direct Insurance*"). The Group considers the development of its direct sales channel for Non-Life insurance products as a strategic focus.

In 2020, the Group's direct sales of Non-Life and Life insurance products accounted for RUB 1.5 billion in the Non-Life segment and RUB 2.7 billion in the Life segment. In the six months ended 30 June 2021, the Group's direct sales of Non-Life and Life insurance products grew by 56% and 119%, respectively, as compared to the six months ended 30 June 2020.

Marketing

Overview

The Group's marketing strategy is focused on raising brand awareness and consideration indicators to increase brand attractiveness among key customer segments, developing customer loyalty and attracting new customers through a wide and effective mix of media tools and incentive programmes and retaining existing customers and increasing their loyalty through loyalty programmes, client relationship management and customer experience improvements. In the Non-Life segment, the Group's efforts resulted in the growth of the client lifetime to three years and the average client lifetime value to RUB 9.4 thousand in 2020.

Raising brand awareness and consideration indicators

Since 2018, one of the key marketing goals of the Group has been to work on increasing the Renaissance Insurance brand attractiveness. For this purpose, a change in brand positioning, rebranding, and renewal of the brand's communication platform has been carried out. The new ideology of the Group is focused on a preventive study of the issues that customers may face and design or adaptation of the Group's products to prevent them.

The above efforts resulted in improved brand awareness: according to the quantitative brand health tracking research conducted by Masmi in February 2021, in 2021 Renaissance Insurance moved one notch up the brand awareness scale compared to 2019 and became the fourth most recognised brand in the Russian insurance market. According to a customer survey conducted by Rus Opros in February 2021, the Group was one of the top-five most well-recognised brands among Russian insurance companies.

Attracting new customers

The Group also implemented multiple customer growth tools for the purposes of attracting new customers. These tools, among others, contemplate attracting new customers to the online sales channel and implementing various bonus and incentive programmes for partner sales channels. As a result of its successful marketing initiatives, the Group has increased the number of policyholders from 2.95 million as at 31 December 2018 to 3.46 million as at 31 December 2020. Similarly, in the period from 30 June 2020 to 30 June 2021, the number of the Group's policyholders increased from 2.06 million to 2.35 million.

The Group is actively working on expanding its targeted communication to develop customer loyalty. The Group increased the number of communication campaigns from 41 in 2019 to 82 in 2020. The Group's coverage increased from RUB 721 million in 2019 to RUB 2,007 million in 2020.

In 2019-2020, the Group carried out four market-specific campaigns, six external data-based campaigns and seven best-in-class campaigns based on machine learning. Approximately 80% of the Group's campaigns were non-commercial and fully automated.

The Group is engaged in significant marketing efforts targeting the online shopper segment through wide media channels split, including TV advertising, contextual advertising and paid social media advertising, OLV (or online video), web banners, email and SMS marketing campaigns and other similar initiatives.

Key customer acquisition tools of the Group are media presence and incentive programmes for partner sales channels. As of 30 June 2021, the Group's partner satisfaction rate was 77%.

Media presence

In the Non-Life segment, the Group's media presence strategy for 2020-2021 is focused on an all-year presence and based on an econometric model explaining relationships between dependency injection applications and external variables. In particular, the Group conducts analysis of the impact of various factors such as the Group's investment in different media, source of attraction of customers, the Group's applications and sales, external market factors (e.g., COVID-19 impact), household income, competitors' activities. Based on the data analysis, the Group develops models of MOD applications with high quality of prediction and decomposition of the contribution for each factor. The data analysis allows the Group to optimise media mix and choose the best season for media placement based on model predictions in accordance with the identified contribution of each media channel and growth points not requiring additional investment. As a result, the rate of return on investment of the Group in 2020 increased to 41% as compared to the rate of return on investment in 2019, which allowed the Group to achieve its sales targets with a reduction of marketing expenses by 30%.

Incentive programmes for partner sales channels (Renaissance Bonus)

In 2016, the Group introduced "Renaissance Bonus", a new bonus programme based on a virtual web-platform for the Group's salesforce team and external partners. "Renaissance Bonus" is a tool created by the Group to stimulate additional sales of the Group's products by introducing new incentive programmes that are aimed at increasing the Group's GWP.

In 2020, the development of the new interface and the back-end of the platform started, aiming to provide the same level of service through all digital channels and reduce time-to-market by eliminating the functionality duplication. In April 2021, the new version of "Renaissance Bonus" was launched.

The key initiative introduced by "Renaissance Bonus" is providing additional rewards to programme participants that have fulfilled certain key performance indicators, such as sales targets and shares of incentive expenses. By using this web-platform, the Group's own salesforce team and external partners may track their sales, view the number of accumulated bonuses and select various options for receiving a reward, which is paid by the Group in addition to basic commissions. As of 31 December 2020, the following percentage of the Group's sales channel partners were enrolled as participants of the "Renaissance Bonus" programme: 40% of car dealers, 90% of banks, 40% of leasing companies, 100% of agents and brokers and 100% of corporate businesses. As of 30 June 2021, the following percentage of the Group's sales channel partners were enrolled as participants of the "Renaissance Bonus" programme: 40% of car dealers, 90% of banks, 40% of leasing companies, 100% of agents and brokers and 100% of corporate businesses.

Retention and loyalty

The Group is focused on building long-term relationships with customers, increasing renewal, reducing churn, increasing the number of products per customer, customer loyalty and satisfaction and positive reviews and recommendations.

The Group is using multiple customer retention tools, such as development and scaling of its loyalty programmes such as "Renaissance Club", customer experience improvement (in particular, through digitalisation), development of client relationship management campaigns, implementation of initiatives for cross-selling to the customer base, development of omnichannel interaction and others. The Group's client churn rate decreased from 46% in the year ended 31 December 2018 to 41% in the year ended 31 December 2019, and to 39% in the year ended 31 December 2020.

Renaissance Club

In 2018, the Group launched "Renaissance Club", a customer loyalty programme focused on personalised services. "Renaissance Club" offers a simplified remote motor insurance claims handling process, allowing members to get an approval for repair work in an accelerated manner within one to two days and use additional services, such as taxi, car sharing services, free legal assistance, documents delivery and collection, car inspection at a convenient time and an extended list of technical centres. A member of "Renaissance Club" is provided with an extended time limit for car evacuation in case of a car accident and accelerated compensation in case of theft or destruction of their vehicle.

In 2019, "Renaissance Club" was recognised by Loyalty Awards Russia as the service of the year, the best loyalty programme among financial institutions, and was acclaimed for the efficient use of analytics in loyalty programmes.

As of 31 December 2020, 255,000 clients of the Group were members of "Renaissance Club", 222,667 of which are motor policyholders, which represents 23.1% of the motor insurance client base of the Group. The renewal rate of MOD insurance among "Renaissance Club" members increased by 1.7% and 2.0% for the years ended 31 December 2020 and 2019 years, respectively. The renewal rate of CMTPL insurance among "Renaissance Club" members increased by 1.8% as at 31 December 2020 as compared to the previous year. LTV per "Renaissance Club" member is RUB 48,244, which is approximately 39% higher than LTV for non-members which is RUB 34,773. The total number of members of "Renaissance Club" grew from 108,000 in December 2018 to 156,000 in December 2019 and to 281,000 in December 2020. As of 30 June 2021, 277,716 clients of the Group were members of "Renaissance Club", 257,681 of which are motor policyholders, which represents 24.4% of the motor insurance client base of the Group. The renewal rate of MOD insurance among "Renaissance Club" members decreased by 1.55%, the renewal rate of CMTPL decreased by 1.3%; LTV per "Renaissance Club" member was RUB 46,979 in the control group of clients that are not "Renaissance Club" members.

Competition

The Russian insurance market is a highly concentrated industry. According to the CBR data, in 2020, top-five and top-10 largest insurance providers in Russia had a share in the aggregate market GWP of approximately 60% and 80%, respectively. Such high concentration is driven by the large market shares of state-owned and/or captive insurance companies, such as SOGAZ and VTB Insurance, the largest state-owned insurance companies in Russia, Sberbank Insurance, a captive insurance company of Sberbank of Russia, the largest state-controlled bank in Russia by total assets, and Alfa Insurance, a captive insurance company of Alfa-Bank JSC, the largest private bank in Russia by total assets (in each case, according to the CBR data).

The table below sets out the market share of the top-10 largest insurance groups in the Non-Life insurance segment in Russia market as of 31 December 2020.

	Non-Life Insurance GWP[1]
SOGAZ and VTB	27.1%
Alfa Insurance[3]	10.4%
RESO and Ergo Insurance	10.1%
Ingosstrakh	9.8%
Rosgosstrakh[2]	7.8%
VSK Insurance	7.6%
Renaissance Insurance	3.4%
Soglasie	3.1%
Sberbank Insurance[2][3]	2.0%
Tinkoff Insurance[3]	1.7%
Total	**83.0%**

Note:

(1) Based on the CBR data
(2) State-owned (or state-controlled) insurance groups
(3) Captive insurance companies in large Russian banking groups

The table below sets out the market share of the top-10 largest insurance groups in the Life insurance segment in the Russian insurance market as of 31 December 2020.

	Life Insurance GWP[1]
Sberbank Insurance[2][3]	24.4%
Alfa Insurance[3]	19.6%
SOGAZ and VTB	17.6%
Renaissance Insurance	10.7%
Rosgosstrakh[2]	4.5%
Capital Life	4.2%
RSHB	2.7%
Societe Generale	2.2%
CIV	1.6%
Allianz	1.3%
Total	**88.8%**

Note:

(1) Based on the CBR data
(2) State-owned (or state-controlled) insurance groups
(3) Captive insurance companies in large Russian banking groups

The table below sets out the market share of the top-10 largest insurance groups on the total GWP in the Russian insurance market as of 31 December 2020.

	Total GWP[1]
SOGAZ and VTB[2]	24.4%
Alfa Insurance[3]	13.0%
Sberbank Insurance[2][3]	8.3%

	Total GWP[1]
Ingosstrakh	7.4%
RESO and Ergo Insurance	7.3%
Rosgosstrakh[2]	6.8%
VSK Insurance	5.8%
Renaissance Insurance	5.5%
Soglasie	2.5%
RSHB	1.4%
Total	**82.4%**

Note:

(1) Based on the CBR data.
(2) State-owned (or state-controlled) insurance groups.
(3) Captive insurance companies in large Russian banking groups.

In the Non-Life insurance space, of the Group primarily competes with large private insurance companies, such as Alfa Insurance, Ingosstrakh, RESO Insurance and VSK Insurance. In Life insurance, the Group's key competitors are large state-controlled insurance companies, such as SOGAZ, VTB Insurance, Sberbank Insurance and Alfa Insurance.

The Group's Digital Health business, which is expected to be fully launched by 2022, may face competition from Yandex.Health, SberHealth and other regional digital platforms. See also "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group operates in a highly concentrated industry with strong leaders, and a failure to compete effectively with them could adversely affect its business, financial condition and results of operations*" and "*Risk Factors—Risks Relating to the Group's Business and Industry—The Group may not be successful in developing new products and entering new markets, or the Group's business strategy may not yield the anticipated benefits*".

Information Technology and Data Protection

Information technology ("**IT**") is an integral part of the Group's operations. The Group places a great emphasis on the reliability and security of its IT systems. The Group's IT systems and regular updates thereto are aimed at gradually reducing operational costs of the Group, increasing efficiency of operations, enhancing security, as well as expanding the Group's product range.

The Group uses its IT systems, among others, for the following purposes:

- issuance and automatic pricing of insurance policies;
- handling of claims;
- administration of commissions;
- electronic authorisation of payments for claims and expenses;
- payments of premiums and the management of accounts receivable;
- production of a variety of customised management reports; and
- more than 10 start-ups are integrated into the Group's business processes.

The core of the Group's IT systems is comprised of databases, from which all of the Group's policies are issued country-wide and which are maintained from the Group's head office. The Group also has a unified insurance database, which records all insurance contracts, written and existing claims. The Group's IT systems also enable the Group's management, as well as local management, to review performance results in detail on a regular basis with customised reports available on demand. Further, the Group's IT systems allow claims experts to conduct preliminary inspections in the case of car accidents through the Renaissance mobile application.

The Group's IT systems allow its agents to access the Group's insurance tools to calculate insurance tariffs to be paid, inspect documentation relating to the Group's standard procedures and review selected data with respect to their clients, including payments, claims and status. Over 2,500 agents actively use the Group's portal on a daily basis. "Online Agent" is a service that allows insurance agents to carry out all their activities online, whether it is checking user and car data or selling any set of insurance products. It provides the top-of-the-market user experience for agents. One of the key aspects of the product strategy is to allow agents to sell insurance policies of other companies. The "Online Agent" platform allows the Group to significantly reduce period of time between attraction of a new agent and the first sale. The Group expects to attract approximately 20 thousand new agents by the end of 2025. The Group's IT team includes approximately 270 IT-specialists and approximately 50 outsourced IT staff members. The Group is planning to grow its IT team further.

The Digital Health IT system enables the Group's customers, among other things, to receive medical support services and schedule doctor appointments (see "*—Business Segments—Non-Life Segment—Voluntary Medical Insurance (VMI)—Digital Health*").

Automated system of insurance payments is a software product that allows the Group to consider and settle most of the claims quickly and without any staff cost. Based on the CaseOne business process management suite, it can be easily adapted to any changes in the Group's business processes, which gives the Group the necessary flexibility in a highly competitive market.

The unique smart pricing system allows customers to calculate the cost of purchasing an insurance policy directly on the website. With this system, it is possible to take into account combinations of several insurance products, which allow the Group's customers to quickly and easily get a quote for the full package of services that meet all their needs at once.

The mobility ecosystem is a variety of insurance products and digital services. It allows both corporate and individual customers to cover all their insurance-related needs in terms of insurance (e.g., needs in transportation such as carsharing, kicksharing, taxi). The core of the system is an easy-to-integrate API technology that enables customers to pay for insurance according to their business model (e.g., per minute or per kilometer for car sharing services).

The Group's API solution is a platform that allows partners (brokers and aggregators) to sell the Group's insurance products to their clients through simple integration. Data exchange security is handled by the WSO2 service. The number of partners using the Group's API platform grew from 21 users as at 31 December 2019 to 30 users as at 31 December 2020 and 70 users as at 30 June 2021, which accounted to more than 30% of the Group's partners as at 30 June 2021. The Group regularly reviews and updates all of its IT systems to ensure their reliability and the security of the data that the Group holds. Currently, the Group employs a fully integrated proprietary IT system supported by a team of experienced IT professionals. The Group has not had any system failures that had a material adverse effect on the Group's operations as at the date of this Offering Memorandum.

Risk Management

The Group is exposed to insurance risks where the value of claims to be paid by the Group or the period when such claims are to be paid materially diverge from the Group's estimates, which could be caused by a number of factors, including, the frequency of claims, their value, and a protracted period for the settlement of claims. The Group's main target in insurance risk management is to ensure that it has adequate insurance reserves and liquid assets in the amount sufficient for the Group to fulfil its obligations under insurance contracts.

The Group manages risks by way of diversification of the underlying risk events across the Group's insurance products, the application of underwriting procedures and the use of reinsurance to mitigate the risk of losses exceeding the Group's retention limits. The Group's risk management process has three lines of defence involving risk management in the business units, specialised units and committees and external review and control. Business units of the Group conduct risk management in accordance with obligatory internal procedures, guidelines and established limits. The Group has also adopted internal control rules (ad-hoc and periodic) and control mechanisms to enhance the risk management process at the first line. Specialised units and committees established to manage particular risk types manage various types of risk in accordance with internal rules, methodologies and procedures. The Group's specialised units and committees are mainly focused on risk identification, measurement and control, and preparation of guidelines. The Group has high standards for choosing its partners for reinsurance and cooperates only with those having high credit ratings and with leading international reinsurers such as Score, GenRe, Ganover and ArchRe.

The Group's risk management process involves the following steps:

- risk identification, determination of risks factors and potential consequences of realised risks and objects;
- risk assessment and estimating the level of potential losses and negative implications for the Group;
- determining risk budget which characterises the allowable (acceptable) level of risk for the Group and allocating the risk;
- developing and making decisions on risk response methods and actions, including risk acceptance, risk mitigation, risk transfer and risk avoidance, providing control procedures to ensure proper implementation of proposed actions;
- monitoring the Group's risks and changes in its internal and external environment, including the current level of risks and their compliance with the acceptable level of risk; and
- mandatory risk reporting generated to inform all stakeholders about the actual risk level versus the acceptable one.

For more information on insurance risk management, see Note 34 to the 2018 Financial Statements, Note 39 to the 2019 Financial Statements and Note 37 to the 2020 Financial Statements.

The Group has sought to diversify risks and to minimise the impact of any single loss event on the Group's financial condition. The Group analyses its insurance statistics databases regularly and aims to diversify its customer base by offering customised products to target groups using focused sales strategy with a view to promoting a prudent risk profile and enhancing the Group's profitability.

The Group holds multiple investment assets in its investments, including government and corporate bonds, stocks, deposits and investment property (see "*Management's Discussion and Analysis of Financial Condition and Results of Operations—Investments*"). As a result, the Group is also exposed to certain risks related to its investments, including market risk, interest rate risk, credit risk and liquidity risk. For the purposes of managing the respective risks, the Group has adopted various risk management measures and procedures, including the introduction of acceptable risk levels for certain types of risk and its daily monitoring.

In particular, the Group established the Risk Committee for the Management Board, main functions of which include approving risk limits and setting up key risk parameters. The Risk Committee also assists the Group's Management Board with preparation of internal risk management policy.

Insurance Underwriting

For each product segment the Group uses centralised underwriting and standardised policy and claims documentation. The Group's underwriting process is automated for all retail lines and is focused on diversification of insured events so that risks in retail insurance classes are spread across the large number of policies. The Group's underwriting database contains approximately 270 million records created since 1998. Local sales staff have no tariff-setting authority. Policies are subject to review and storage in a centralised database at the Group's headquarters in Moscow and are underwritten centrally with automated underwriting decisions through the Group's IT systems up to certain limits. The central database automatically validates underwriting limits and other policy terms, and permits to print out the appropriate standardised documentation and compiles forms according to standard procedures, which reduces the risk of unprofitable risk taking.

The Group believes that its risks are further mitigated by its system of insurance tariff setting. Using the information on accidents contained in its databases, the Group is able to determine historical loss frequencies and severities with its team of actuaries and product managers. For example, for MOD products, analysis is made with respect to the car maker, model, year of manufacture and region and also by individual driver profile. By monitoring such statistics, the Group adjusts its insurance rates on a regional basis approximately every month (or, in some cases, more frequently) to ensure that its tariff rates reflect the latest loss trends and provide the required profit margins. Trends are reported to the Management Board. In addition, the Group's headquarters perform quarterly branch performance reviews to identify and address any negative trends, while regional management reviews individual agents' results.

The Group has uniform and clear underwriting policies, which include procedures, descriptions of inherent risk, terms and conditions as well as templates. According to the Group's underwriting policies, the Group has three levels of underwriting: (i) automatic underwriting handled by the Group's IT system; (ii) underwriting by an underwriter; and (iii) underwriting approved by senior management.

All new products and tariffs are developed by business units (underwriters), coordinated with lawyers and finance. Whereas the underwriting of standardised insurance products is carried out in accordance with set guidelines as to insurance limits, any deviations from standard conditions in insurance products require the approval of an underwriter at the Group's headquarters. All risks in excess of an approved threshold are ceded to reinsurance.

Reinsurance

The Group protects portfolios of different business lines through reinsurance. The Group buys proportional (quota share and/or surplus) and non-proportional (excess-of-loss ("**XL**") per risk and/or per event ("**Cat XL**")) reinsurance programmes to protect its business. Proportional reinsurance means that a reinsurer reimburses the Group pro rata to its share in the insurance premiums. Non-proportional per risk reinsurance means that the reinsurer reimburses the Group if loss per risk exceeds the Group's retention. Non-proportional per event reinsurance means that the reinsurer reimburses the Group if loss per event (when two or more covered risks are involved in one event such as hurricane, flood and similar events) exceeds the Group's retention.

The Group reinsures its risks with leading international reinsurers with high financial strength ratings and good reputation. The Group's core reinsurance partners are SCOR, Gen Re, Hannover Re, Swiss Re and others. According to the applicable law, the Group also reinsures its risks with Russian National Reinsurance Company.

The Group buys proportional reinsurance programmes to cover personal accident lines of business and loss of ownership.

The Group buys XL per risk reinsurance programmes to cover property and engineering, marine hull and cargo, general third party liability and professional indemnity, MOD.

The Group buys XL per event reinsurance programmes to cover MOD, PA and marine business.

The table below represents the Group's reinsurance arrangements in the Non-Life insurance segment

Cover	Type	Limit	Own Retention	Reinsurers
Property and engineering	XL per-risk (LOD)	$79,365,000/ €71,428,500/RUB 5,000,000,000	Commercial property and engineering: $1,000,000/€900,000/ RUB 63,000,000 Personal property: $142,900/€128,600/RUB 9,000,000	SCOR, Hannover Re, Sirius International, VIG Re, Gen Re, Deutsche Ruck, Polish Re, RNRC
Marine Hull and Cargo	XL per risk (RAD)	$10,000,000/ €10,000,000/RUB 700,000,000 Additional clash layer for risks' cumulation purposes: $2,000,000/ €2,000,000/ RUB 140,000,000	Hull: $800,000/€800,000/RUB 56,000,000 Cargo: $400,000/€400,000/RUB 28,000,000	Munich Re, Hannover Re, Polish Re, RNRC
General third party liability and professional indemnity	XL per risk (LOD)	$5,555,555/€5,000,000/ RUB 350,000,000	$500,000/€450,000/RUB 31,500,000	Hannover Re, VIG Re, Polish Re, RNRC

Cover	Type	Limit	Own Retention	Reinsurers
MOD	XL per risk (RAD)	RUB 40,000,000/RUB 80,000,000 for special vehicles	RUB 10,000,000	Hannover Re, Polish Re, RNRC
MOD	Cat XL (LOD)	RUB 210,000,000	RUB 30,000,000	SCOR, Hannover Re, Sirius International, Polish Re, RNRC
Loss of ownership	Surplus	RUB 104,000,000	RUB 8,000,000	SCOR, RNRC
Credit life insurance	Surplus	$975,000/RUB 65,000,000 (above sums to be agreed with reinsurer)	$75,000/RUB 5,000,000	Gen Re, RNRC
Individual personal accident	Surplus	$500,000/RUB 15,000,000 (above sums to be agreed with reinsurer)	$50,000/RUB 1,500,000	Gen Re, RNRC
Group personal accident	Quota and Surplus	$1,000,000/RUB 62,500,000 (above sums to be agreed with reinsurer)	$80,000/RUB 5,000,000	Gen Re, RNRC
Travelers/Group personal accident	Cat XL (LOD)	$2,500,000/RUB 250,000,000	$200,000 or $50,000/ RUB 30,000,000	AXIS Re, RNRC

The table below represents the Group's reinsurance arrangements in the Life insurance segment:

Cover	Type	Limit	Own Retention	Reinsurers
Individual investment and endowment products	Quota and Surplus	$500,000/€428,571/ RUB 30,000,000 (above sums to be agreed with reinsurer)	$6,667/€5,714/RUB 400,000	Gen Re, RNRC
Individual risk and personal accident products (own distribution channel)	Quota and Surplus	$500,000/€428,571/ RUB 30,000,000 (above sums to be agreed with reinsurer)	$6,667/€5,714/RUB 400,000	Gen Re, RNRC
Individual risk and personal accident products (partners distribution channel)	Quota and Surplus	$500,000/€428,571/ RUB 30,000,000 (above sums to be agreed with reinsurer)	$16,667/€14,286/RUB 1,000,000	Gen Re, RNRC
Medical insurance	Quota	€2,000,000/RUB 25,000,000	€ 0/RUB 0	Arch Re, RNRC
Credit life insurance	Quota and Surplus	$500,000/€428,571/ RUB 30,000,000 (above sums to be agreed with reinsurer)	$16,667/€14,286/RUB 1,000,000	Gen Re, RNRC
Group endowment, risk and personal accident products	Quota and Surplus	$277,250/ €237,643/ RUB 16,635,000 (above sums to be agreed with reinsurer)	$22,750/€19,500/RUB 1,365,000	Gen Re, RNRC

Based on reinsurance loss statistics, the Group has kept its ceding ratio (calculated as premiums ceded to gross premiums written) at 1.3% to 9% depending on the line of business (except for industrial property insurance which requires significant reinsurance coverage due to its nature and increased risk potential) with a ceded premiums ratio of 5.3% for 2020.

Investment Risks

The Group is exposed to market, interest rate, liquidity, credit, and other risks with respect to its investments. To mitigate these risks the Group diversifies its investments between different asset classes, types of securities, issuers and maturities. In order to lower the credit risk, the Group invests primarily in government bonds and other debt securities assigned with a high credit rating. Furthermore, the Group conducts its own assessment of financial positions of the issuers and banks with which the Group holds deposits. To mitigate the liquidity risk, the Group focuses on investing into liquid financial instruments, such as liquid securities and short-term deposits.

Risks related to the Group's investments are managed by Investment Committees, investment managers and the Group's risk management department. The Group's Investment Committees include its senior management and representatives of the finance division, treasury and Risk Management teams. Investment risks are monitored by the Group's personnel on a daily basis. Matters related to management of investment risks are regularly discussed at the Investment Committees meetings, with risk management reports being submitted to the Management Board and the Board of Directors on a regular basis.

Claims Handling

The Group's claims handling process is standardised throughout the Group's network. Each step in the claims handling process is recorded in a unified IT database, which provides greater efficiency in procedural performance within the Group and enables it to inform the clients about the status of their insurance claim through the mobile app, messenger and on the website in a timely manner.

In 2020, the Group introduced a new proprietary Claims X claims automated handling system aimed at maximising automation in the decision-making process, in particular, reducing time-to-market and optimising claims handling costs. The implementation of this innovative automated claims handling system involved the introduction of certain technologies that are new in the Russian insurance market, such as automatic recognition of hand written and printed documents, automatic decision-making on damages, big data processing for scoring models and other technologies, and resulted in greater efficiency and scalability and improved customer experience. The Claims X handling system ensures fast, convenient and seamless claims handling processes both for the Group's customers and employees.

In addition, the Group has administration software featuring claims processing for cargo insurance coverage. The Group plans to expand the implementation of its claims management software to cargo insurance.

In the Life insurance segment, the Group has the following claims handling thresholds: head claims expert or deputy claims expert with claims approval limits of up to RUB 100,000; head claims expert together with the internal control department with claims approval limits of up to RUB 600,000; head claims expert together with legal department, financial monitoring division of financial department and internal control department with claims approval limits of up to RUB 2 million; and head claims expert together with legal department, financial monitoring division of financial department, internal control department and actuarial department with claims approval limits above RUB 2 million. For term Life insurance claims, handling thresholds are slightly different: head claims expert or deputy claims expert with claims approval limits of up to RUB 600,000; head claims expert or deputy head claims experts together with financial monitoring division of financial department with claims approval limits of up to RUB 1 million; head claims expert together with legal department, financial monitoring division of financial department and internal control department with claims approval limits above RUB 600,000; and head claims expert together with financial monitoring division of financial department, internal control department and actuarial department with claims approval above RUB 1 million.

Claims are reported via WhatsApp, the Group's website, mobile application, email or over the phone to a specialised claim-handling call centre depending on the type of insurance product. The Group has a chat-bot in its dedicated WhatsApp business account for motor insurance products that provides customers with instructions on how to file a claim. Most of the motor insurance products are either handled by the Group's partners or online. The information is transferred into the Group's policies and claims database. Small MOD claims with a value of up to RUB 100,000 are usually settled swiftly without the need for police involvement (whether in certifying the information about an accident or otherwise). Large claims, in particular those involving industry risks or theft or the complete destruction of vehicles or property, are subject to additional checks by the Group's fraud prevention unit, which further reviews all relevant documentation, makes an independent assessment of such large claim and takes third-party expert advice if necessary.

The Group generally handles claims within four to five days for Retail MOD, two days for corporate MOD, 10 days for CMTPL, one to three days for cargo claims, three to five days for property insurance claims and personal accident claims, and the claims handling period for the members of the Group's loyalty programmes is even shorter. The agreed terms for car repairs to be performed under a specific motor insurance policy generally also depend on the service centre or car dealer involved. Subrogation recoveries are generally efficient for large claims and these recoveries have, for example, reversed approximately 16.2% and 15.8% of claims incurred (including reinsurance) in 2019 and 2020, respectively. For freight insurance products the Group utilises the Insurer third party software, which automatically controls the handling time and quality of service. In addition, the efficiency of claims handling is also obtained through freight data tracking.

The Group has implemented policies and procedures designed to identify and prevent fraud in the motor segment. The Group has six dedicated cross-functional scrum teams consisting of approximately 30 employees in total for combating fraud in connection with motor insurance, which include settlement, legal, risk management, security department and business segment representatives. In 2020, the Group demonstrated a 40% growth in share of payment refusals to fraudsters and 1.5 higher frequency of screenings resulting in significantly lower level of latent fraud as compared to 2019. In 2020, the Group's total savings amounted to RUB 0.8 billion. Since the third quarter of 2020, scrum teams of the Group in motor insurance cover the entire territory of Russia. In the Ulyanovsk, Krasnodar and Rostov regions, the number of fraudulent losses in motor insurance dramatically dropped from 341, 199 and 258, respectively, in 2019 to 34, 47 and 19, respectively, in 2020, and to 5, 3 and nil, respectively, in the first six months of 2021.

Reserves

Generally, the creation of insurance reserves is regulated by Russian insurance law, which prescribes the creation of reserves for various types of insurance products. The Group complies with these reserve regulations in setting up and managing its insurance reserves. See "*Regulation of the Russian Insurance Sector*". Claims reserves are established automatically in the Group's IT system, on a relatively conservative basis, separately for each claim at the time of the first call by the claimant to the Group. The claims reserve is then updated continuously as new information becomes available. The Group does not use any "portfolio averaging" or similar methods, and tracks the reserve for each claim separately. The Group creates Allocated Loss Adjustment Expense reserves but does not create Unallocated Loss Adjustment Expense reserves. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations*".

Offices

The Group's office facility, which is located in the southern district of Moscow, at 7 and 11 Derbenevskaya Naberezhnaya, Moscow, comprises a number of office buildings with a total area of approximately 7,300 square meters, approximately 1,300 square meters of which are owned and the rest is rented. The office serves as both the corporate headquarters and the main operations facility of the Group, as well as a major training facility. Besides this, the Group has an office in Saint-Petersburg, two call centres and offices in regions. The Group has decreased its rented office space by 31% in the period between December 2019 and December 2020.

Employees

The Group believes that the quality of its employees is key in ensuring that the Group achieves its strategy. The Group's human resources ("**HR**") strategy is built around supporting the business to be both operationally effective and efficient, by offering pragmatic solutions and adding value to the business.

The Group's HR policy focuses on the learning ability of its employees. Expertise and experience is of the utmost importance in the Group's business. The learning and development philosophy is integrated within all of the Group's HR tools and policies. Leadership and flexibility are the Group's focal points. To further increase efficiency and reduce costs, the Group has recently implemented an initiative to reduce the number of management levels, which resulted in the reduction of management levels to five.

As at 31 June 2021, the Group had 3,400 employees (head count), including the headquarters' staff and other staff.

The following table sets forth the average number of the Group's full-time employees for the periods indicated

	As of			
	30 June 2021	**31 December 2020**	**31 December 2019**	**31 December 2018**
Front office staff	1,573	1,469	1,652	1,732

	As of			
	30 June 2021	31 December 2020	31 December 2019	31 December 2018
Middle office staff	493	457	645	625
Back office staff	1,209	1,223	1,283	1,320
Medcorp staff	70	77	81	74
Total	**3,344**	**3,227**	**3,662**	**3,751**

While the number of IT specialists continues to increase, the total number of the Group's full-time employees decreases. In 2020, the Group implemented the agile organisation structure in the Non-Life segment, which resulted in the reduction of the total number of full-time employees by 14%, the total number of managers without subordinates by 85% and the total number of management layers by 3 as of 31 December 2020 as compared to 31 December 2019. In the meantime, the total number of subordinate employees increased by 70% in the same period.

In 2020, 80% of the Group's employees were switched to a hybrid working model, which is a flexible workplace model designed to support a distributed workforce of both in-office and remote workers. In addition, the Group developed the Atlas Digital Workplace system designed to ensure effective communication between departments and business units of the Group. In 2020, 74% of the Group's employees used Atlas Digital Workplace daily. The Group also developed online training programmes for its employees and online courses for agents to improve their professional skills in sales, products and negotiation. The Group launched the Up-Skill programme, which provides the Group's employees with an opportunity to try a different role. In 2020, NPS of the digital learning programmes accounted to 68%.

The Group has not entered into any collective bargaining agreements with its employees and is not aware of any of its employees belonging to any trade unions.

Significant Licenses

The Group has eight significant licences issued by the CBR that are necessary for conducting its business and providing services. These include: voluntary life insurance, voluntary personal insurance (which includes accident, illness and medical insurance), voluntary property insurance (which includes, among others, voluntary MOD and third party liability insurance, property insurance, third party liability insurance, financial and business risks insurance), compulsory motor third party liability insurance, compulsory hazardous facility liability insurance, carrier liability insurance and two asset management licenses. See "*Regulation of the Russian Insurance Sector*".

Intellectual Property

The Group registered its rights to major trademarks that it uses to offer its products ("Renaissance", "Renaissance Health", "Renaissance Insurance" and "Renaissance Life") with the Federal Service for Intellectual Property, Patents and Trademarks of the Russian Federation. A trademark priority for "Renaissance" commenced on 29 December 2018 with the registration valid through 29 December 2028, for "Renaissance Health" on 29 December 2018 with the registration valid through 29 December 2028, for "Renaissance Insurance" on 29 December 2018 with the registration valid through 29 December 2028, for "Renaissance Life" on 31 May 2019 with the registration valid through 31 May 2029.

The Group also registered its rights to the trademarks "InTouch Insurance", "InTouch", "Renins.Net", "Renins.Ru", "Renins.Com" with the Federal Service for Intellectual Property, Patents and Trademarks of the Russian Federation.

The Group also registered its rights to the programmes "Programme for risk assessment of the insurance company" and "Innovative Renaissance Insurance System" ("**iRIS**").

The Group registered its rights to the trademark "WELBI", with the Federal Service for Intellectual Property, Patents and Trademarks of the Russian Federation on 24 September 2014 with a trademark priority commencing 29 April 2013. The registration is valid through 29 April 2023.

The Group is regularly monitoring all of its trademarks to ensure they are not infringed and timely renewed before the expiry date.

Litigation

From time to time, the Group is involved as a plaintiff or a defendant in administrative or court proceedings arising in the ordinary course of its business. The Group does not believe that any of the proceedings in which the Group is currently involved, either individually or in aggregate, is likely to have a material adverse effect on its business or financial condition.

The majority of disputes in which the Group is involved in litigation as a defendant arises out of insurance contracts with regard to the payment of insurance compensation or insurance premium recovery. There are also a couple of labour and day-to-day business disputes. Most of the disputes in which the Group acts as a plaintiff also relate to various payments under insurance contracts.

Corporate Social Responsibility and Environment

The Group recognises the importance of assessing, planning for, and disclosing the potential impact of environmental, social, and governance ("**ESG**") factors on its business, and ESG is an important part of the frame of reference for directors and management of the Group, which is reflected, among other things, in a code of corporate conduct (the "**Code of Conduct**") approved by the Board of Directors of the Company in 2019. Therefore, the Group has focused on the environmental impact of its business, the care and satisfaction of its personnel, and the community in which it operates.

Environmental Matters

As the Group is a financial institution with a significant online component in its services, the management of the Group believes that none of the Group's business relationships, products or services are likely to have any actual or potential significant environmental impact, nor do they believe the Group's operations are exposed to any material environmental risks. In reaching this view, the Group's management has taken into account the risk of adverse impacts that may stem from both the Group's own activities and its business relationships, including its supply chain. This belief is based on continuous scrutiny of the business. Nevertheless, the Group is continuously reviewing its processes to identify opportunities to reduce their environmental impact.

The Group has cut back on using paper in its business processes due to digitalisation over the recent years. Since the end of 2010, office space has been reduced significantly. The Group has implemented a number of waste collection projects (for example, collecting batteries, plastic caps and bottles, and planting trees).

Social

As part of its efforts focused on supporting personnel, the Group puts particular emphasis on ensuring gender equality amongst personnel and zero tolerance to discrimination. Consistent with the principles set out in its Code of Conduct, the Group strives to ensure that all employees are treated fairly and with respect, that no employee is discriminated against because of their gender, race, color, religion, disability, sexual orientation or on any other grounds.

The Group has also implemented a number of programmes, aimed at motivating its staff and improving the working environment and safety through periodic assessment of working conditions and other measures. The Group's programmes include voluntary medical insurance (the programme is constantly being improved and supplemented with new options), provision of individual benefit packages to employees, and corporate discounts on products of the Group's partners. During the COVID-19 pandemic, the Group took a set of measures to provide additional protection and support to employees, including:

- switching to remote work all employees whose duties allowed this;
- providing employees with personal protective equipment (masks, disposable gloves, and disinfectant wipes);
- enhanced cleaning and regular disinfection in offices;
- monitoring of employees' health;

- vaccination of employees; and
- webinars, training and educational activities on pressing medical topics with industry experts.

The Group also offers various training opportunities to its personnel, including extensive remote training and using various IT training platforms. As a result, more than 5,000 employees were trained in various areas in 2020. In 2021, in joint effort with major partners in the online education market, the Group prepared 28 new thematic courses to help develop key competencies of employees. The Group's employees have access to the Alpina Digital corporate library. The internal corporate portal took second place in the Russian Intranet Awards competition. SkillUp, an internal training project launched in 2020, is successfully developing. A large number of employees took part in this project and some have already been certified as Coaches.

The Group supports charitable and social funds and projects.

Governance

The Group follows the principles set out in the Code of Conduct. The Code of Conduct provides guidance to the Group's directors, officers and employees in respect of decisions they need to take in the course of performing their duties. The Code of Conduct confirms the Group's commitment to honest and ethical conduct, compliance with applicable laws and governmental rules and regulations. The Group's personnel is encouraged to report any instances of unethical behaviour or other irregularities to the "Lossless Business" hotline administered by the compliance department, and any significant issues are supposed to be escalated to the General Director. The Group's compliance with the Code of Conduct is audited both internally and externally on a regular basis and the Group organizes regular trainings for the employees to ensure they are familiar with the rules and procedures set out in the Code of Conduct and the course of conduct prescribed by it.

Key policies

The Group has also approved the anti-bribery policy, conflict of interest risk management policy and anti-money laundering policy.

The anti-bribery policy is aimed at combatting corruption and establishing appropriate procedures to prevent any involvement of the Group in corruption-related wrongdoings, as well as developing zero tolerance among staff towards any such wrongdoings.

Key obligations of the employees under the anti-bribery policy are:

- to report any suspicions of possible corrupt practices of their colleagues, counterparties and other persons engaged in any dealings with the Group, as well as any attempts to involve themselves in corrupt practices, to the "Lossless Business" hotline;
- to report any conflict of interest;
- to perform due diligence of the counterparties; and
- to obtain information from job applicants regarding their prior state or municipal service.

The conflict of interest risk management policy is aimed at managing any conflicts of interest of the Group's personnel that may arise in the course of dealings with the Group's counterparties, in joint projects of the members of the Group and in other areas. A dedicated officer reviews situations involving conflicts of interests, develops measures and procedures aimed at addressing them and agrees the implementation of such measures and procedures with the persons in charge of the relevant projects.

The anti-money laundering policy is based on the Federal Law No. 115-FZ "On counteracting the legalization (laundering) of the proceeds of crime and terrorist financing" dated 7 August 2001 and the acts of the CBR. The policy is aimed at ensuring that the business of the Group is ring-fenced from any proceeds of crime. Compliance with the policy is supervised by a designated independent officer. The anti-money laundering policy provides for a variety of measures taken by the Group to achieve its objectives, including the following:

- internal control system and procedures designed to identify the client, its representative, beneficiary and ultimate beneficial owner;
- monitoring of clients' suspicious operations and operations that are subject to mandatory control;
- procedures for suspension of the clients' operations and freezing of the clients' assets, as well as audits aimed at identifying clients, whose assets need to be frozen and related review of documents provided by the clients; and
- regular personnel trainings.

REGULATION OF THE RUSSIAN INSURANCE SECTOR

In this Offering Memorandum, summaries of Russian laws and regulations are qualified by reference to the entire Russian language text of such laws and regulations, although such text is not incorporated by reference herein.

History of Post-Soviet Insurance Industry in Russia

After the demise of the USSR in 1992, Russia abandoned the state-controlled obligatory insurance system in favour of a voluntary insurance market based on private property, although some types of compulsory social insurance remained to address the needs of the state.

During the transition phase, which lasted until 2006, the main features of the Russian insurance market include (i) a strong presence of captive insurance companies created by influential private economic and financial groups (such as Alfa Group, Interros, Lukoil), (ii) the adoption of tax schemes to optimise tax obligations of insurance companies, and (iii) the presence of a large number of smaller insurers that are less viable.

After 2006, in response to pressures from the state regulatory bodies to introduce in Russia the type of legislation adopted in more developed Western countries with respect to the insurance industry, the market started to witness a return back to the time before the transition phase, as a substantial number of smaller insurers lost their licenses and market shares were increasingly concentrated in the hands of a few big players. At the same time, the Russian insurance market witnessed a significant inflow of international capital into the local insurance market, whose presence continued to grow over time.

As of recently, the consolidation trend continues. According to the CBR, only 160 insurance organisations were in operation in the Russian Federation as of 31 December 2020, compared to 178 insurance organisations as of 31 December 2019. One of the key drivers of consolidation currently is measures taken by the CBR that aims to increase the stability of the insurance sector, such as measures that impose a more stringent capital requirement, risk management requirement and other requirements.

Overview of Current State of Insurance Market

Russian insurance market is quite developed in terms of product offerings. Russian insurers offer more than 100 types of insurance, the most popular of which are CMTPL, accident and health insurance, and property insurance. One of the key peculiarities of the Russian insurance market that distinguishes it from the insurance market of Western Europe is the predominance of non-life insurance over life insurance. The moderate development of life insurance may be attributed to factors such as the unique situation of the Russian economy during its political transition, the under-development of consumer culture to purchase life insurance products and the lack of consumer confidence in private insurance.

Structure of Russian Insurance Market

CBR

Since September 2013 the insurance business has been overseen by the CBR. According to the Insurance Law and the Federal Law No. 86-FZ "On the Central Bank of the Russian Federation (Bank of Russia)" dated 10 July 2002, as amended (the "**Central Bank Law**"), the CBR is responsible for the adoption and implementation of insurance regulations, the issuance and revocation of insurance licenses and the enforcement of applicable regulations. The CBR regulates, controls and oversees activities of insurance market participants: insurance companies, insurance brokers and mutual insurance companies. Its main objectives are to prevent and eliminate violations of insurance laws and unfair practices, protect the rights and lawful interests of insurance consumers, and promote efficient development of the business of insurance.

Prior to the beginning of 2014, Russian insurance regulations did not put in place any customer protection mechanisms. As a result, CMTPL tariffs were generally fixed, coverage limits were low, and availability was low in regions where high losses were witnessed.

Insurance Companies

According to the Central Bank Law and the Insurance Law, insurance companies are financial institutions that conduct insurance, reinsurance or mutual insurance and that have appropriate insurance licenses. The Insurance Law provides that the name of an insurance company must clearly specify the type of insurance business it carries out. Insurers are also not allowed to carry out non-insurance business.

Insurance Intermediaries

According to the Insurance Law, insurance intermediaries include insurance agents and brokers. Insurance agents represent the insurance companies and enter into insurance contracts on behalf of the insurance companies with the insured party and carry out related services at the cost and on behalf of the insurance companies. Insurance brokers may represent the interests of both the insured party and the insurance companies and act in their own name at the cost of either the insured party or the insurance companies. If brokers represent the insurance companies, they must inform the insured party accordingly and they will not be allowed to charge their fees to both the insurance company and the insured party in the same contract. Unlike the activity of insurance agents, the activity of insurance brokers is licensed. According to the Insurance Law, brokerage and agency activities cannot be combined.

While the Insurance Law does not require insurance agents to be Russian companies or individuals, unless Russian law expressly provides otherwise, foreign brokers are not allowed to operate in Russia, except for reinsurance intermediaries.

The Insurance Law requires insurance organisations to maintain registries of intermediaries (insurance brokers and agents) with whom they have signed insurance intermediation contracts and publish the registries of intermediaries in their websites.

Mutual Insurance Companies

According to the Federal Law of the Russian Federation No. 286-FZ "On Mutual Insurance" dated 29 November 2007, as amended (the "**Mutual Insurance Law**"), mutual insurance companies are entities created for mutual insurance of property interests of their members, including property insurance, liability insurance and business risk insurance. Mutual insurance companies cannot conduct compulsory insurance unless specifically permitted by law.

Mutual insurance companies must be formed as consumer cooperatives in the form of non-profit organizations, and must hold a license for mutual insurance. Such entities may be incorporated at the initiative of not less than five and not more than 2000 individuals, and (or) not less than three and not more than 500 legal entities. The Mutual Insurance Law requires mutual insurance companies to be members of mutual insurance self-regulatory organizations. According to the CBR data, 13 mutual insurance companies were registered in Russia as of 31 December 2020.

Assets of a mutual insurance company mostly come from contributions of its members and can only be alienated in cases specified in the company's charter, the Mutual Insurance Law or another federal law of the Russian Federation. Should the financial result of a mutual insurance company at the end of the year be at a loss, general meeting of members must be held to reach a resolution on how to provide coverage for the loss , including mandating members to make additional contributions to the company.

Investment in Insurance Companies

General Rules

According to Federal Law No. 135-FZ "On Competition Protection" dated 26 July 2006, as amended, (the "**Competition Law**"), if the balance sheet value of assets of an insurance organisation exceeds RUB 200 million, an investor or several entities and/or individuals constituting a group must obtain a consent of the anti-trust authority to:

- the acquisition of more than 25% of voting shares in an insurer incorporated as a Russian joint stock company, or more than one third of participation interest in an insurer incorporated as a Russian limited liability company, except for the initial acquisition of shares or participation interests by founders when the company was incorporated;

- subsequent acquisition of shares or participation interest in an insurer if the stake of the acquirer or its group exceeds 50% or 75% in an insurer incorporated as a Russian joint stock company or more than half or two thirds of participation interest in an insurer incorporated as a Russian limited liability company;

- the acquisition, through one or more transactions, of an insurer's assets with a value exceeding RUB 200 million; and

- the acquisition, through one or more transactions, of the rights to determine an insurer's business operations (e.g., rights to give binding instructions or control the decision making process, including rights to exercise exclusive management power).

Failure to comply with the above-mentioned requirements may lead to liability, in particular, to the invalidation of the relevant transactions if the court concludes that the relevant business combination has led to a restriction to competition (for instance, through the creation of an insurance group with a dominant position in the market) and fines.

In addition, according to the Insurance Law, CBR approval is required for direct or indirect acquisition (which is defined broadly and includes the transfer of shares to a fiduciary manager) of a stake in a Russian insurer exceeding 10% of its voting shares or participation interest and any subsequent increase of such stake above 25%, 50% or 75% in an insurer incorporated as a Russian joint stock company, or more than one third, half or two thirds of participation interest in an insurer incorporated as a Russian limited liability company. Such consent needs to be obtained in advance before the closing of the relevant transaction, except for the acquisition of traded shares in exchange offers, which may be cleared by the CBR after the acquisition is completed.

Foreign Insurers and Foreign Investments in Russian Insurance Companies

Foreign insurers that comply with certain requirements stipulated by the Insurance Law have recently been allowed to conduct their business in Russia by way of setting up a local office. Among other requirements, a foreign insurer needs to be registered in a member country of the WTO, have the right to conduct insurance activities in such country and have experience in conducting insurance business in another country through branches. A foreign insurance company also needs to have balance sheet assets in the last reporting year of not less than USD 5 billon. Foreign insurers with the intention to conduct insurance business through branches in Russia need to obtain an insurance licence in Russia. Foreign insurers are not allowed to engage in mandatory insurance (except for CMTPL), insurance financed by the government, insurance related to state and municipal procurement, insurance with respect to property interests of state and municipal organisations and insurance of facilities constructed and maintained by companies that are required to have access to classified information to perform the relevant works.

Foreign investors may also access the Russian insurance market via their Russian subsidiaries. However, Russian law imposes certain limitations on insurance companies that are controlled by foreign investors or more than 49% owned by them. Such insurance companies are not allowed to engage in life, health and property insurance financed by the government, insurance related to state and municipal procurement, as well as insurance with respect to property interests of state and municipal organisations. It should be also noted that the subsidiaries of foreign companies are only allowed to engage in insurance business in Russia if their parent company has been carrying out insurance business for at least five years in its home jurisdiction.

Furthermore, there is a limit on foreign investments in the Russian insurance sector currently set by the Insurance Law at 50% (the Foreign Investment Limit), such that if the aggregate foreign capital investments exceed the Foreign Investment Limit, the CBR will cease to issue insurance licenses to Russian companies that are controlled by foreign investors or more than 49% owned by them.

Due to the existence of the Foreign Investment Limit, Russian insurance companies and their Russian shareholders need to obtain a CBR consent to issue or sell shares to foreign investors. The application for such consent must be accompanied by a set of documents related to a foreign investor, including proof of it carrying out insurance business for at least five years in its home jurisdiction. If the shares are offered to an unlimited number of persons on a stock exchange, the application for the CBR consent to the sale of shares in such offering (the Public Offering Consent) does not need to be accompanied by documents related to foreign investors that may potentially acquire shares in the offering. The application for the Public Offering Consent should be reviewed by the CBR within 30 days of its submission, and, if granted, the Public Offering Consent is valid for one year.

On 14 September 2021, the Company obtained a Public Offering Consent for the disposal of 100% of Ordinary Shares to third parties, including foreign investors, on the stock exchange and in over-the-counter circulation. As set out in amendments to the Company's Russian regulatory prospectus in connection with the Offering that were registered by the CBR on 8 October 2021 (the Russian Prospectus Amendments), such Public Offering Consent (together with relevant consents obtained by its Russian Selling Shareholders) is sufficient for the completion of the Offering and the subsequent public trading in the Ordinary Shares on a stock exchange and over-the-counter for the entire term of the Public Offering Consent (i.e. one year).

As set out in the Russian Prospectus Amendments, pursuant to applicable Russian legislation, the new Public Offering Consent may only be denied by the CBR if the Foreign Investment Limit is exceeded. According to the CBR, as of 1 January 2020 and 1 January 2021, foreign investments into Russian insurance companies amounted to 10.83% and 10.40% of the aggregate charter capital of Russian insurers, respectively. Taking into account, among other factors, recent amendments to Russian legislation that allow foreign insurers to write a number of types of insurance directly (without establishing or investing in a Russian company), the Company believes that as at the date of this Offering Memorandum there are no reasons to expect significant growth of foreign investments into Russian insurance companies. The Company is planning to apply for the Public Offering Consent on an annual basis (unless the legislation requiring it is struck down). Taking into account the reported historical amounts of foreign investments into Russian insurance companies, the Company believes that the risk of failure to renew the consent is minimal. In the unlikely scenario that the Public Offering Consent is not granted, purchases of the Ordinary Shares by foreign investors will be restricted pending the Company obtaining the Public Offering Consent or the relevant legislative requirements being lifted.

Regulation of Insurance Sector

Licensing

In order to engage in insurance activity, a company needs to obtain a license. Licenses are issued by the CBR. In order to be eligible for licensing, the applicant must satisfy a number of criteria set out in the Insurance Law and the regulations promulgated by the CBR. Insurance company must, among other things, submit a feasibility report and detailed information showing that its management team satisfies statutory requirements.

The CBR may deny a license for a number of reasons, in particular, if the financial standing of the founders does not meet the criteria set out in the law, or if the proposed senior management of the applicant, including members of the management board and the chief executive officer, do not meet the qualification requirements or are for other reasons ineligible.

The Insurance Law also entitles the CBR to revoke insurance licenses in a number of instances, including the following: (i) the insurer did not start its operations within one year of the issuance of the licence; (ii) reports submitted by the insurer are materially untrue or misleading; (iii) the insurer has delayed the submission of its monthly reports to the CBR by more than 15 days, provided that it has been subject to sanctions for the same breach/non-compliance at least one more time in the same year; and (iv) the insurer's activity does not comply with applicable legislation or regulations of the CBR and it has been subject to sanctions for non-compliance before. In addition, there are situations where the CBR is obliged to revoke an insurance license, for instance, when the insurer has failed to address the requirements of the CBR that accompanied the suspension of the license, or when the insurer has failed to increase its capital in accordance with the CBR requirements, or upon the appointment or temporary administration (*see* below).

Each type of insurance activities, including voluntary life insurance, voluntary health insurance, voluntary property and liability insurance and compulsory insurance, normally requires a separate license. An insurer can get one or more licenses, provided that one insurance company cannot hold licenses for both life and non-life insurance.

Key Requirements Applicable to Insurers

Minimum Capital and Capital Adequacy

According to the Insurance Law, the required minimum share capital is RUB 120 million for insurers carrying out compulsory health insurance, RUB 300 million for insurers carrying out accident and health insurance, VMI, property insurance, financial risk insurance, business insurance and insurance of contractual and tort liability, RUB 450 million for insurers carrying out life insurance and RUB 600 million for insurers carrying out reinsurance. The share capital must be paid up in full before applying for the licence (expect for the insurance mutuals). Borrowed funds or pledged property cannot be used to make capital contributions. The requirements regarding minimum size of the share capital of insurance companies may be changed by the Russian federal law, but changes to minimum share capital size cannot be more frequent than once in every two years. The requirements with respect to share capital of insurance companies is regulated by the CBR.

In January 2020, CBR issued Regulation No. 710-P, which, among other things, introduced new approaches to assessing insurers' financial sustainability and solvency and calculating their equity (capital). According to Regulation No. 710-P, the value of capital should be calculated on the basis of "economic balance", which is the value of all assets of the insurer calculated in accordance with the instructions under Regulation 710-P, rather than taking face value of the capital section of the balance sheet. Regulation 710-P provides for a number of rules for determining the value of various types of assets. For instance, the value of immovable property must be based on the appraiser's report, the value of bonds with variable payment schedules must be based on the minimal amount that may be paid thereunder, the value of promissory notes, certain rights of claims and intangible assets is deemed to be nil. Other than where a specific calculation methodology is set out in Regulation No. 710-P, the value of assets generally should be determined in accordance with IFRS 13, fair market value measurement, and insurer's internal accounting policies based on IFRS. Regulation 710-P also introduced a new insurer performance indicator, namely, an indicator measuring risk exposure related to the insurer's investment activity and the impact on its solvency on an annual basis.

Regulation No. 710-P will be gradually implemented on a step-by-step basis starting from 1 July, 2021. Compliance with Regulation No. 710-P is expected to require substantial resources from the insurers.

Investment of Own Funds

Regulation No. 710-P provides that insurers may invest their own funds and their insurance reserves in assets that are physically located in Russia (except for certificated shares and bonds), or assets that are not removed from the stream of commerce and property rights, such as non-cash money, rights of claim, digital rights and dematerialized securities. Securities in which insurers may invest must be issued by companies incorporated in the OECD, the EU, China, India, Brazil or the Republic of South Africa.

According to Regulation No. 710, the aggregate value of (i) securities (cash funds) received by an insurer under the first part of a repo transaction (subject to certain exemptions), (ii) interest bearing loans and facilities and (iii) derivative financial instruments (subject to certain exemptions) must not exceed 40% of the insurer's assets.

Insurance reserves

According to the CBR Regulation No. 557-P "On the rules for the formation of insurance reserves for life insurance" dated 16 November 2016, insurers that underwrite life insurance are required to maintain the following reserves:

- mathematical reserve covering the estimated insurer's liability under life insurance contracts that may arise if the insured events occur;

- expense reserve covering the estimated amount of future expenses of an insurer relating to performance of a life insurance contract during the term of such contract, after the payment of a lump sum insurance premium, or after the expiration of the payment period;

- claims reserve for insured events that have been reported but remain unsettled, covering the estimated amount of unfulfilled or partially fulfilled obligations that arise from insured events reported as of the reserve calculation date, or obligations that have matured as of such date according to the terms of the insurance contract or upon its early termination;

- claims reserve for insured events that have occurred but have not been reported as of the reserve calculation date;

- bonus reserve for additional payments (insurance bonuses) covering the estimated amount of the insurer's obligations to make bonus payments under its life insurance contracts;

- equalization reserve covering an estimated amount required to secure the fulfilment of the insurer's obligations in the case of a lack of insurance premiums resulting from the reserve basis (the set of parameters for calculating insurance reserves) being more conservative than the tariff basis (the set of parameters for calculating insurance rates); and

- options and guarantees reserve covering the estimated value of the insurer's obligations that are not taken into account in the formation of the mathematical reserve and the reserve of additional payments (insurance bonuses) arising from certain conditions of the life insurance contract. Options and guarantees reserve is maintained by the insurer on a voluntary basis.

According to the CBR Regulation No. 558-P "On the rules for the formation of insurance reserves for non-life insurance" dated 16 November 2016, insurers that underwrite non-life insurance are required to maintain the following reserves:

- unearned premium reserve, which is a pro rata share of the insurance premium reflecting the balance of the duration of the insurance contract after the reserve calculation date and is intended to cover estimate possible insurance payments after the reserve calculation date;

- loss reserves:

    - reserve for reported but unsettled losses covering the estimated amount of unfulfilled or partially fulfilled obligations of the insurer as of the reserve calculation date;

    - reserve for incurred but not reported losses covering the estimated amount of the insurer's obligations to make insurance payments in connection with insured events that have occurred but have not been reported before the reserve calculation date; and

    - loss adjustment reserve covering the estimated amount of future costs (direct and indirect) relating to the settlement of losses that have occurred, and includes the costs of legal, consulting and other expert services relating to the assessment of the amount of damage to the property interests of policyholders resulting from insured events;

- stabilization reserve covering the estimated amount of obligations necessary to compensate for the costs of the insurer related to future insurance payments in the event of a negative financial result from insurance operations as a result of factors beyond the control of the insurer; and

- reserve for reimbursement of expenses for compulsory civil liability insurance of vehicle owners covering the relevant insurance payments and direct compensation for losses in subsequent periods. Reserve for reimbursement of expenses for compulsory civil liability insurance of vehicle owners is maintained by the insurer on a voluntary basis.

Pursuant to the Insurance Law, insurers are required to invest their reserves on a diversified, liquid, recoverable, and profitable basis in accordance with the appropriate CBR regulations. Generally, insurers are prohibited from extending any loans using their insurance reserves.

The Insurance Law requires insurers that underwrite life insurance with personal savings, compulsory insurance, pension insurance or annuities to separate the securities that form part of their own funds from their insurance reserves, which need to be kept in a specialised depositary. The latter must keep such securities on separate depo accounts and monitor them on a daily basis in compliance with the investment guidelines set out in the law and

CBR regulations.

Financial Reporting

Insurers prepare financial statements on a quarterly and annual basis in accordance with the CBR regulations, which contain rules on accounting standards, reporting forms, reporting timelines and the preparation of reports.

Federal Law No. 208-FZ "On Consolidated Financial Statements" dated 27 July 2010, as amended, requires insurers (except those whose activities are limited to obligatory medical insurance) to prepare consolidated financial statements in accordance with IFRS. Starting from 1 January 2023, insurers will need to prepare financial statements in accordance with the newly adopted IFRS 17, which introduces significant changes to the presentation and measurement of insurance contracts, including the effect of technical reserves and reinsurance on the value of insurance contracts (see "*Risks Factors—Risks relating to the Group's Business and Industry—The adoption of IFRS 17 could significantly impact the Group's reported financial results and financial position*").

Insurers are obliged to regularly submit balance sheets to the CBR, together with financial statements showing their actual financial position and statistical information on insurance activities. The CBR may inspect the documents submitted by an insurer at any time and make inquiries that the insurer will need to address on a timely basis. In addition, annual audits of financial statements of insurers must be carried out by an audit company that is a member of a self-regulatory organisation of auditors.

Qualification of Management and Owners

Since 2018, both the list of persons that are subject to qualification and reputation requirements and the list of requirements themselves have been substantially expanded. While previously those requirements only applied to the chief executive officers and members of the board, currently they apply to chief accountants, members of the management board, heads of branches, internal auditors, certain other officers, as well as beneficial owners of insurers that (directly or indirectly) own more than 10% of its shares. The list of requirements is quite extensive and covers areas such as education, professional experience, criminal records, legal convictions and material administrative violations, improper reporting and management of financial institutions that have gone bankrupt or whose licenses have been revoked.

Insolvency of Insurance Companies

General Rules

The principal law governing bankruptcy proceedings in Russia is Federal Law No. 127-FZ "On Insolvency (Bankruptcy)" dated 26 October 2002, as amended, (the "**Insolvency Law**"). The Insolvency Law sets forth key rules applicable to the insolvency of financial institutions and some rules governing specifically the insolvency of insurers.

If the insurer meets certain criteria, among others, (i) it does not have funds to timely perform its payment obligations (including mandatory payments) that have past due; (ii) it is in default for more than 10 days with respect to its mandatory payment obligations; and (iii) repeated violation of regulatory requirements related to investment of own funds or reserves, including the prescribed annual capital adequacy ratio, it must inform the CBR accordingly and provide it with a plan to restore solvency, together with supporting evidence. Measures aimed at restoring solvency may include financial assistance from its members and other persons, capital increase, and change of the financing structure in terms of the insurer's assets and liabilities. The CBR then reviews the plan. It may also conduct an inspection of the insurer. If the insurer is capable of restoring its solvency, the CBR will be supervising the implementation of the recovery plan. The CBR may also take certain bankruptcy prevention measures on its own initiative and instruct the Fund of Banking Sector Consolidation Asset Management Company (the "**Management Company**") acting on its behalf to take part in the plan. Among other things, the Management Company may carry out an analysis of the insurer's financial standing, participate in capital increase and manage shares of the insurer acquired by the CBR in the course of its financial rehabilitation.

In certain circumstances, such as failure to make mandatory payments within 10 days of them past due and the company fails to inform the CBR, or failure to appropriately execute the solvency recovery plan, which indicate that the insurer's management bodies have failed to properly perform their functions, the CBR may (and in certain circumstances must) appoint a temporary administrator to manage the affairs of the insurer with a view to recover its solvency and preserve its assets. The appointment of the temporary administrator entails either a limitation or suspension of the powers of the executive bodies of the insurer.

If the CBR elects to take part in the insurer's financial recovery, Management Company will take over as an interim administrator of the insurer. In this case the CBR may impose a three-month moratorium on all payments of the insurance company to counterparties and creditors, which can be extended for up to three more months. The interim administrator would have wider powers as compared to an ordinary administrator. In particular, the Insolvency Law specifically authorizes it to amend the charter of the insurance company, to use reserve funds of the insurer prior to the due dates as set out in the law, or to approve corporate reorganization of the insurance company. If the CBR so decides, bankruptcy prevention measures carried out by the Management Company will be financed by the Fund of Banking Sector Consolidation formed by the CBR.

Based on a review of the operational activities of an insurer (including the review of the results of the inspection mentioned above), its solvency recovery plan or the reports of the (interim) administrator, the CBR may decide to initiate bankruptcy proceedings against the insurer. The bankruptcy case must be filed with the arbitrazh court, which rules on the opening of bankruptcy proceedings and handles the bankruptcy case if a case is opened. Apart from the CBR, a bankruptcy case may be brought by a creditor of an insurance company, including its current or former employees, the company itself and, if an administrator has been appointed, the administrator.

The bankruptcy of an insurance company entails the sale of its assets by the bankruptcy court to satisfy creditors' claims or a settlement with creditors (subject to prior repayment of certain types of indebtedness).

Priority of Claims in Bankruptcy

According to the Insolvency Law, claims of unsecured creditors against Russian insurance companies are generally subordinated to the claims of retail clients arising out of insurance agreements, certain claims of creditors arising after the initiation of the bankruptcy proceedings and certain other ongoing payments, claims resulting from workplace injury, claims for moral distress, severance pay, employment related obligations and royalties. There is also a potential risk that claims of unsecured creditors may be further subordinated to claims under certain tax and mandatory payment obligations to the Russian government, although the Insolvency Law at the moment ranks such claims at par with other unsecured creditors. Furthermore, unsecured claims are also effectively subordinated to claims secured by a Russian law pledge. According to the Insolvency Law, claims of creditors secured by a Russian law pledge are settled with the proceeds received from the sale of pledged assets. Claims of creditors secured by a Russian law pledge that remain unsatisfied upon the sale of pledged assets will be ranked as claims of unsecured creditors, irrespective of the time when such claims were accrued.

The Insolvency Law provides that the proceeds from the sale of pledged assets must be used as follows: (i) 70% to satisfy secured claims; (ii) 20% to satisfy claims of creditors of the first and second priorities, provided the debtor's other property is insufficient to satisfy such claims; and (iii) the remaining amount to cover court expenses, remuneration to a bankruptcy manager and related expenses. Any obligations of creditors secured by a pledge remaining unsatisfied following the sale of the pledged assets would be ranked as claims of unsecured creditors.

Liquidation of Insurance Companies

Both voluntary and compulsory liquidation of an insurance company is preceded by the revocation of its license, following which the company is no longer permitted to underwrite any insurance policy.

The CBR must make a public announcement of the revocation of insurance licence on the day of resolving to revoke the licence. Upon termination of the license the CBR will in most cases appoint a temporary administrator to ensure the preservation of the company's assets and satisfaction of its obligations.

On the date falling forty-five days after the date of the revocation of the insurance license, all insurance contracts of the insurance company (subject to exemption for certain specific types, if any) will terminate and it will be obliged to reimburse the insured party the pro rata share of the premium associated with the contractual period that is not performed. The insurer must report to the CBR within 6 months of the date of the license revocation on the performance of its obligations. Depending on the insurer's ability to satisfy its obligations, a solvent or insolvent liquidation of the company will ensue.

Insurance Contracts

General

The Civil Code of Russia (the "**Civil Code**") distinguishes between property and personal insurance. Under a property insurance contract, the insurer pays to the insured upon the occurrence of an insured event an amount necessary to compensate the loss of, or damage to, the insured property or losses related to other property interests, up to an amount specified in the contract. Under a personal insurance contract, the insurer makes a payment or payments to the beneficiary of the insurance agreement in the case of personal injury of the insured or another person named in the contract, or when such person reaches the age specified in the contract, or if another event specified in the contract occurs. According to the Civil Code, personal insurance contract is a "public contract", i.e., a contract that an insurer must enter into with any person that applies to it on a non-discriminatory basis.

Insurance in Russia may be compulsory or voluntary. Compulsory insurance includes insurance of the life and health of military servants, judges, policemen and other state servants, as well as third party liability insurance of carriers and car owners and liability insurance of owners of dangerous objects. Voluntary insurance includes life insurance, personal accident insurance, health insurance, property and liability insurance and reinsurance. Each type of insurance requires a license. An insurer may get licenses for several types of insurance.

Compulsory Motor Third Party Liability Insurance (CMTPL)

CMTPL insurance is mandatory for all motor vehicles operating in Russia. Pursuant to the CMTPL Law, the government sets maximum CMTPL tariff rates that may be charged by insurers. In addition, the government sets a limit on commissions that an insurance company may pay to its agents for selling CMTPL insurance products. Specifically, in setting CMTPL tariffs, an insurer may incorporate into the tariffs expenses incurred in connection with writing the relevant CMTPL policies, including agents' commissions; however, such expenses may not exceed 20% of the relevant tariff.

The maximum insurance sums which are payable upon occurrence of an insured event amount to RUB 0.5 million per person in the case of harm caused to life or health and RUB 0.4 million in the case of damage caused to property.

CMTPL insurance in Russia is undergoing a reform aimed at liberalizing insurance rules. In particular, in 2019 base rates range was extended by 20%. In 2020, drivers were divided in 58 categories for the purpose of determining the terms of their policies. In addition, rules on insurance tariffs for policies covering multiple drivers were changed.

Non-insurable interests

Russian law prohibits insurance of illegal interests, losses from gambling and losses associated with ransom payments. It is also widely understood by the insurers and the courts that insurance against administrative and criminal penalties and fines is not allowed, as it would result in the elimination of the penal effect of the relevant sanctions. As for civil law penalties (for instance, default interest or contractual fines), they are not insurable pursuant to Article 932 of the Civil Code, which generally does not allow insurance against a breach of contract unless the law expressly provides otherwise. An example of such express carve-out is insurance of contractual liability of a private investor in public-private partnerships, which is expressly permitted by law.

Insurance claims

If, prior to entering into the insurance contract, the insured was aware of circumstances that were likely to give rise to a claim under the policy but knowingly did not report them, the insurer may rescind the contract in court. It should be noted though that recent court practice has introduced an implied duty of the insurer to verify information provided by the insured and failure to do so may deprive the insurer of the misrepresentation defence. Also, if the insured did not respond to a particular question of the insurer prior to entering into the insurance contract but the contract was nevertheless entered into, the insurer cannot avoid liability.

Article 964 of the Civil Code provides that, unless the law or the contract provides otherwise, the insurer is released from liability under an insurance policy if the insured event occurs as a result of a nuclear explosion, radiation or radioactive contamination, military operations, manoeuvres or other military activities, civil war, civil unrest of any kind or strike, confiscation, requisition, seizure or destruction of the insured property according to orders of state bodies.

Article 961 of the Civil Code requires prompt reporting of an insured event to insurers in most of the types of insurance contracts and a breach of this obligation entitles the insurer to deny the payment, unless it is established that the insurer was aware of the occurrence of an insured event or that the lack of notification did not prejudice its obligation to make the insurance payout. However, Russian courts tend to shift the burden of proof of such prejudice and lack of awareness onto the insurers.

The insured or the beneficiary is entitled to bring a claim against the insurer. Third parties are normally only entitled to bring claims against insurers in the case of liability insurance.

Most of claims by third parties are made in CMTPL. The injured third party must notify the insurer of the occurrence of an insured event and send to the insurer an application for insurance compensation with supporting documents prescribed by the rules of compulsory insurance. The insurer is obliged to make a payment or respond with a reasoned refusal within a period prescribed for the relevant type of claim by the CMTPL Law.

Unless the insurance contract provides for a different default interest rate, the insured is entitled to the key interest rate of the CBR if the insurer does not timely make the insurance payout. In the case of defaults under personal insurance policies, the insured is entitled to a substantial penalty of 1% per each day of delay and a penalty of 50% of the amount awarded by the court.

Consumer protection

The Consumer Protection Law creates a legal framework for the protection of consumers' rights. It applies to services rendered to individuals, including such financial service as insurance. Among other things, it contains rules regarding the quality of services and their conformity to descriptions, rules regarding improper conduct of service providers and remedies available to consumers in addition to those set out in the Civil Code.

The key authority in the area of consumer right protection is Rospotrebnadzor (the Consumer Protection Agency of the Russian Federation). The CBR is also actively involved in the protection of the rights of financial consumers. Its consumer protection measures includes both supervisory responses (to enquiries) and proactive measures; the latter have been effective since 2018 and include the introduction of rules that regulate the conduct of financial institutions in relation to their customers. The CBR oversees compliance by financial institutions with such rules. Due to the lack of knowledge and understanding of the life insurance products by group or retail clients, the CBR is planning to introduce a new market regulation in the second half of 2021 to divide client into (i) those lacking sufficient qualification or understanding of financial products and (ii) qualified clients to whom any life insurance products can be offered. The proposed regulatory changes will not have any drastic consequences for the life insurance market, except for a temporary negative impact associated with the technical adaptation by market participants. In the long-term, the improved transparency of life insurance products and the introduction of the fundamental value of insurance products to group and retail clients will make life insurance products more attractive.

In June 2018, Federal Law № 123-FZ "On authorized entity for the rights of consumers of financial services" dated 4 June 2018, as amended, introduced a new institution of financial ombudsman that considers the claims of customers against the financial institutions (including insurance companies) during pre-trial proceedings. In certain cases, including claims in connection with CMTPL insurance payments and claims to insurance companies in amount not exceeding RUB 500,000, consumers must raise the claim to the financial ombudsman first before initiating a judicial proceeding against the financial institution. After a review of the consumer's complaint, the financial ombudsman makes a decision, and despite in cases of disagreement, the financial institution should act according to the decision within ten working days after the date of its signing. In the case of a disagreement with the financial ombudsman's decision, both the consumer and the financial institution have the right to appeal the decision in judicial proceedings. Introduction of financial ombudsman is due to significant increase in volume of claims of customers against insurance companies.

MANAGEMENT AND CORPORATE GOVERNANCE

Governance Bodies

The Company's governance bodies are the General Shareholders' Meeting, the Board of Directors, the Management Board and the General Director. The Company also has a number of committees of the Board of Directors with specialised functions and a separate Internal Control and Audit Department. In addition, as a matter of Russian law the Company is required to maintain an Internal Audit Commission.

General Shareholders' Meeting

Powers of the General Shareholders' Meeting

The powers of a General Shareholders' Meeting are set out in the Joint Stock Companies Law and in the Company's Charter. The General Shareholders' Meeting of the Company may not decide matters that are outside the scope of its authority in accordance with the Joint Stock Companies Law. Among other things, the shareholders have the power to decide on:

- amendments to the Company's Charter;
- the re-organisation or liquidation of the Company and the appointment of the liquidation commission, and approval of interim and final liquidation balances;
- election of members of the Board of Directors and early termination of the tenure of the Board of Directors;
- determining the number, nominal value and class/type of the authorised shares and the rights attached to such shares;
- distribution of profits, including approval of dividends (provided that the amount of any dividend cannot exceed the amount recommended by the Board of Directors);
- approval of certain internal documents and regulations; and
- any other matter which, according to the Joint Stock Companies Law and the Company's Charter, is within the powers of the General Shareholders' Meeting.

Voting and Quorum

Voting at the General Shareholders' Meeting is generally based on the principle of one vote per ordinary share, with the exception of the election of the Board of Directors, which is carried through cumulative voting. Decisions are generally passed by a majority vote of the ordinary shares present at the General Shareholders' Meeting. However, Russian law requires a three-quarter majority vote of the ordinary shares present at the General Shareholders' Meeting to approve, inter alia, the following:

- amendments to the Company's Charter;
- re-organisation or liquidation of the Company and the appointment of the liquidation commission, and approval of interim and final liquidation balances;
- determining the number, nominal value and class/type of the authorised shares and the rights attached to such shares; and
- major transactions involving assets in excess of 50% of the balance sheet value of the assets of the Company;

The quorum requirement for the General Shareholders' Meeting is met if shareholders' (or their representatives) accounting for more than 50% of the issued ordinary shares are present. If the 50% quorum requirement is not met, another General Shareholders' Meeting with the same agenda may (and, in case of an annual General Shareholders' Meeting, must) be scheduled and the quorum requirement will be satisfied if shareholders' (or their representatives) accounting for at least 30% of the issued ordinary shares are present at that meeting.

According to the Joint Stock Companies Law, the Board of Directors must convene the annual General Shareholders' Meeting between 1 March and 30 June of each year, and the agenda must include the following items:

- election of the members of the Board of Directors;
- approval of the annual report and the annual financial statements, including the balance sheet and profit and loss statement;
- approval of distribution of profits, including approval of annual dividends (if any);
- approval of an independent auditor; and
- election of the members of the Internal Audit Commission.

A shareholder or a group of shareholders owning in the aggregate at least 2% of the issued ordinary shares may introduce proposals for the agenda of the annual General Shareholders' Meeting and may nominate candidates for the Board of Directors and the Internal Audit Commission. According to the Company's Charter, any agenda proposals or nominations for the agenda of the annual General Shareholders' Meeting must be provided to the Company no later than 60 days after expiration of an accounting period. According to the Company's Charter, any proposals for the agenda of extraordinary General Shareholders' Meeting on nomination of candidates for the Board of Directors must be provided to the Company no later than 30 days before the relevant General Shareholders' Meeting.

Under the Joint Stock Companies Law, certain shareholders' resolutions relating to a company's re-organisation, an increase or decrease of share capital or a splitting or consolidation of shares may provide that they only remain valid for a specific period of time (the "**Validity Period**"). However, in the event such shareholders' resolutions are not acted upon within the Validity Period and/or the effective Validity Period for such resolutions has expired, such resolutions become null and void; and subject to provisions of the Joint Stock Companies Law, are no longer enforceable.

Extraordinary General Shareholders' Meetings may be called by the Board of Directors on its own initiative, or at the request of the Internal Audit Commission, the independent auditor or a shareholder or group of shareholders owning in the aggregate at least 10% of the issued ordinary shares as of the date of the request.

The General Shareholders' Meeting may be held in a form of a meeting or by absentee ballot. In a meeting, the adoption of resolutions is carried out through the attendance of shareholders or their authorised representatives for the purpose of discussing and voting on issues of the agenda. The General Shareholders' Meeting can also be held by absentee ballot, where the company collects ballots completed and mailed to it by its shareholders; in such cases no physical meeting is held.

The following issues cannot be decided by the General Shareholders' Meeting by absentee ballot:

- election of the members of the Board of Directors;
- election of the Internal Audit Commission;
- approval of the independent auditor; and
- approval of the annual report, the annual financial statements, including balance sheet, profit and loss statement, and any distribution of profits, including approval of annual dividends (if any).

Notice and Participation

Under the Company's Charter, all shareholders entitled to participate in the General Shareholders' Meeting must be notified of the meeting, whether the meeting is to be held in a form of a meeting or by absentee ballot, not less than 21 days prior to the date of the meeting, and such notification shall specify the agenda for the meeting. Such notice period is extended to 30 days if the agenda of the meeting contains an item on reorganisation. However, if the meeting in question is the extraordinary General Shareholders' Meeting to elect the Board of Directors or early terminate the tenure of the Board of Directors, shareholders must be notified at least 50 days prior to the date of such a meeting. Only those items that were set out in the agenda sent to shareholders may be voted upon at the General Shareholders' Meeting. The General Shareholders' Meeting is not entitled to change its agenda.

The list of persons entitled to participate in the General Shareholders' Meeting is to be compiled on the basis of data in the shareholders' register on the date determined by the Board of Directors, which date shall neither be earlier than 10 days following the date of adoption of the resolution to hold the General Shareholders' Meeting nor more than 25 days before the date of the meeting, not more than 55 days before the date of the meeting if the agenda of the General Shareholders' Meeting includes, inter alia, election of the members of the Board of Directors or appointment and termination of the General Director and not more than 35 days before the date of the meeting if the agenda of the General Shareholders' Meeting includes reorganisation of the Company.

Shareholders may exercise their right to participate in the General Shareholders' Meeting by:

- personal attendance;
- attendance of a duly authorised representative (by proxy);
- absentee ballot;
- delegating the right to fill out the absentee ballot to a duly authorised representative;
- providing instructions to a nominal holder; or
- personal Internet page.

Board of Directors

Composition of the Board of Directors

The Board of Directors is responsible for general management matters, with the exception of those matters that are designated by law and the Company's Charter as being the exclusive responsibility of the General Shareholders' Meeting.

The Joint Stock Companies Law requires at least a five-member Board of Directors for all joint stock companies, at least a seven member Board of Directors for a joint stock company with more than 1,000 holders of ordinary shares, and at least a nine member Board of Directors for a joint stock company with more than 10,000 holders of ordinary shares. According to the Company's Charter, the Board of Directors shall consist of at least nine members and the exact number of members of the Board of Directors shall be determined by the General Shareholders' Meeting. As of the date of this Offering Memorandum, the Board of Directors consists of nine members. Only individuals (as opposed to legal entities) are entitled to sit on the Board of Directors. Members of the Board of Directors are not required to be the shareholders.

The Company's Charter provides that the entire Board of Directors must be elected at each annual General Shareholders' Meeting and that the Board of Directors is elected through cumulative voting. Under cumulative voting, each shareholder may cast an aggregate number of votes equal to the number of shares held by such shareholder multiplied by the number of persons on the Board of Directors, and each shareholder may give all such votes to one candidate or distribute them among two or more candidates. The current Board of Directors was elected at the General Shareholders' Meeting on 13 September 2021.

A majority vote of the General Shareholders' Meeting may at any time remove the directors as a group before the expiration of their term, without cause.

The Board of Directors elects the Chairman of the Board of Directors from its members and has the right to remove its Chairman at any time. However, the General Director or members of the Management Board may not be elected as the Chairman of the Board of Directors. The Chairman of the Board of Directors organises its work, calls and presides over meetings of the Board of Directors and performs other functions provided for by Russian law, the Company's Charter and the Company's internal documents. The Chairman of the Board of Directors has no casting vote in the case of a tied vote.

Powers of the Board of Directors

The Joint Stock Companies Law generally prohibits the Board of Directors from acting on issues that fall within the exclusive authority of the General Shareholders' Meeting. The Board of Directors has the power to perform the general management of the company, and to decide, among other things, the following issues:

- determination of the Company's business priorities and strategy;
- convening annual and extraordinary General Shareholders' Meetings, except in certain circumstances specified in the Joint Stock Companies Law;
- approval of the agenda of the General Shareholders' Meeting with a right to include additional questions in the agenda at its own discretion and determination of the record date which establishes the shareholders that are entitled to participate in the General Shareholders' Meeting;
- appointment and termination of the General Director;
- election of members of the Management Board and early termination of the tenure of the Management Board;
- establishment of committees of the Board of Directors and election of members of the committees;
- approval of the terms of the employment agreement with the General Director (including remuneration of the General Director);
- issuance of additional shares through open subscription for ordinary shares or securities convertible into ordinary shares constituting up to 25% of the outstanding ordinary shares;
- placement of bonds and other securities, in cases specified in the Joint Stock Companies Law;
- determination of the price of property and securities to be placed or repurchased, as provided for by the Joint Stock Companies Law;
- repurchase of shares, bonds and other securities in certain cases provided for by the Joint Stock Companies Law;
- recommendations to the General Shareholders' Meeting on the amount of remuneration and compensation to be paid to members of the Internal Audit Commission;
- determination of the fees payable for the services of an independent auditor;
- recommendations to the General Shareholders' Meeting on the amount of any dividend payable on shares and the payment procedure thereof and on the record date which establishes the shareholders that are entitled to receive dividends;
- use of the Company's reserve fund and other funds;

- approval of the Company's internal documents, except for those documents whose approval falls within the competence of the shareholders or the General Director or Management Board;
- creation and liquidation of branches and representative offices;
- approval of the Group's financing transactions, including credit facilities, loans and issuance of bonds;
- approval of creation of security over the Group's assets, if secured liabilities exceed RUB 5 billion;
- approval of major and interested party transactions in the cases provided for by the Joint Stock Companies Law;
- submission for consideration by the General Shareholders' Meeting of major transactions (i.e., matters involving assets with a value of 25% to 50% of the value of the Company's assets) where no consensus has been reached with regard to the approval thereof by the Board of Directors;
- appointment of the Company's share registrar;
- approval of the Company's participation (or termination of such participation) in other organisations except when it falls within the competence of the General Shareholders' Meeting;
- approval of disposal of shares in companies comprising the Group;
- application for listing of shares and/or other issued securities convertible into shares;
- approval of decisions on share issuances; and
- any other matter which, according to the Joint Stock Companies Law and the Company's Charter, is within the competence of the Board of Directors.

Meetings: Voting and Quorum

The Company's Charter provides that a meeting of the Board of Directors generally has a quorum if not less than half of the members of the Board of Directors are present. Generally, the decisions of the Board of Directors are adopted by majority vote of the directors present at the meeting.

Certain decisions require either the unanimous vote of all members of the Board of Directors (for example, major transactions with a value of 25% or more but equal to or less than 50% of the Company's assets as reported under RAS must be approved unanimously by the Board of Directors or by a simple majority of the shareholders; major transactions with a value of more than 50% of the Company's assets as reported under RAS must be approved by three quarters of the shareholders: for further details, see *"Description of Share Capital and Certain Requirements of Russian Law—Certain Requirements of Russian Legislation—Major Transactions"*) or a majority vote of the disinterested and independent directors (for example, related-party transactions with a value of less than 10% of the Company's assets must be approved by a majority of disinterested directors of the Board or, alternatively, if the number of disinterested directors renders the meeting inquorate, must be referred to disinterested shareholders for approval, and any related-party transactions with a value of 10% or more of the Company's assets must be referred to the Company's shareholders: for further details, see *"Description of Share Capital and Certain Requirements of Russian Law—Certain Requirements of Russian Legislation—Interested Party Transactions"*).

Members of the Board of Directors

The table below shows current Board of Directors. The business address of each such person in his or her capacity as a director of the Company is 11 Derbenevskaya Nab., Moscow, 115114, Russia.

Name	Year of Birth	Position
Boris Alexis Jordan	1966	Chairman of the Board of Directors
Sergei Riabtsov	1972	Member of the Board of Directors

Name	Year of Birth	Position
Mikhail Kuranov	1987	Member of the Board of Directors
Igor Vaynshelboym	1966	Member of the Board of Directors
Dmitry Baburin	1987	Member of the Board of Directors
Anna Evdokimova	1975	Member of the Board of Directors
Yaroslav Kozachenko	1991	Member of the Board of Directors
Vitaly Pyltsov	1968	Member of the Board of Directors
Christophe Charlier	1972	Member of the Board of Directors

Brief biographies of the Company's directors are set out below.

Mr. Boris Jordan

In 1995, Mr. Boris Jordan founded and headed Renaissance Capital, Russia's first independent investment bank. Mr. Jordan co-founded the Sputnik Group in 1998. He has been a member of the Board of Directors of the Company since 1999 and its Chairman since 2004. In addition, he has also served as the President of the Company since 2016, and between 2007 and 2019 he served as a member of the Executive Board of the Company. Between 2004 and 2021, Mr. Jordan was a member of the Board of Directors of Renaissance Life and between 2006 and 2021 he was the Chairman of the Board of Directors of Renaissance Life. Between 2018 and 2020, he was a member of the Executive Board of Renaissance Life. Mr. Boris Jordan is also a member of the Presidium of the All-Russian Union of Insurers and a member of the Executive Board / Presidium of the Alexis Jordan Cadet Corps Charity Foundation named after Alexis Jordan. Between 2012 and 2021, Mr. Boris Jordan was a member of the Presidium of the Russian Association of Motor Insurers. Mr Jordan was also the Chairman of the Board of Directors of JSC NSPF Renaissance Pensions between 2018 and 2021. Mr. Boris Jordan has been a co-founder and an Executive Chairman of Curaleaf, a large cannabis company, since 2015. Mr. Boris Jordan is also a founder and a Managing Member of Measure 8 Venture Partners, a company investing in early stage companies with a focus on the cannabis industry. Mr. Boris Jordan received a Bachelor of Arts degree from the College of Arts and Sciences of New York University in 1988. Mr. Boris Jordan is also a member of the NYU Board of Trustees, the NYU President's Global Council and the Council of Foreign Relations.

Mr. Sergei Riabtsov

Mr. Sergei Riabtsov is a co-founder of the Sputnik Group and is a head of its investment business. Mr. Sergei Riabtsov has been a member of the Board of Directors of the Company since 1999 and has also been an Executive Vice President of the Asset Development Department of the Company since 2012. Since 2013, Mr. Sergei Riabtsov has been a General Director of LLC "Holding Renaissance Insurance". Since 2018, he has been a member of the Board of Directors of JSC NSPF Renaissance Pensions. Mr. Sergei Riabtsov was a member of the Board of Directors of Renaissance Life between 2004 and 2021 and in addition Mr. Sergei Riabtsov has served as an Advisor to a Chief Executive Officer of Renaissance Life since 2016. Since 1999, Mr. Sergei Riabtsov has headed the Investment Department of the Representative Office of Sputnik Investment Limited in Moscow. Since 2010, Mr. Sergei Riabtsov has been a member of the Executive Board / Presidium of the Cadet Corps Charity Foundation named after Alexis Jordan. Mr. Sergei Riabtsov served as a member of the Board of Directors of Sputnik Asset Management JSC from 2010 to 2017 and as its Chairman from 2013 to 2017. He previously served in the Board of Directors of a number of the Sputnik Group's portfolio companies, including Telecity Group plc, Europa Plus, Kievstar GSM and Glenrock Holdings Limited. From 1995 to 1999, Mr. Sergei Riabtsov served as a Vice President of IBD at Renaissance Capital. Mr. Riabtsov received a degree in economics from the Financial Academy under the Government of the Russian Federation.

Mr. Mikhail Kuranov

Mr. Mikhail Kuranov has been a member of the Board of Directors of the Company since 2017 and a Vice President of the Sputnik Group since 2016. He currently holds a position of a Vice President of Asset Development Department of the Company and has been a member of boards of directors, and currently holds various positions at the Company's subsidiaries, including Renaissance Life and Sputnik Asset Management. Between 2011 and 2016, before joining the Company, he held various positions at United Capital Partners and Ernst&Young. Mr. Mikhail Kuranov graduated from the National Research Nuclear University MEPHI with a degree in Physical Engineering and received a degree in Economics from the Financial University under the Government of the Russian Federation.

Mr. Igor Vaynshelboym

Mr. Igor Vaynshelboym is a member of the Board of Directors since 2021. Currently, he also holds a leading position in a private family office. Between 2012 and 2016, he was CEO and member of the Board in Renaissance Capital Bank where he was responsible for sales, research and trading coverage in emerging and frontier markets. Between 2010 and 2012, he was CEO and member of the Board of Otkrytie Capital. From 2006 to 2007, Mr. Igor Vaynshelboym was Managing Director for Equity Products at Deutsche Bank. Prior to that, he held position as the Head of Equity Products at Renaissance Capital Bank and the position as the Managing Director for Equity Products at Deutsche Bank. He also held various positions at United Financial Group (UFG) and JP Morgan Chase. Mr. Igor Vaynshelboym graduated from the Tver State University in 1990 with a degree in Economics. He also completed an MBA program at Pace University New York in 1996 with a major in Finance.

Mr. Dmitry Baburin

Mr. Dmitry Baburin is a member of the Board of Directors since 2019. He is an Investment Partner at Baring Vostok Capital Partners and a member of the Board of Directors of Viasat World Limited, Gallery Media Holding Limited, LLC "IVI.RU" and several other portfolio companies. Between 2020 and 2021, he was a member of the Board of Directors of JSC NSPF Renaissance Pensions. Mr. Dmitry Baburin started his career as an equity analyst at Goldman Sachs where he was responsible for analytical coverage of CEEMEA Transportation companies with a focus on airlines, ports and railroads. He graduated from Moscow Institute of Physics and Technology with a degree in applied mathematics and physics. Mr. Dmitriy Baburin has also received a degree in Economics from the Russian Economic School.

Ms. Anna Evdokimova

Ms. Anna Evdokimova is a member of the Board of Directors since 2021. In addition, Ms. Anna Evdokimova is a Venture Capital Investment Director at Millhouse LLC, where she previously served as a Deputy Head of Corporate Finance from 2006. Ms. Anna Evdokimova is a member of the Board of Directors of various companies, such as 110 Industries Ltd, Genome Protection Inc, Incuron Inc, Open Web Technologies Ltd, Anyclip Ltd and Cleveland Biolabs. Ms. Anna Evdokimova graduated from the Moscow State Linguistic University with a degree in Linguistics. She has also completed an MBA programme at the Fordham University.

Mr. Yaroslav Kozachenko

Mr. Yaroslav Kozachenko is a member of the Board of Directors since 2021. Since 2017, he is also a member of the Board of Directors of LLC "City Supermarket". Since 2015, Mr. Kozachenko is an investment director at Invest AG LLC, an investment company with projects in FMCG and internet sectors. Prior to joining Invest AG LLC in 2015, he held various positions at Procter & Gamble, Detsky Mir and AFK Sistema. Mr. Yaroslav Kozachenko graduated from the Financial University under the Government of the Russian Federation with a degree in Economics.

Mr. Vitaly Pyltsov

Mr. Vitaly Pyltsov is a member of the Board of Directors since 2021. Mr. Vitaly Pyltsov is also Chief Operating Officer of TerraLink Group. In 2017, he served as advisor to the President of Volga-Dnepr Group. Between 2014 and 2015, he was Chief Operating Officer of Russian Direct Investment Fund (RDIF) and Co-COO of Russian-China Investment Fund (RCIF) – a joint investment platform of RDIF and China Investment Corporation (CIC). Earlier in his career, for more than 20 years he worked at Ernst & Young, where he was the Client Service Partner, Chief Operating Officer at the Ernst & Young CIS, managing the operations of 12 Ernst & Young offices in CIS, and Audit Partner at Ernst & Young Munich. Mr. Vitaly Pyltsov graduated from the State Finance Academy in 1990 and has a degree in International Economic Relations. In 1997, he passed the US CPA exam and obtained the Russian audit license.

Mr. Christophe Charlier

Mr. Christophe Charlier is a member of the Board of Directors since 2021. He serves as independent director of La Française de l'Energie, a French carbon-negative energy producer and Oxus Acquisition Corporation, a SPAC focused on energy transition industries in emerging markets. Mr. Christophe Charlier is President of SAS Le

Château de La Motte-Feuilly. He also serves as Chairman of Pure Grass Films, a London-based producer of film and TV series, where he served as Chairman of the Board of Directors between 2017 and 2020. Between 2017 and 2020, Mr. Christophe Charlier was also Chairman of the Board of Renaissance Capital Bank where he was responsible for the bank's strategic development and key client relationships internationally. From 2010 to 2019, he was Director at Barclays Center. Between 2008 and 2014, he held a position of Deputy CEO of Onexim Group, a private investment fund, and served on the Board of Directors of its main portfolio companies. Earlier in his career, Mr. Christophe Charlier held various executive positions and was a member of the Board of Directors of several large Russian mining companies, including Rusal, Polyus Gold, and several other companies operating in financial services and other industries. During that time, he also served as Chairman of the NBA's Brooklyn Nets and a director of Barclays Center, the Nets home arena in Brooklyn.Earlier in his career, Mr. Charlier served as Director of Strategic Development and M&A at Norilsk Nickel and as an investment banker at Renaissance Capital in Moscow. Mr. Christophe Charlier started his career as an investment banker at J.P. Morgan in New York. Mr. Christophe Charlier graduated from the Wharton School and the College of Arts and Sciences of University of Pennsylvania in 1994 with degrees in Finance and International Relations.

Management Board

Details of the Management Board

The Management Board of the Company is a collective executive body responsible for the Company's day-to-day management. The Company's Charter provides that the Board of Directors appoints the members of the Management Board for a term of three years from the persons holding positions of general director and other Company's employees. The General Shareholders' Meeting may at any time terminate the powers of any member of the Management Board. Under the Joint Stock Companies Law, no more than 25% of the members of the Board of Directors are allowed to be members of the Management Board. The Management Board shall consist of at least five members and the exact number of members of the Management Board shall be determined by the Board of Directors. Currently, the Management Board consists of five members. The Management Board's activity is determined in the Company's Charter and the Management Board Regulation. According to the Company's Charter, the duties of the Management Board include, among other things:

- preliminary review and approval of annual reports and financial statements;
- ensuring execution of resolutions of the General Shareholders' Meeting and the Board of Directors;
- organisation of internal risk management and internal control systems within the principles and approaches contained in the internal policies approved by the Board of Directors'
- ensuring implementation of the most advanced technologies and implementation of projects to automate the Company's activities; creating a modern infrastructure to support the Company's activities;
- ensuring that the Company carries out smooth and efficient operating activities;
- ensuring development and functioning of the network of branches and representatives offices;
- approval of the Company's internal documents, except for those documents whose approval falls within the competence of other governing bodies; and
- any other matter which are submitted for discussion by the Management Board and do not fall within the competence of the General Shareholders' Meeting and the Board of Directors.

The Management Board regulation requires a majority vote of the members of the Management Board present for an action to pass, provided that minimum half of the elected members are present at the meeting.

The Management Board meets regularly. The General Director is the Chairman of the Management Board.

Members of the Management Board

The table below shows the composition of the Management Board of the Company as at the date of this Offering Memorandum. The business address for the members of the Management Board is 11 Derbenevskaya Nab., Moscow, 115114, Russia.

Name	Year of Birth	Date of Election	Expiry of Term	Position
Yulia Gadliba................................	1983	June 30, 2021	June 30, 2024	Chairman of the Management Board
Sergey Artemiev...........................	1975	June 30, 2021	June 30, 2024	Member of the Management Board
Vladimir Tarasov..........................	1976	June 30, 2021	June 30, 2024	Member of the Management Board
Vladimir Tinyakov	1976	June 30, 2021	June 30, 2024	Member of the Management Board
Leila Barakhnina	1971	June 30, 2021	June 30, 2024	Member of the Management Board

Brief biographies of members of the Company's senior management are set out below.

Ms. Yulia Gadliba

Ms. Julia Gadliba is a member of the Management Board of the Company since 2016. She is also Chairman of the Executive Board and General Director of the Company since 2016. Between 2011 and 2016, she was Vice President of the Company. Ms. Julia Gadliba graduated from High School of Economics in 2004 with a degree in Management.

Mr. Sergey Artemiev

Mr. Sergey Artemiev is a member of the Management Board of the Company since 2008. He is also Executive Vice President of the Company. Between 2008 to 2017, Mr. Sergey Artemiev was a member of the Board of Directors of Renaissance Life. From 2012 to 2016, he was Vice President of the Company. Between 2013 and 2019, he hold a position of Deputy General Director in Renaissance Finance LLC. Between 2016 and 2018, he was Executive Vice President of the Company. Between 2018 and 2019, Mr. Sergey Artemiev was First Deputy General Director of the Company. Mr. Sergey Artemiev graduated from Novosibirsk State University in 1996 with a degree in Mathematical Economics.

Mr. Vladimir Tarasov

Mr. Vladimir Tarasov is a member of the Management Board of the Company since 2014. He is also Vice President of the Company since 2014. Mr. Vladimir Tarasov is also Deputy General Director for Legal Issues at Renaissance Health JSC. Between 2014 and 2018, Mr. Vladimir Tarasov was First Deputy General Director of the Company. From 2017 to 2018, he served as Deputy General Director for Legal Issues at InTouch Insurance JSC. Mr. Vladimir Tarasov graduated from Kutafin Moscow State Law University in 1999 with a degree in Law.

Mr. Vladimir Tinyakov

Mr. Vladimir Tinyakov is a member of the Management Board of the Company since 2016. He is also Vice President of the Company and General Director of Renaissance Health JSC. Between 2010 and 2017, Mr. Vladimir Tinyakov served as Director of the St. Petersburg branch of the Company. From 2015 to 2018, he was First Deputy General Director of the Company. In 2018, Mr. Vladimir Tinyakov was Director of Direction of Corporate Insurance and Acting General Director of Renaissance Health JSC. Mr. Vladimir Tinyakov graduated from Tolstoy Tula State Pedagogical University in 2001 with a degree in History.

Ms. Leila Barakhnina

Ms. Leila Barakhnina is a member of the Management Board of the Company since 2012. She is also Vice President of the Company. Between 2012 and 2016, she served as Chairman of the Management Board of the Company. From 2015 to 2017, Ms. Leila Barakhnina was a member of the Board of Directors of Sputnik Asset Management. Between 2016 and 2018, she was Vice President, First Deputy General Director and member of the Executive Board of the Company. From 2018 to 2019, Ms. Leila Barakhnina was the First Deputy General

Director of the Company. Ms. Leila Barakhnina graduated from Financial Academy under the Government of the Russian Federation in 1993 with a degree in Economics. She graduated from Financial Management of an Organization Master's program at the Russian Academy of National Economy under the Government of the Russian Federation in 2003. Ms. Leila Barakhnina received an Internal Auditor Certificate at the Institute of Internal Auditors in 2011.

General Director

The Company's General Director is Yulia Gadliba, who is responsible for the Company's day-to-day activities. The General Director exercises executive authority over all the Company's activities, except for issues specifically reserved for the exclusive authority of the General Shareholders' Meeting, Board of Directors and the Management Board. Under the Company's Charter, the Board of Directors appoints the General Director for a term of 3 years and may re-appoint him or her unlimited number of times. The term of the current General Director, Yulia Gadliba, expires on 21 November 2022.

Under the Company's Charter, the powers of the General Director include, among other things, the following:

- operational management of the Company's activities;
- entering into transactions on behalf of the Company, disposal of the Company's property except when it falls within the competence of the General Shareholders' Meeting or the Board of Directors;
- acting on behalf of the Company without the need to obtain specific authorisation, representing the Company vis-à-vis public authorities, organisations, legal entities and third parties in general, opening bank accounts, and executing powers of attorney;
- coordination of work of the Company's departments, and approval of administrative and organisation structure and staff schedules;
- execution of labour contracts with the Company's employees;
- approval of all the Company's internal documents except when it falls within the competence of the General Shareholders' Meeting or the Board of Directors; and
- making decisions and issuing orders, regulations and other documents within his or her competence.

Committees of the Board of Directors

The Company has also established the following committees of the Board of Directors:

Audit Committee

The Audit Committee, consisting of three members, oversees the Company's financial reporting activity. The committee reviews, on an independent basis, the financial information provided by the Company's management as well as the systems of internal controls that concern financial and accounting compliance. The committee also supervises the Company's auditing, accounting and financial reporting processes more generally. Members of the Audit Committee are elected by the Board of Directors at its first meeting following the election of the Board of Directors at the annual General Shareholders' Meeting. Powers of the members of the Audit Committee expire upon expiry of powers of the Board of Directors. The current members of the Audit Committee are Mr. Vitaly Pyltsov, Mr. Christophe Charlier and Mr. Sergei Riabtsov.

Strategy Committee

The Strategy Committee, consisting of three members, oversees the Company's investment activity. The committee reviews and participates in the preparation of business and investment plans relating to all major capital expenditures and matters related to significant corporate actions. Members of the Strategy Committee are elected by the Board of Directors at its first meeting following the election of the Board of Directors at the annual General Shareholders' Meeting. Powers of the members of the Strategy Committee expire upon expiry of powers of the

Board of Directors. The current members of the Strategy Committee are Mr. Boris Jordan, Mr. Christophe Charlier and Mr. Igor Vaynshelboym.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, consisting of three members, oversees the Company's remuneration and human resources activity. The committee advises the Board of Directors on determining the base salary and other compensation for the General Director and the officers reporting directly to the General Director, and on establishing performance targets for senior management and variable pay schemes for other employees. The committee also reviews the Company's personnel policy and human resources processes including those relating to recruitment and benchmarking. Members of the Nomination and Remuneration Committee are elected by the Board of Directors at its first meeting following the election of the Board of Directors at the annual General Shareholders' Meeting. Powers of the members of the Nomination and Remuneration Committee expire upon expiry of powers of the Board of Directors. The current members of the Nomination and Remuneration Committee are Mr. Igor Vaynshelboym, Mr. Sergei Riabtsov and Mr. Vitaly Pyltsov.

Internal Audit Commission

The principal duties of the Internal Audit Commission are to verify the accuracy of the Company's financial reporting under Russian law and generally supervise the Company's financial activity. The Internal Audit Commission's role is mainly limited to reporting to the Board of Directors and the Company's shareholders with respect to the Company's RAS annual financial statements. In particular, opinions of the Internal Audit Commission are provided to the Company's shareholders before and during each annual General Shareholders' Meeting.

The Internal Audit Commission has a right to initiate an audit on its own initiative or upon a decision of the General Shareholders' Meeting, a decision of the Board of Directors or a request of a shareholder (or shareholders) holding not less than 10% of the voting shares. The Internal Audit Commission is entitled to request the convening of an extraordinary General Shareholders' Meeting.

The Internal Audit Commission consists of three members. At the Board of Directors' meeting members of the Internal Audit Commission are elected for a term prior to the next annual General Shareholders' Meeting. Members of the Board of Directors, Management Board and the General Director may not serve on the Internal Audit Commission. The current members of the Internal Audit Commission are Ms. Tatiana Kovaleva, Ms. Galina Lisenkovskaya and Ms. Elena Serdyuk.

Other Key Management Personnel

The table below shows other key management personnel of the Group (directors of the Management Board of Renaissance Life and the General Director of Sputnik Asset Management) as of the date of this Offering Memorandum.

Name	Year of Birth	Date of Election	Expiry of Term	Position
Oleg Kiselev	1970	June 30, 2021	June 30, 2024	Member of the Management Board of Renaissance Life
Sergey Faizov	1977	June 30, 2021	June 30, 2024	Member of the Management Board of Renaissance Life
Yuri Smyshlyaev	1970	June 30, 2021	June 30, 2024	Member of the Management Board of Renaissance Life
Anton Chernyavsky	1974	June 30, 2021	June 30, 2024	Member of the Management Board of Renaissance Life
Maxim Provorov	1983	June 30, 2021	June 30, 2024	Member of the Management Board of Renaissance Life
Alexander Losev	1970	December 26, 2020	December 26, 2023	General Director of Sputnik Asset Management

Mr. Oleg Kiselev

Mr. Oleg Kiselev is a member of the Management Board of Renaissance Life since 2008. He is also General Director and Chairman of the Management Board of Renaissance Life. From 2005 to 2017, Mr. Oleg Kiselev held various positions at the Group, including Managing Director, General Director and President of Renaissance Life. Mr. Oleg Kiselev graduated from Institute of Contemporary Business with a degree in Management and from the Moscow Academy of Entrepreneurship under the Moscow Government with a degree in Economics.

Mr. Sergey Faizov

Mr. Sergey Faizov is a member of the Management Board of Renaissance Life since 2008. He also serves as a Vice President for Strategic Development of Renaissance Life. Between 2009 and 2014, he was Executive Director of JSC NSPF Renaissance Pensions. From 2009 to 2014, he was also was Director of the Department for Strategic Development and Strategic Development Director at Renaissance Life. Mr. Sergey Faizov graduated from the Lomonosov Moscow State Academy of Fine Chemical Technology with a degree in Engineering and Technology. He has also graduated from the Financial Academy under the Government of the Russian Federation with a degree in Economics.

Mr. Yuri Smyshlyaev

Mr. Yuri Smyshlyaev is a member of the Management Board of Renaissance Life since 2008. He also serves as Sales Director at the Company since 2007. Mr. Yuri Smyshlyaev graduated from the Pirogov Russian National Research Medical University with a degree in Medicine.

Mr. Anton Chernyavsky

Mr. Anton Chernyavsky is a member of the Management Board of Renaissance Life since 2008. Mr. Anton Chernyavsky holds a position of a Vice President for Partner Relations in Renaissance Life. From 2005 to 2011, Mr. Anton Chernyavsky was Director of Department of Sales Through Banks and Brokers at Renaissance Life. Mr. Anton Chernyavsky graduated from the Moscow State Mining University with a degree in Mining Engineering. He also has received an MBA from the California State University.

Mr. Maxim Provorov

Mr. Maxim Provorov is a member of the Management Board of Renaissance Life since 2008. Mr. Maxim Provorov holds a position of a Vice President of Renaissance Life. From 2009 to 2017, Mr. Maxim Provorov held various positions within the Group and served as Head of the IFRS, Director of the Financial Department and General Director of Renaissance Life. Mr. Maxim Provorov graduated from the Financial Academy under the Government of the Russian Federation with a degree in Economics.

Ms. Ekaterina Belousova

Ms. Ekaterina Belousova is a member of the Management Board of Renaissance Life since 2021. Since 2008, Ms. Ekaterina Belousova is Chief Accountant of Renaissance Life. She was appointed as a member of Executive Board of Renaissance Life in 2020. Ms. Ekaterina Belousova graduated from the Moscow State Industrial University with a degree in Management.

Alexander Losev

Mr. Alexander Losev is General Director of Sputnik Asset Management since 2010. He is also a Financial Advisor on Investment Products of Renaissance Life and an Asset Management Advisor of the Company . Between 1997 and 2007, he was Head of Securities Operations Department and Group Leader for Fixed Income Securities of Raiffesenbank Austria. Between 2007 and 2010, Mr. Losev was Head of Capital Markets Department in Raiffesenbank Austria. Mr. Alexander Losev graduated from the Moscow Bauman State Technical University and from the Higher School of Economics with degrees in Mechanical Engineering and Economics, respectively.

Interest of Directors and Officers

Compensation

In 2020, the aggregate amount of remuneration paid (including contingent or deferred compensation), and benefits in kind granted, to the key management personnel of the Company (members of the Board of Directors and Management Board) for services in all capacities provided to the Company was RUB 575 million. For the six months ended 30 June 2021, the remuneration (including contingent or deferred compensation) and benefits in kind were granted in the aggregate amount of RUB 45 million. Management's annual compensation structure consists of a fixed portion and a variable portion which depends on financial and operational KPIs.

Long-Term Incentive Plan

The management long-term incentive programme ("**LTIP**") was established by the Group in September 2021. The LTIP's participants are nominated among the Group's directors and senior managers and approved by the Board of Directors and the Company's General Director. The LTIP gives its participants the right to receive Ordinary Shares or a payment determined by reference to the Ordinary Share price as determined from time to time. Participation in the LTIP is subject to certain conditions and continued employment with the Group. The maximum number of Ordinary Shares that is currently subject to the LTIP is set at 42.4 million. The Offering is a trigger event that entitles the LTIP's participants to exercise their options for the Ordinary Shares following the completion of related vesting periods on the terms set out in the LTIP. The terms of the LTIP, including the number of Ordinary Shares that may be allocated to a director or manager (or the applicable monetary compensation) and the vesting periods may vary and are approved by the Board of Directors and/or the General Director in accordance with the LTIP.

Shareholdings of Directors and Officers

As of the date of this Offering Memorandum, the members of the Company's Board of Directors, Mr. Boris Jordan and Mr. Sergei Riabtsov beneficially owned 23.07% of the Ordinary Shares in aggregate. The Company's General Director does not hold any shares in the Company.

Mr. Sergei Riabtsov is planning to purchase approximately 14.3 million Ordinary Shares from Sputnik Management Services Limited prior to the completion of the Offering.

Loans to Directors and Executive Officers

As of the date of this Offering Memorandum, there were no outstanding loans granted by the Company to the Company's directors and executive officers and no guarantees provided for their benefit.

Conflict of Interest

A member of the Company's Board of Directors, Mr. Sergei Riabtsov, currently holds executive position at LLC "Holding Renaissance Insurance", a major shareholder of the Company. This position could influence his decision. As a result, a potential conflict of interest may arise (i) between his duties owed to the Company and his duties owed to LLC "Holding Renaissance Insurance", and (ii) between his duties owed to the Company and his private interests arising from the position he holds at LLC "Holding Renaissance Insurance".

Other than as set out immediately above, there are no actual or potential conflicts of interest between the duties that any member of the Board of Directors or the Management Board owes to the Company and such member's private interests or other duties.

Litigation Statement about the Members of the Board of Directors and the Management Board

None of the members of the Board of Directors or the Management Board, for at least the previous five years:

- has had any convictions in relation to fraudulent offences; nor

- has held an executive function in the form of a senior manager or a member of the administrative, management or supervisory bodies, of any company at the time of or preceding any bankruptcy, receivership or liquidation; nor

- has been subject to any official public incrimination and/or sanction by any statutory or regulatory authority (including any designated professional body) nor has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

Corporate Governance

As of the date of this Offering Memorandum, the Company is in compliance with the corporate governance requirements applicable to the Company as a Russian public company listed on Moscow Exchange.

TRANSACTIONS WITH RELATED PARTIES

In the ordinary course of business the Group enters into transactions with related parties. Parties are considered related if they are, *inter alia*, under common control, or one party has the ability to control the other party, exercise significant influence over decisions on matters of economic and financial activity, or can exercise joint control (in particular, key management personnel and other parties or entities that may exercise control as stated under the IAS 24). In considering each possible related party, the management paid special attention to the substance of the relationship and not merely the legal form. Transactions with related parties may be on terms that are not always accessible to third parties.

The following is a summary of the transactions with related parties for the six months ended 30 June 2021. For further details, see Note 21 to the Interim Financial Information.

	30 June 2021/ For six months ended 30 June 2021				
	Parent	*Key management personnel*	*Other*	*Total related parties*	*Total category*
			(in millions of RUB)		
Assets and liabilities					
Loans and other receivables	-	-	53	**53**	**813**
Other assets	-	4	7	**11**	**922**
Insurance contract liabilities	-	1	1	**1**	**106,966**
Other liabilities	-	77	-	**77**	**1,560**
Income and expenses					
Gross insurance premiums	-	1	64	**65**	**47,740**
Gross change in unearned premium reserve	-	-	(30)	**(30)**	**(1,688)**
Insurance benefits and claims paid	-	-	(8)	**(8)**	**(16,310)**
Gross change in claims reserve	-	-	(3)	**(3)**	**(7,921)**
Net acquisition costs	-	-	(5)	**(5)**	**(18,943)**
Administrative expenses	-	(50)	(6)	**(56)**	**(3,450)**
Other income from investing activities, net	-	-	43	**43**	**1,267**
Interest expense	-	-	(1)	**(1)**	**(195)**
Foreign exchange (losses)/ gains	-	-	(1)	**(1)**	**(139)**
Other operating income	-	-	1	**1**	**93**
Other operating expense	-	(1)	-	**(1)**	**(559)**

					31 December 2020
	Companies with joint control over the Group	***Key management personnel***	***Other***	***Total related parties***	***Total category***
			(in millions of RUB)		
Assets and liabilities					
Cash and cash equivalents	16	-	-	**16**	**13,852**
Amounts due from credit institutions	-	-	2,476	**2,476**	**19,124**
Insurance and reinsurance receivables	-	-	-	**-**	**6,112**
Loans and other receivables	-	-	26	**26**	**37**
Deferred acquisition costs	-	-	27	**27**	**8,640**
Other assets	-	4	-	**4**	**1,169**
Insurance contract liabilities	1	1	60	**62**	**97,356**
Other insurance liabilities	-	-	20	**20**	**5,936**
Other liabilities	2	296	0	**299**	**1,957**

Compensation of key management personnel

In accordance with IFRS 24, during 2020, 2019 and 2018 directors of the Group and other members of key management personnel received remuneration in the amount of RUB 575 million, RUB 345 million and RUB 360 million, respectively. In the six months ended 30 June 2021 and 30 June 2020, directors of the Group and other members of key management personnel received remuneration in the amount of RUB 45 million and RUB 179 million, respectively.

PRINCIPAL AND SELLING SHAREHOLDERS

The Company's shareholders are not required to give the Company notice of an acquisition of less than 5% of the Ordinary Shares, and the Company is only able to verify the exact status of its shareholdings by making a specific request of its independent registrar in connection with a matter requiring a shareholder vote. See "Description of Share Capital and Certain Requirements of Russian Law—Description of Share Capital—Registration and Transfer of the Ordinary Shares" and "Description of Share Capital and Certain Requirements of Russian Law—Certain Requirements of Russian Legislation—Notification of Acquisition of Significant Interest".

Principal Shareholders

The following table sets out the shareholders of the Group as at the latest practicable date:

	As of the latest practicable date	
Shareholder	**Number of Ordinary Shares**	**Shareholding**
LLC "Holding Renaissance Insurance"(1)	213,525,243	52.12%
NOTIVIA LTD(2)	49,489,350	12.08%
Centimus Investments Limited(3)	40,927,038	9.99%
Laypine LTD(4)	39,124,446	9.55%
Sputnik Management Services Limited(5)	29,333,090	7.16%
Bladeglow Limited(6)	19,541,739	4.77%
Mr. Andrey Gorodilov	17,739,147	4.33%
Total	**409,680,053**	**100.0%**

Notes:

(1) LLC "Holding Renaissance Insurance" is a limited liability company, incorporated on 1 April 1997 with registration number 1027739446624 in Russia. The address of the registered office is part 1, room. 12, floor 10, 11 Derbenevskaya Nab., Moscow, 115114, Russia. Mr. Boris Alexis Jordan, Ms. Mary Louise Ferrier, Mr. Dmitry Bakatin and Mr. Sergei Riabtsov indirectly through Sputnik Group Ltd are the beneficial owners of 35.55%, 26.34%, 19.09% and 2.45% interest in the share capital of "Holding Renaissance Insurance" LLC, respectively.

It is planned that LLC "Holding Renaissance Insurance" will sell 26,669,303 of its shares in Renaissance Insurance Group PJSC to NOTIVIA LTD (approx. 6.51% as of the date of this Offering Memorandum subject to dilution as a result of the Offering) subject to obtaining permission of the Central Bank of Russia.

(2) NOTIVIA LTD is a private company limited by shares, incorporated on 15 November 2016 in the Republic of Cyprus with registration number HE 362439. The address of the registered office is Georgiou Katsounotou, 4, Flat/Office 104, 3036, Limassol, Cyprus. The shareholders of NOTIVIA LTD are: (i) Ledyo Ltd, (ii) Lemevia Ltd, (iii) Pronevo Ltd (each of the indicated companies holds approximately 11.41% of the issued share capital and 17% of votes of the total number of voting shares), (iv) Baring Vostok Investments PCC Limited (holds 2.36% of the issued share capital, 1.76% of votes of the total number of voting shares), (v) Baring Vostok Private Equity Fund V, L.P. (holds 43.67% of the issued share capital, 32.54% of votes of the total number of voting shares); (vi) Baring Vostok Fund V Co-Investment L.P.1. (holds 1.05% of the issued share capital, 0.78% of votes of the total number of voting shares); (vii) Baring Vostok Fund V Co-Investment L.P.2 (holds 0.17% of the issued share capital, 0.12% of votes of the total number of voting shares) and (viii) Baring Vostok Fund V Supplemental Fund, L.P. (holds 18.52% of the issued share capital, 13.80% of votes of the total number of voting shares).

It is planned that NOTIVIA LTD will purchase part of the shares in Renaissance Insurance Group PJSC (approximately 6.51% as of the date of this Offering Memorandum subject to dilution as a result of the Offering) from LLC "Holding Renaissance Insurance" subject to obtaining permission of the Central Bank of Russia.

(3) Centimus Investments Limited is a private company limited by shares incorporated on 16 February 2021 in the Republic of Cyprus with registration number HE 418316. The address of the registered office is Chrysanthou Mylona, 3, 3030, Limassol, Cyprus. Mr. Roman Abramovich directly owns 100% of shares in the share capital of Centimus Investments Limited.

(4) Laypine LTD is a private company limited by shares, incorporated on 23 February 2021 in the Republic of Cyprus with registration number HE 418596. The address of the registered office is Themistokli Dervi, 3, JULIA HOUSE, 1066, Nicosia, Cyprus. Mr. Alexander Abramov directly owns 100% of shares in the share capital of Laypine Ltd.

(5) Sputnik Management Services Limited is a private company limited by shares, incorporated on 7 February 1997 in the Republic of Cyprus with registration number HE84035. The address of the registered office is FAYZA HOUSE, 5th floor, office 2, Koumantarias and Spyrou Araouzou Street, 3036, Limassol, Cyprus. Sputnik Group Ltd. directly owns 100% of shares in the share capital of Sputnik Management Services Limited. Mrs. Mary Louise Ferrier, Mr. Boris Alexis Jordan, Mr. Dmitry Bakatin and Mr. Sergei Riabtsov are the beneficial owners of 31.57%, 42.61%, 22.88% and 2.94% interest in Sputnik Group Ltd. Mr. Sergei Riabtsov is planning to purchase approximately 14.3 million Ordinary Shares from Sputnik Management Services Limited prior to the completion of the Offering.

(6) Bladeglow Limited is a private company limited by shares, incorporated on 22 May 2021 in the Republic of Cyprus, its registration number HE 421863. The address of the registered office is Themistokli Dervi, 3, JULIA HOUSE, 1066, Nicosia, Cyprus. Mr. Alexander Frolov directly owns 100% of shares in the share capital of Bladeglow Limited.

Selling Shareholders

The following shareholders are expected to be selling the Ordinary Shares in the Offering: LLC “Holding Renaissance Insurance”, NOTIVIA LTD, Laypine LTD, Sputnik Management Services Limited, Bladeglow Limited and Mr. Andrey Gorodilov.

DESCRIPTION OF SHARE CAPITAL AND CERTAIN REQUIREMENTS OF RUSSIAN LAW

Set forth below is a description of the Company's share capital, the material provisions of the Charter in effect at the date hereof and certain requirements of Russian law applicable to companies (such as the Company) with the share capital consisting solely of ordinary shares. This description, however, is not complete and is qualified in its entirety by reference to the Charter and any applicable Russian law.

Corporate Purpose

Pursuant to Article 3.2 of the Company's Charter, its primary purpose is to carry out insurance activity in the Russian Federation and earn profit.

Description of Share Capital

General Matters

The Company was incorporated on 22 September 1993 as a limited liability company. In 2018, the Company was re-registered as a joint stock company. In 2019, InTouch Insurance, JSC and JSC "Insurance Company Blagosostoyanie General Insurance" were taken over by the Company. In October 2021, the Company was converted into a public joint stock company.

Pursuant to the Joint Stock Companies Law, the Company has the right to issue registered ordinary shares, preferred shares and other securities. Under Russian law, share capital refers to the aggregate nominal value of the issued and outstanding shares. The Company's share capital currently amounts to RUB 4,047,638,923.64 and consists of 409,680,053 issued, fully paid and outstanding ordinary shares, each with a nominal value of RUB 9.88. In addition, the Company is authorised by the Charter to issue an additional 260,000,000 ordinary shares. When issued, such ordinary shares will be identical to, and fully fungible with, the Company's currently issued and outstanding ordinary shares. No preferred shares are currently authorised or outstanding. Preferred shares may only be issued if amendments have been made to the Charter pursuant to a resolution of the General Shareholders' Meeting.

On 18 August 2021, the General Shareholders' Meeting approved the new issuance of up to 180,000,000 Ordinary Shares to be offered in the Offering. On 23 September 2021, the CBR registered the issuance of 180,000,000 Ordinary Shares.

The Joint Stock Companies Law requires the Company to dispose of any of its treasury shares that the Company acquires within one year of their acquisition or, failing that, reduce its share capital by the respective amount. Under Russian legislation, treasury shares do not provide their holders with voting rights or rights to receive dividends. Currently the Company does not have any treasury shares (as referred to herein). Any shares that are owned by the Company's subsidiaries are not considered treasury shares under Russian law (i.e., they are considered outstanding shares), and such subsidiaries are able to exercise voting rights and receive dividends relating to such shares and dispose of such shares without the need for any further corporate actions by its shareholders or the Board of Directors.

History of the Company's share capital

The following table sets forth the changes in the Company's share capital that have occurred from the date of the Company's incorporation to the date hereof.

Date of event[(1)]	Type of shares	Par value	Number of shares	Event
6 August 2018	Ordinary shares	RUB 0.01	404,763,892,364	Distribution among the shareholders following a reorganization in the form of transformation (*preobrazovanie*) in relation to conversion from a limited liability company into a private joint-stock company
26 July 2021	Ordinary shares	RUB 9.88	409,680,053	Conversion of the shares upon consolidation

Note:

(1) The date of registration of the relevant share issuance decision (as regards conversion from a limited liability company into a private joint stock company) and amendments thereto.

On 23 September 2021, the CBR registered the Russian regulatory prospectus in relation to the issuance of up to 180,000,000 Ordinary Shares to be offered in the Offering and on 8 October 2021 the CBR registered amendments to the prospectus.

Rights Attaching to the Ordinary Shares

Holders of the Company's ordinary shares have a right to vote at all General Shareholders' Meetings. As required by the Joint Stock Companies Law and the Charter, all of the Company's ordinary shares have the same nominal value and grant to their holders identical rights. Each fully paid ordinary share, except for treasury shares, gives its holder a right to:

- freely transfer the ordinary shares without obtaining consent of other shareholders;
- receive dividends;
- participate in General Shareholders' Meetings and vote on all matters within the competence of General Shareholders' Meetings;
- transfer rights to vote in a General Shareholders' Meeting to a representative pursuant to a power of attorney;
- if holding, alone or with other holders, 1% or more of the ordinary shares, to access the list of persons entitled to participate in the General Shareholders' Meeting and to sue in court, on Company's behalf, members of the Board of Directors, the General Director and members of the Management Board for damages caused by their wrongful actions or failures to act;
- if holding, alone or with other holders, 2% or more of the ordinary shares, within 100 days after the end of Company's fiscal year, make proposals for the annual General Shareholders' Meeting and nominate candidates to the Board of Directors and the Internal Audit Commission;
- if holding, alone or with other holders, 10% or more of the ordinary shares, demand that the Board of Directors call an extraordinary General Shareholders' Meeting or an unscheduled audit by the Internal Audit Commission;
- demand repurchase by the Company of all or some of the Company's ordinary shares held by the shareholder if that shareholder voted against or did not participate in the voting on, the decision approving any of the following actions:
    - a corporate re-organisation,
    - a conclusion of a major transaction involving assets valued in excess of 50% of the balance sheet value of Company's assets;
    - amendments to the Charter or the adoption of a new version of the Charter in a manner that restricts shareholders' rights;
    - an application for delisting of shares and/or securities convertible into shares; or
    - amendments to the Charter on termination of the public status and the request to the CBR on termination of disclosure obligations.
- upon the Company's liquidation, receive an amount of Company's residual assets (after fulfilment of the Company's obligations to creditors) proportionate to their shareholding;

- have access to certain of Company's documents, receive copies for a reasonable fee, and if holding alone or with other shareholders, 25% or more of the ordinary shares, have free access to minutes of the Company's Management Board and accounting documents; and

- exercise other shareholder rights, provided by Company's Charter, Russian legislation or duly approved decisions of General Shareholders' Meetings.

Any decision determining the maximum number, nominal value, category (i.e., type) of authorised shares and the rights attached to such shares must be approved by 75% of the shareholders holding ordinary shares participating in the General Shareholders' Meeting.

Pre-emption Rights

The Company has the right to issue shares or securities convertible into shares by way of offering them to the public (an open subscription) or by way of offering them to the shareholders and/or certain third parties determined in the decision on share issuance (a closed subscription). The Joint Stock Companies Law provides existing shareholders with a pre-emption right to purchase shares or securities convertible into shares (including newly issued additional shares of new class or type) issued through an open subscription in an amount proportionate to their existing shareholdings. In addition, the Joint Stock Companies Law provides the Company's shareholders with a pre-emption right to purchase new shares or securities convertible into shares (including newly issued additional shares of new class or type) issued through a closed subscription if the shareholders voted against or did not participate in the voting on the decision approving such subscription. Pre-emption rights are not available in relation to a closed subscription to existing shareholders, provided that such shareholders may each acquire a whole number of shares (or securities convertible into shares) in proportion to their existing shareholdings. In both cases the Company must provide its shareholders with written notice of the proposed placement at least 45 days prior to the beginning of the placement period, and during this period shareholders may exercise their pre-emption rights. If the price of the new issue is determined after expiration of the pre-emption right period, the Company must provide shareholders with written notice of the proposed placement at least 20 days prior to the beginning of the placement period, during which time shareholders may exercise their pre-emption rights. If information contained in the written notice of the proposed placement is subject to disclosure requirements under Russian securities law, the period during which shareholders may exercise their pre-emption rights must be at least eight working days following the date of the information disclosure.

Dividends

The Joint Stock Companies Law and the Charter set out the procedure for determining the dividends that the Company distributes to its shareholders.

Under the Charter, the Company may declare dividends based on its first quarter, six-month, nine-month or annual results. The majority of the members of the Board of Directors present at the meeting must recommend to the General Shareholders' Meeting the amount of the proposed distribution and the record date for determining the list of persons entitled to receive dividends (the "**Dividend Payment Record Date**"). Upon the recommendations of the Board of Directors, the General Shareholders' Meeting must approve such amount and Dividend Payment Record Date by a simple majority of votes. The distribution amount cannot exceed the amount recommended by the Board of Directors. A decision on quarterly, six-month and nine-month dividends must be adopted within three months after the end of the respective quarter at a General Shareholders' Meeting; a decision on annual dividends must be adopted at the annual General Shareholders' Meeting. The Company pays dividends to shareholders and the Central Depository entitled to receive dividends as of the Dividend Payment Record Date. Under the Securities Market Law, upon receipt of the dividends the Central Depository must transfer it to depo account holders, including another depository or nominee holder, who in their turn transfers it to shareholders who are entitled to receive dividends as of the Dividend Payment Record Date. Dividends are not paid on treasury shares.

Under the Joint Stock Companies Law, the Dividend Payment Record Date shall not be earlier than 10 days prior to and not later than 20 following the date of the shareholders' decision on dividend payments. The dividends must be paid to the Central Depository within 10 working days and to shareholders whose rights are registered in the shareholders' register within 25 working days following the Dividend Payment Record Date. Dividends are paid by way of wire transfer to bank accounts of the shareholders and the Central Depository. If the bank details of shareholders – private individuals whose rights to the shares are registered in the shareholders' register are not available, the dividends shall be paid in cash by post orders. If a shareholder holds shares in a depositary account, the Central Depository shall transfer the dividends to the depositary nominee account within 1 working day and such depositary shall transfer the dividends to the shareholder's bank account within 7 working days.

On 10 September 2021, the Company's Board of Directors adopted a dividend policy. See "*Dividend Policy*" for further details.

The Joint Stock Companies Law allows dividends to be declared only out of net profits calculated under RAS and as long as the following conditions have been met:

- the share capital of the company has been paid in full;
- the company has repurchased all shares from shareholders who have exercised their right to demand repurchase;
- the company is not insolvent on the date of adoption of the decision to pay dividends (and would not become insolvent as a result of the proposed dividend payment);
- the value of the company's net assets, calculated under RAS, on the date of adoption of the decision to pay dividends is not less (and would not become less as a result of the proposed dividend payment) than the sum of the company's share capital, the company's reserve fund and the difference between the liquidation value and the nominal value of the issued and outstanding preferred shares of the company; and
- other requirements of Russian legislation have been fulfilled.

In addition, a Russian company is prohibited from paying dividends (even if they have been declared) if:

- the company is insolvent on the date of payment or would become insolvent as a result of the proposed dividend payment;
- the value of the company's net assets, calculated under RAS, on the date of payment, is less (or would become less as a result of the proposed dividend payment) than the sum of the company's share capital, the company's reserve fund and the difference between the liquidation value and the nominal value of the issued and outstanding preferred shares of the company; and
- otherwise prohibited by the Russian legislation.

Distributions to Shareholders on Liquidation

Under Russian legislation, liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. Under the Joint Stock Companies Law a company may be liquidated:

- by a three-quarters majority decision of the General Shareholders' Meeting (voluntary liquidation); or
- by a court order (involuntary liquidation).

Following the decision to liquidate the company, the right to manage its affairs would pass to a liquidation commission which, in case of voluntary liquidation, is to be appointed by the General Shareholders' Meeting and, in case of involuntary liquidation, is to be appointed by the court. Creditors may file claims within a period to be determined by the liquidation commission, but such period must be not less than two months from the date of publication of the notice of liquidation by the liquidation commission.

The Civil Code gives creditors the following order of priority during liquidation:

- first priority—to individuals owed compensation for injuries or deaths or moral damages;

- second priority—to employees and copyright claims;
- third priority—to federal and local governmental authorities claiming taxes and similar payments to the budgets and non-budgetary funds; and
- fourth priority—to other creditors in accordance with Russian legislation.

Claims of creditors in obligations secured by a pledge of the company's property shall be satisfied from the sale proceeds of the pledged property prior to claims of any other creditors, save for the creditors of the first and second orders of priority, provided that claims of those creditors of the first and second orders of priority arose before the respective pledges have been entered into. Any residual claims of secured creditors that remain unsatisfied after the sale of the pledged property rank pari passu with claims of the fourth priority creditors.

The remaining assets of a company are to be distributed among shareholders in the following order of priority:

- payments to repurchase shares from shareholders having the right to demand repurchase;
- payments of declared but unpaid dividends on preferred shares and the liquidation value of the preferred shares, if any; and
- distribution of the remaining assets of a company between the holders of ordinary and preferred shares on a pro rata basis.

Liability of Shareholders

The Civil Code and the Joint Stock Companies Law generally provide that shareholders of a Russian joint stock company are not liable for the obligations of the joint stock company and only bear the risk of loss of their investments. However, this may not be the case, when one person or entity (the "**effective parent**") is capable of determining decisions made by another entity (the "**effective subsidiary**") by way of giving binding instructions to the effective subsidiary. If the effective subsidiary is a joint stock company, the effective parent bears joint and several liability for a transaction concluded by the effective subsidiary if:

- the effective parent caused the effective subsidiary to conclude the transaction; and
- the ability of the effective parent to give binding instructions is provided for in the charter of the effective subsidiary or in a contract between such entities.

If the effective subsidiary is a Russian limited liability company, the effective parent bears joint and several liability if the effective parent caused the effective subsidiary to conclude the transaction (regardless of how the effective parent's ability to determine decisions of the effective subsidiary arises).

Thus, a shareholder of an effective parent is not itself liable for the debts of the effective parent's effective subsidiary, unless that shareholder is itself an effective parent of the effective parent.

Accordingly, the shareholders will not be personally liable for Company's debts or those of Company's effective subsidiaries unless such shareholders control Company's business and/or its effective subsidiaries, and the conditions set out above are met.

In addition, an effective parent may be held secondarily liable for the debts of an effective subsidiary if the latter becomes insolvent or bankrupt as a result of the action or inaction of the former. This is the case no matter how the effective parent's capability to determine decisions of the effective subsidiary arises, such as through ownership of voting securities or by contract. If the effective subsidiary is a joint stock company, then the effective parent will have secondary liability only if the effective parent caused the effective subsidiary to take any action or fail to take any action knowing that such action or failure to take action would result in insolvency of the effective subsidiary. If the effective subsidiary is a limited liability company, then the effective parent will be held secondarily liable if the effective subsidiary's insolvency is caused by the wilful misconduct or negligence of such effective parent, subject to the insufficiency of the effective subsidiary's assets to cover its obligations.

Shareholders of an effective subsidiary that is a joint stock company may also claim compensation for the effective subsidiary's losses from the effective parent if: (i) the effective parent caused the effective subsidiary to take any action or fail to take any action that resulted in a loss and (ii) the effective parent knew that such action or failure to take such action would result in the effective subsidiary's loss. Participants of an effective subsidiary that is a limited liability company may claim compensation for the effective subsidiary's losses from the effective parent if the effective parent through its wilful misconduct or negligence caused the effective subsidiary to take any action, or fail to take any action, that resulted in a loss.

Share Capital Increase

The Company may increase its share capital by:

- issuing new shares; or
- increasing the nominal value of its previously issued shares.

A decision on any issuance of shares or securities convertible into shares by closed subscription, or an issuance by open subscription of ordinary shares or securities convertible into ordinary shares constituting more than 25% of the number of issued ordinary shares, requires a three quarters majority vote of the General Shareholders' Meeting. A decision on the issuance by open subscription of ordinary shares or securities convertible into ordinary shares constituting 25% or less of the number of issued ordinary shares, requires unanimous approval by the Board of Directors. A decision to increase the share capital by increasing the nominal value of issued shares requires a majority vote of the General Shareholders' Meeting. In addition, the issuance of shares above the number of authorised and non-issued shares provided in the Company's Charter necessitates a Charter amendment, which requires a three quarters majority vote of the General Shareholders' Meeting.

On 1 January 2020, certain amendments to the Securities Market Law come into force, allowing issuers to change the rights attaching to issued securities by means of adopting relevant corporate decisions and registering with the CBR amendments to the relevant securities issuance decision. Such amendments may include, among other things, changing the nominal value, split and consolidation of securities.

The Joint Stock Companies Law requires that the placement price of the newly issued shares is to be determined by the Board of Directors based on their market value but not less than their nominal value. Placement price for existing shareholders exercising a pre-emption right to purchase shares may be less than the price paid by third parties, but in any event no more than by 10% of the price paid by third parties. Fees of an intermediary participating in the placement of shares cannot exceed 10% of the share price. The Board of Directors may, but is not required to, involve an independent appraiser to set the placement price of the shares. There is a specific requirement for determining the placement price of securities, for which prices are regularly published, that the Board of Directors shall take into account such prices. The Board of Directors shall value any in-kind contributions for new shares, based on the appraisal report of an independent appraiser.

Russian securities laws and regulations set out detailed procedures for the issuance and registration of shares of a Russian joint stock company. These procedures require:

- adoption of a decision to increase capital by placing additional shares;
- adoption of a decision on share issuance (and in certain cases of a prospectus);
- prior registration of a share issuance (and in certain cases of a prospectus) with the CBR;
- placement of the shares;
- registration of the report or filing of the notice on the results of the share issuance; and
- public disclosure of information at the required stages of the issuance.

Share Capital Decrease and Share Repurchases

The Company has the right to, and under certain circumstances, is statutorily required to, decrease its share capital.

The Joint Stock Companies Law does not allow a company to reduce its share capital below the minimum share capital required by law, which is RUB100,000 (approximately U.S.$ 1,300) for a public joint stock company. The Joint Stock Companies Law requires that any decision to reduce the share capital of the company, whether through the repurchase and cancellation of shares or a reduction in the nominal value of the shares, be made by a General Shareholders' Meeting. In addition, within three business days of a decision to reduce the company's share capital, the company should notify the competent authority on adoption of such decision, and then twice publish a notification on the decrease of the share capital in specially designated mass media with regularity of once in a month.

The Joint Stock Companies Law allows a company to decrease the share capital through a reduction in the nominal value of the shares only if the following conditions have been met:

- the company's share capital has been paid in full;
- the company has repurchased all shares from shareholders who have exercised their right to demand repurchase of their shares;
- the company is not insolvent on the date of adoption of the decision to decrease the share capital and would not become insolvent, as a result of the proposed decrease of share capital;
- the value of a company's net assets on the date of adoption of the decision to decrease the share capital is not less (and would not become less, as a result of the proposed decrease of share capital) than the sum of its share capital, the reserve fund and the difference between the liquidation value and nominal value of the company's issued and outstanding preferred shares;
- the company has paid all declared and unpaid dividends; and
- other requirements of Russian legislation have been fulfilled.

Russian legislation provides that a company's shareholders may demand repurchase of all or some of their shares so long as the shareholder demanding repurchase voted against or did not participate in the voting on the decision approving any of the following actions:

- a reorganisation of the company;
- a conclusion of a major transaction involving assets in excess of 50% of the balance sheet value of the assets of the company;
- amendments to the charter or approval of a new version of the charter in a manner that restricts the shareholder's rights; or
- an application for delisting of shares and/or securities convertible into shares; or
- amendments to the Charter on termination of the public status of the Company and the request to the CBR on termination of disclosure obligations.

The company may spend up to 10% of its net assets calculated under RAS for a share repurchase demanded by the shareholders. If the value of shares in respect of which the shareholders have exercised their right to demand repurchase exceeds 10% of net assets of the company, the company will repurchase shares from each such shareholder on a pro rata basis.

The decision on applying for the delisting of shares and/or securities convertible into shares requires a three-quarters majority vote of the General Shareholders' Meeting. Under the Joint Stock Companies Law, the decision of the General Shareholders' Meeting on applying for the delisting of shares and/or securities convertible into shares enters into force if the aggregate number of shares in respect of which the shareholders have exercised their right to demand repurchase does not increase the number of shares that can be repurchased by the company given that the company may spend only up to 10% of its net assets calculated under RAS. Otherwise, the decision of the General Shareholders' Meeting does not enter into force and the application for delisting is not approved.

Registration and Transfer of the Ordinary Shares

The Company's shares comprise its ordinary shares in registered form. Russian legislation requires that a register of shareholders must be held by a specialised licensed registrar. Ownership of the Company's shares is evidenced by entries made in the shareholders' register, on the books of the Central Depository or a Russian licensed depositary.

The Company's shareholders' register is maintained by the specialised registrar "Novyi Registrator", JSC since 5 September 2018.

Pursuant to the Federal Law No. 414-FZ "On Central Depository", dated 7 December 2011, as amended (the "**Central Depository Law**"), which sets out a legal framework for establishment and operation of the Central Depository, nominee account of the Central Depository in the register can be opened only to the Central Depository. "NSD", JSC, having the status of the Central Depository, opened its central depository nominee account in the Company's register of shareholders in 2013. The Central Depository Law provides that other nominal holders (depositaries) must open depo accounts with the Central Depository to carry out operations with securities.

Any of the Company's shareholders may obtain an extract from the register of the Company's shareholders maintained by the registrar or from their respective depositary, as the case may be, certifying the number of shares that such shareholder holds. The Company's is also entitled in circumstances prescribed by law to obtain an extract from its shareholders' register which sets out all of its shareholders registered directly therein. In addition, the Company is entitled to obtain a list of nominal holders that opened depo accounts with the Central Depository as well as a list of entities that have accounts opened with the nominal holders, given that such list is provided by the relevant nominal holder. However, the Company is currently unable to monitor transfers of its shares that are held on the books of depositaries registered with the Central Depository, because underlying shareholders have no obligation to reveal and such depositaries have no obligation to notify the Company about such transfers. As a result, the Company can currently only identify the Company's actual shareholders in a limited number of cases when such possibility is provided for by Russian law, including when requesting the Company's registrar and the Central Depository to compile a list of shareholders of record for the General Shareholders' Meeting.

However, the Company's shareholders and beneficial owners of the Company's shares shall notify the Company and the CBR of direct or indirect acquisition of 5% or more of Company's ordinary shares or of direct or indirect acquisition of the right to vote on 5% or more of the Company's ordinary shares by virtue of an agreement or otherwise, and of any subsequent change in the number of such ordinary shares above or below certain thresholds, and the Company is required to disclose such information in accordance with Russian securities regulations. See "*Description of Share Capital and Certain Requirements of Russian Law—Certain Requirements of Russian Legislation—Notification of Acquisition of Significant Interest*" and also "*—Disclosure of Information*".

The purchase, sale or other transfer of shares is accomplished through the registration of the transfer in the shareholders' register, or the registration of the transfer with a depositary if shares are held through a depositary. The registrar or depositary may not require any documents in addition to those required by Russian legislation in order to register a transfer of shares in the register. Refusal to register the shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, is not allowed, and such refusals may be challenged in court.

See also "*Risk Factors—Risks Relating to the Ordinary Shares and the Offering*".

Listing

In accordance with Regulation of the CBR No. 534-P dated 24 February 2016 (as amended) and Moscow Exchange listing rules, there are three listing levels for securities: Level 1, Level 2 and Level 3. Listing rules set forth, among others, certain trading, reporting and corporate governance requirements to each of Level 1 and Level 2 listings.

Reserve Fund

Russian legislation requires each joint stock company to establish a reserve fund to be used only to cover the company's losses, redeem the company's bonds and repurchase the company's shares in cases when other funds are not available. The Joint Stock Companies Law and the Charter provide for a minimum reserve fund of 5% of the Company's share capital, funded through mandatory annual transfers of at least 5% of net profits of the company until the reserve fund has reached the above target 5% requirement. The Company also may establish special purpose funds upon a decision of a General Shareholders' Meeting. Decisions on use of such funds shall be approved by the Company's Board of Directors.

Disclosure of Information

In accordance with Russian securities regulations, as a public company, the Company is required to make the following public disclosures and filings on a periodical basis:

- publishing on the website periodic issuer's reports containing information about us, the Company's shareholders, the structure of its management bodies, the members of the Board of Directors and Management Board, the Company's branches and representative offices, its shares, bank accounts and statutory auditors, important developments during the reporting quarter, and other information about its financial and business activity;

- filing with the CBR and publishing in newswire as well as on the Company's website any information concerning material facts and changes in its financial and business activity, including among other things:

    - the Company's re-organisation;

    - certain changes in the amount of the Company's assets;

    - certain facts related to share issuances;

    - decisions of the General Shareholders' Meetings;

    - acquisition by a person of 5% or more of the Company's ordinary shares or an acquisition of the right to vote on 5% or more of the ordinary shares by virtue of an agreement or otherwise, and any subsequent change in the number of such ordinary shares above or below any of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% threshold;

    - the information on the receipt of any of (i) a voluntary tender offer (including any competing offer), (ii) a mandatory tender offer (including any competing offer), (iii) notice of the right of shareholders to sell their shares to the person that has acquired more than 95% of the ordinary shares, and (iv) a demand that minority shareholders sell their shares to the person that has acquired more than 95% of the ordinary shares;

- disclosing information at various stages of share issuances through publication of certain data as required by securities regulations;

- disclosing the Company's annual report and annual financial statements;

- disclosing on the Company's website on a quarterly basis a list of its affiliated persons; and

- other information as required by applicable Russian securities legislation.

In January 2018, the Russian Government adopted regulations allowing Russian companies not to publicly disclose information with respect to certain transactions entered into with other Russian companies and individuals that are subject to sanctions imposed by foreign states (see also *"Risk Factors—Political, social and economic* *risks—The current political situation and related sanctions imposed by the United States and the EU or the imposition of additional sanctions by the United States and the EU or other countries may have a material adverse effect on the Group's business, results of operations and financial condition or the trading price of the Ordinary Shares"*). These regulations also provide that the following information with respect to sanctioned persons should not be publicly disclosed even if otherwise required to be so disclosed pursuant to applicable Russian laws: (i) financial reports and accounting statements, (ii) information on pledges of movable property, (iii) information on issuance and material conditions of guarantees, save for certain exceptions, and (iv) certain other information.

Certain Requirements of Russian Legislation

Interested Party Transactions

The Joint Stock Companies Law contains special requirements with respect to entering into the interested party transactions. "Interested party transactions" include transactions involving a member of the Board of Directors, a member of the Management Board, the General Director, a controlling person of the company (as defined by the Joint Stock Companies Law) or any person who is able to direct the actions of the company, if that person and/or that person's spouse, parents, children, adoptive parents or children, brothers or sisters or persons or entities under their control, is/are:

- a party to the transaction, or is involved therein as a beneficiary, representative or intermediary;
- is a controlling person of a party to the transaction, beneficiary, representative or intermediary thereof; or
- a member of any management body of a company that is a party to the transaction, or is involved therein as a beneficiary, representative, intermediary or is a member of any management body of a management organisation of such a company.

The Joint Stock Companies Law requires that the Company notifies (i) members of the Board of Directors, (ii) members of the Management Board; and (iii) shareholders (in case all the members of the Board of Directors are interested, the company does not have the Board of Directors or the company's charter provides for notification of the shareholders) on the planned execution of the interested party transaction at least 15 days prior to execution.

Upon receipt of such notification, the company's General Director, a member of the Board of Directors, a member of the Management Board or shareholder(s) owning at least 1% of the voting shares of the company may request the Board of Directors or General Shareholders' Meeting to give consent for execution of the transaction. If such request is appropriately made, an interested party transaction is subject to a prior approval in accordance with the procedural and voting requirements of the Joint Stock Companies Law.

Consent is to be provided by a majority of shareholders present at the meeting who are not interested in the transaction if:

- the value of such transaction or a number of interrelated transactions is 10% or more of the balance sheet value of the company's assets calculated under RAS;
- the transaction or a number of interrelated transactions involves disposal of ordinary shares in the amount exceeding 2% of the company's issued ordinary shares and ordinary shares, into which issued convertible securities may be converted, unless the charter of the company provides for a smaller number of such shares;
- the transaction or a number of interrelated transactions involves disposal of preferred shares constituting more than 2% of the company's issued shares and the shares, into which issued convertible securities may be converted, unless the charter of the company provides for a smaller number of such shares;
- the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- all the members of the Board of Directors of the company are interested parties, or none of them is an independent director.

The notification on execution and consent in respect of an interested party transaction is not required if:

- transactions are conducted in the ordinary course of business of the company on the terms similar to terms of previous non-interested transactions on this type;
- the company has only one shareholder that simultaneously performs the functions of the company's sole executive body;
- all shareholders of the company are deemed interested in the transaction with the absence of other interested persons;
- transactions are conducted in connection with the placement (including by means of subscription) of the company's shares and other securities, convertible into shares;
- transactions are conducted in connection with by means of open subscription of bonds or repurchase of issued bonds;
- the company is repurchasing its issued shares;
- transactions are conducted in connection with reorganisation of the company;
- the company is required by law to enter into the transaction, and settlements under such transactions are made pursuant to prices set by the Russian Government on or pursuant to tariffs and prices established by appropriate state authorities authorised by the Russian Government;
- transactions are concluded on the terms of preliminary agreement, provided such preliminary agreement was duly approved;
- transactions are concluded on the open organised market or under an open tender, provided that terms of company's participations in such trades were prior approved by the Board of Directors; or
- transactions involve the acquisition or disposal of property having the value of not more than 0.1% of the balance sheet value of the assets of a company calculated under RAS and not more than thresholds approved by the CBR.

Upon a claim by the company, a member of the Board of Directors or shareholder(s) owning at least 1% of the voting shares of the company, a court may invalidate any interested party transaction, provided that: (i) the transaction is executed at the expense of the company's interests; and (ii) the counterparty has been proven to have known or should have known that the transaction constituted an interested party transaction to the company and the respective required consent has not been received. However, pursuant to the Joint Stock Companies Law, a court shall dismiss the claim seeking to invalidate an interested party transaction entered into in breach of the abovementioned requirement in certain instances.

Major Transactions

The Joint Stock Companies Law defines a major transaction as a transaction, or a series of interrelated transactions, conducted outside of the ordinary course of business of the company and involving the acquisition or disposal of (including temporary transfer), the possibility of disposal directly or indirectly of property having the value of 25% or more of the balance sheet value of the assets of a company calculated under RAS, with the exception of:

- transaction performed by the company which has only one shareholder that simultaneously performs the functions of the company's sole executive body;
- transactions in connection with the placement (public offering) and/or organisation of placement of shares through a subscription (sale of shares), or with the placement of securities convertible into shares;
- transactions in connection with reorganisation of the company;

- transactions which are mandatory for a company pursuant to Russian law requirements, and settlements under which transactions are made pursuant to prices set by the Russian Government or pursuant to tariffs and prices established by appropriate state authorities authorised by the Russian Government;

- transactions aimed at acquisition of securities under the mandatory tender offer terms; and

- transactions concluded on the terms of preliminary agreement, provided such preliminary agreement was duly approved.

Major transactions involving the acquisition or disposal (including temporary transfer), or the possibility of disposal, directly or indirectly, of assets ranging from 25% to 50% of the balance sheet value of the assets of a company requires unanimous consent of all the members of the Board of Directors. If the transaction fails to receive such consent, it can be provided by a simple majority vote of the shareholders present at the General Shareholders' Meeting. Major transactions involving assets in excess of 50% of the balance sheet value of the assets of a company require a three-quarter majority vote of shareholders present at the General Shareholders' Meeting. A major transaction, which is simultaneously is an interested party transaction, shall be approved in accordance with the specific requirements provided by the Joint Stock Companies Law.

Any major transaction entered into in breach of the above requirements may be invalidated by a court following an action brought by the company, its directors or its shareholder(s) owning at least 1% of the company's voting shares. However, pursuant to the Joint Stock Companies Law, a court shall dismiss the claim seeking to invalidate an interested party transaction entered into in breach of the abovementioned requirement in certain instances.

Shareholders' Agreements

The Civil Code and the Joint Stock Companies Law provide for the possibility to enter into shareholders' agreements in respect of Russian joint stock companies. Thus, the Civil Code and the Joint Stock Companies Law stipulate that shareholders may enter into an agreement under which they undertake to exercise their shareholders' rights in a certain manner or to refrain from exercising their shareholders' rights, including, inter alia:

- to vote in a certain manner at a General Shareholders' Meeting;

- to coordinate voting with other shareholders;

- to acquire or dispose of shares at a pre-determined price or upon occurrence of certain circumstances;

- to refrain from disposing of shares until occurrence of certain circumstances; and

- to perform jointly other actions relating to the company's management, its activities, re-organisation and liquidation.

The shareholders of a public joint stock company shall notify the company on execution of the shareholders' agreement within 15 days as of the date of its execution.

Provisions of the Civil Code and the Joint Stock Companies Law in respect of shareholders' agreements are very generic, rather vaguely drafted and still remain largely untested and it is still to be seen how the regulation is implemented and enforced in practice.

Approval of the Russian Federal Antimonopoly Service

Pursuant to the Competition Law, acquisitions of voting shares of a joint-stock company, involving companies with a combined value of assets or annual revenues, exceeding a certain threshold under RAS and which would result in a shareholder (or a group of shareholders defined under Russian law) holding more than 25%, 50% or 75% of the voting capital stock of such company, or in a transfer between such companies of assets or rights to assets, the value of which exceeds a certain amount, or obtaining rights to determine the conditions of business activity of an entity or to exercise the authorities of its executive body must be approved in advance by the FAS. Such transactions executed between members of a group of companies may require only a subsequent notification to the FAS if prior notification about the members of the group of companies has been filed with the FAS and the information contained in this notification is still accurate as of the date of the relevant transaction and had not been changed within 30 days from the date of group's disclosure and prior to the date of the transaction's settlement. See "*Regulation of the Russian Insurance Sector—Russian Antimonopoly Regulation*".

Foreign Ownership

The Federal Law No. 160-FZ "On Foreign Investments in the Russian Federation" dated 9 July 1999, as amended (the "**Foreign Investments Law**"), provides that any acquisition (whether direct or indirect) by a foreign state or international organisation or entities controlled by them of (1) more than 25% of voting shares of a Russian company; or (2) any powers to block decisions of the management bodies of a Russian company, requires a prior approval of the governmental commission in accordance with the procedures set out in Federal Law No. 57-FZ "On the Procedure for Foreign Investment in Companies with Strategic Impact on National Defence and Security of the Russian Federation" dated 29 April 2008, as amended (the "**Strategic Enterprises Law**").

Under the Foreign Investments Law, any transaction of any foreign investor in respect of any Russian legal entity could be subject to review and approval by the Governmental Strategic Investments Commission (the "**Commission**") in accordance with the procedure set out in the Strategic Enterprises Law, if so resolved by a decision of the Commission's Chairman (currently, the Russian Prime Minister). Such decision would be made "with the view of securing national defense and security of the state". This is the only test expressly set out in the Foreign Investments Law. Any other criteria or requirements to trigger such review and approval are not provided, including volume or structure of the transaction, type of business operations or assets of a target Russian entity or even type of the transaction (not limited to direct or indirect acquisition of shares or participation interests in the charter capital of the Russian company). Within 3 working days of receipt of the decision of the Commission's Chairman, the FAS would be required to notify the relevant foreign investor that the transaction would be submitted for clearance of the Commission in accordance with the Strategic Enterprises Law. The transaction cannot be closed prior obtaining a clearance. Failure of the foreign investor to comply with the above requirements could lead to invalidation of the transaction.

In addition, foreign persons registered as individual entrepreneurs in the Russian Federation and foreign companies (regardless of whether they are registered with the Russian tax authorities) that acquire shares in a Russian joint stock company may need to notify the Russian tax authorities within one month following such acquisition.

Notification of Acquisition of Significant Interest

Pursuant to Russian securities legislation, each holder of ordinary shares of a joint stock company that has issued securities and registered a prospectus in respect of such securities in the Russian Federation must notify the company and the CBR of an acquisition of 5% or more of the company's ordinary shares or of an acquisition of the right to vote on 5% or more of the ordinary shares by virtue of an agreement or otherwise, and of any subsequent change in the number of such ordinary shares above or below any of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% thresholds. Each notification should contain the name of the acquirer, the name of the company and the number of the ordinary shares acquired (or votes that can be cast). Such notifications must be generally given within 10 days after the ordinary shares have been transferred to such shareholder's securities account or after the acquisition of the right to cast votes attached to such ordinary shares.

Change of Control and Anti-takeover Protection

The Joint Stock Companies Law provides for anti-takeover protection measures applicable under Russian law.

A person intending to acquire more than 30% of a public joint stock company's ordinary shares, including shares already owned by such person and its affiliates, has the right to make a public offer to purchase all or part of the remaining shares from other shareholders (voluntary tender offer). A voluntary tender offer may be made at any price (although the price should be the same for all tendering shareholders).

Within 35 days after acquisition by any means of more than 30%, 50% or 75% of ordinary shares or 35 days from the date when the acquirer learned or should have learned that it, either independently or together with its affiliates, owns such number of shares, the acquirer is required to make a public offer to purchase the remaining shares from other shareholders (mandatory tender offer). A mandatory tender offer should be made at a price that is the higher of: (i) the highest acquisition value that the offeror or its affiliate paid or agreed to pay for the target securities in any transaction in the six months preceding the date of the mandatory tender offer launch, or (ii) in the case of a publicly traded public joint stock company, the weighted average price of the target securities on the Russian stock exchange during the six months preceding the date of the mandatory tender offer filing with the CBR and, if the company is not publicly traded or is traded for less than six months, the price determined as "market value" by a certified independent appraiser.

While the offeror is required to make an all-cash voluntary or mandatory tender offer, it may also offer securities or a mix of cash and securities as an alternative, in which case tendering shareholders have the right to choose between the cash consideration and the consideration in the form of securities (or mixed consideration).

If, as a result of either the voluntary or the mandatory tender offer, the acquirer purchases more than 95% of the ordinary shares, including shares owned by its affiliates, it is required to (i) notify all the other shareholders (within 35 days after acquisition of shares above such threshold) of their right to sell their shares and other securities convertible into such shares, and (ii) purchase their shares upon request of each minority shareholder at a price equal to the highest of: (i) the highest acquisition value that the offeror or its affiliate paid or agreed to pay for the target securities in any transaction in the six months preceding the date of the respective notification (including the price paid in the voluntary tender offer or mandatory tender offer that resulted in passing the 95% threshold), (ii) in the case of a publicly traded company, the weighted average price of the target securities on the Russian stock exchange during the six months preceding the date of filing of the respective notification with the CBR and, if the company is not publicly traded or is traded for less than six months, the price determined as "market value" by a certified independent appraiser, and (iii) the highest price that the 95% shareholder or its affiliates paid or agreed to pay for the target securities after the end of the voluntary tender offer or mandatory tender offer that resulted in passing the 95% threshold.

Instead of giving notice, the acquirer may deliver a buy-out demand, binding on the minority shareholders, that they sell their shares if the acquirer crossed the 95% threshold by acquiring at least 10% of the ordinary shares in a voluntary or mandatory tender offer at a price that may not be lower than: (i) the price paid in the voluntary tender offer or the mandatory tender offer that resulted in passing the 95% threshold, and (ii) determined as "market value" by a certified independent appraiser, and (iii) the highest price that the 95% shareholder or its affiliates paid or agreed to pay for securities after the end of the voluntary tender offer or the mandatory tender offer that resulted in passing the 95% threshold.

An offer of the kind described in either of the preceding four paragraphs must be accompanied by an irrevocable bank guarantee of payment (except for a buy-out demand) and certain other documents. If the company is publicly traded, prior notice of the offers must be filed with the CBR; otherwise, such offers must be filed with the CBR no later than the date of the offer. The CBR may require revisions to be made to the terms of the offer (including the price) in order to bring them into compliance with the rules.

At any time after the company receives a voluntary or a mandatory tender offer and until 25 days prior to the expiration of the relevant acceptance period, any person will have the right to make a competing offer (that satisfies the requirements for a voluntary or mandatory tender offer, respectively) to purchase shares in the quantity of and at the price that is greater than or equal to the quantity and the price offered in the initial voluntary or mandatory tender offer. Any shareholder may revoke its previous acceptance of the respective offer and accept the competing offer. A copy of the competing offer shall be sent to the person who made the initial voluntary or mandatory tender offer so that such person can amend its offer by increasing the purchase price and/or shortening the settlement period. As soon as the voluntary or mandatory tender offer has been received by a company and until expiration of a 20-day period after the expiration of the period for acceptance of the voluntary or mandatory tender offer, only the General Shareholders' Meeting will have the exclusive power to make decisions on a share capital increase through an additional share issuance, on approval of interested party and certain other transactions and on certain other significant matters. The Joint Stock Companies Law provides for instances when the mandatory tender offer may not be made, which include, inter alia, the following:

- acquisition of the company's shares was performed within the course of its establishment or re-organisation;
- partial redemption of its shares by the company;

- acquisition of shares by a company's shareholder as a result of using respective pre-emption rights;
- shares of the company were earlier acquired under the voluntary tender offer;
- shares of the company were earlier acquired under another mandatory tender offer;
- transfer of shares between shareholder of the company and its affiliates;
- acquisition of shares by contribution thereof to the share capital of the company by the Russian Federation, its subject or municipality provided the Russian Federation, its subject or municipality is or becomes owner of more than 50% of the company's share capital as a result of such transaction; and
- acquisition of shares by contribution thereof as a payment for the newly issued shares placed under the closed subscription of a public joint stock company included in the list of strategic enterprises and strategic joint stock companies approved by the President of the Russian Federation by Order No. 1009 On Approval of the List of Strategic Enterprises and Strategic Joint Stock Companies of 4 August 2004, as amended.

Currency control

Russian currency control restrictions with regard to such instruments as ordinary shares are set out in Federal Law No. 173-FZ "On Currency Regulations and Currency Control" dated 10 December 2003, as amended (the "**Currency Law**"), and respective regulations of the CBR.

Pursuant to the Currency Law, currency operations with ordinary shares between residents and non-residents may be conducted without limitations in both Russian Roubles and in foreign currencies.

Under the Currency Law, currency operations with securities between non-residents may be conducted either in Russian Roubles or in foreign currencies, subject to compliance with Russian securities and competition laws and regulations.

Finally, non-residents may receive dividends declared by Russian companies both in foreign currencies (confirmed by the CBR in its Information Letter No. 31 dated 31 March 2005) and Russian Roubles. Dividends declared and paid in Russian Roubles may be freely converted through Russian authorised banks and remitted outside of the Russian Federation.

PLAN OF DISTRIBUTION

Description of the Distribution

The Offering comprises an offering of the Ordinary Shares (i) in the Russian Federation; (ii) otherwise outside the United States in reliance on Regulation S; and (iii) within the United States to certain QIBs and in reliance on Rule 144A of the Securities Act.

The Company, the Selling Shareholders and the Underwriters are expected to enter into the share purchase agreement and the underwriting support agreement (collectively, the "**Underwriting Agreement**") on or about the Pricing Date. The Underwriters will agree, under the terms of, and subject to the conditions contained in, the Underwriting Agreement, to purchase the Ordinary Shares, at the Offer Price. The Primary Shares are expected to be issued and sold by the Company to the Underwriters, pursuant to the Underwriting Agreement and the offer and acceptance of the offer for such Primary Shares, pursuant to the Open Subscription documentation for the purpose of onward sale by the Underwriters to investors. The Secondary Shares will be sold to the Underwriters by the Selling Shareholders for onward sale by the Underwriters to investors.

In consideration of the agreement by the Underwriters to purchase the Ordinary Shares in the Offering, the Underwriters will receive underwriting fees and commissions payable by the Company and may also receive a discretionary fee, payable by and to be determined in the sole discretion of, the Company.

The Underwriters propose to resell the Ordinary Shares at the Offer Price within the United States to QIBs in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "*Selling and Transfer Restrictions*".

The Offer Price Range is RUB 120 to RUB 135 per Ordinary Share.

The Ordinary Shares have not been, and will not be, registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "*Selling and Transfer Restrictions*".

In addition, until 40 days after the commencement of this Offering, an offer or sale of the Ordinary Shares within the United States by a dealer that is not participating in this Offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Underwriting Agreement

In the Underwriting Agreement, the Company and the Selling Shareholders are expected to make certain representations and warranties and to agree to indemnify the Underwriters against certain liabilities, including liability under the Securities Act.

The obligation of the Underwriters pursuant to the terms of the Underwriting Agreement will be subject to the satisfaction of certain conditions precedent contained in the Underwriting Agreement, such as the receipt by the Underwriters of officers' certificates and customary legal opinions. The Underwriting Agreement may be terminated upon written notice by the Underwriters, upon the occurrence of certain events, including the suspension or limitation of trading on the Moscow Exchange or breach of the representations and warranties given by the Company and/or the Selling Shareholders.

If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery. Claims with respect to any subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

Stabilisation

In connection with the Offering, an affiliate of the Stabilising Manager, acting as a market-maker (the "**Market-Maker**"), will, to the extent permitted by applicable laws, regulations and rules of the CBR and/or the Moscow Exchange, purchase for stabilisation purposes up to 10% of the Offering on the Moscow Exchange within the Stabilisation Period, with a view to supporting the market price of the Ordinary Shares at a level higher than the one that might otherwise prevail in the open market, in accordance with the agreement to be entered into between the Company, the Market-Maker and the Moscow Exchange (the "**Market-Making Agreement**").

There will be no obligation on the part of the Stabilising Manager or any person acting on behalf of the Stabilising Manager to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilising Manager nor any person acting on behalf of the Stabilising Manager intends to disclose the extent of any stabilisation transactions conducted in relation to the Offering.

Dealings arrangement

The Ordinary Shares are expected to be admitted to trading on the "Level 1" part of the List of Securities Admitted to Trading on the Moscow Exchange under the symbol "RENI" on or about 15 October 2021. Prior to the Settlement Date, it is expected that dealings in the Ordinary Shares will commence on an "as-if-and-when issued and delivered" basis on the Moscow Exchange on or about 20 October 2021, i.e., the First Trading Date. All dealings between the First Trading Date and the Settlement Date will be on an "as-if-and-when issued and delivered" basis and at the risk of the parties concerned. If the Underwriting Agreement is terminated and the Offering does not become unconditional, these dealings may be of no effect. The Primary Shares are expected to be issued, Secondary Shares are expected to be delivered and dealings in the Ordinary Shares on an unconditional basis are expected to commence on or about the Settlement Date. It is expected that the delivery of the Ordinary Shares allocated to investors in the Offering will take place through the NSD facilities on or about the Settlement Date. The above-mentioned dates may be changed without further notice. All Primary Shares issued or sold pursuant to the Offering will be issued or sold payable in full at the Offer Price. It is intended that settlement of the Ordinary Shares allocated to investors will take place by means of crediting the Ordinary Shares to relevant depositary accounts with the NSD or a depo account with a depositary that has a depositary account with the NSD. Dealings in advance of the crediting of the relevant account shall be at the risk of the person concerned.

Lock-up Provisions

The Company and all of its shareholders as at the Pricing Date have each agreed in respect of themselves, their subsidiaries from time to time and any person acting on their behalf, for a period of 180 days after the Settlement Date, subject to certain limited exceptions as set out in the Underwriting Agreement or a separate lock-up deed, not to, without the consent of the Underwriters (such consent not to be unreasonably withheld):

(i) issue, offer, sell, lend, mortgage, assign, contract to sell, pledge, charge, contract to sell or issue any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of (or publicly announce any such action), directly or indirectly, any Ordinary Shares or any securities convertible or exchangeable into or exercisable for, or substantially similar to, any Ordinary Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the underlying Ordinary Shares, including equity swaps, forward sales and options or global depositary receipts representing the right to receive any such Ordinary Shares; or

(ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Ordinary Shares; or

(iii) enter into any transaction with the same economic effect as, or agree to, or publicly announce any intention to enter into any transaction described above,

whether such transaction described above is to be settled by delivery of the Ordinary Shares or such other securities in cash or otherwise.

Other relationships

The Underwriters are full-service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriters and their respective affiliates have in the past performed commercial banking, investment banking and advisory services for the Company from time to time for which they have received customary fees and reimbursement of expenses and may, from time to time, engage in transactions with and perform services for the Company in the ordinary course of their business for which they may receive customary fees and reimbursement of expenses. In the ordinary course of their various business activities, the Underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve the Company's securities and instruments. In particular, the Underwriters may enter into FX hedging transactions with certain Selling Shareholders with respect to the proceeds received by such Selling Shareholders from the Offering.

VTB Capital plc has engaged Xtellus Capital Partners Inc. ("**Xtellus**") to act as its agent pursuant to Rule 15a-6 under the Exchange Act in connection with securities transactions effected by VTB Capital plc with U.S. investors. Xtellus is a broker-dealer registered with the U.S. Securities and Exchange Commission and a member of the Financial Industry Regulatory Authority with address at 452 Fifth Avenue, 3rd Floor, New York NY 10018 (U.S.A).

MATERIAL CONTRACTS

The following is a summary of each contract (not being a contract entered into in the ordinary course of business) which has been entered into by any member of the Group: (i) within the two years immediately preceding the date of this Offering Memorandum and which is, or may be, material; or (ii) which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as of the date hereof.

Underwriting Agreement

On the Pricing Date, the Company, the Selling Shareholders and the Underwriters are expected to enter into the Underwriting Agreement providing for, inter alia, the underwriting of the Offering. See "*Plan of Distribution—Underwriting Agreement*".

Shareholders' Agreement

The Principal Shareholders contemplate entering into a shareholders' agreement. As of the date of this Offering Memorandum, the relevant arrangements have not been formalised. It is expected that the agreement, if adopted, will remain in force until Sputnik Management Services Limited and LLC "Holding Renaissance Insurance" hold in aggregate at least 20% of the Ordinary Shares.

In the event that the agreement is adopted, LLC "Holding Renaissance Insurance" is expected to be entitled to nominate, with the support of the Principal Shareholders, up to three directors, and certain other parties to the shareholders' agreement – up to three directors, in each case depending on the percentage of the Ordinary Shares held by them from time to time and the overall number of directors that the parties to the agreement will be authorized by law to nominate, and three independent directors are expected to be nominated by LLC "Holding Renaissance Insurance".

The shareholders' agreement is expected to entitle the Principal Shareholders to pre-emptive rights, in effect for three years after the completion of the Offering, if one of them decides to sell more than 2% of the Ordinary Shares to a third party, and is expected to restrict the sale of the Ordinary Shares to competitors of the Group, except for the sale on a stock exchange where the buyer is not known.

Bancassurance Contract with Major Russian Bank

In September 2021, Renaissance Life entered into a five-year bancassurance contract with a major Russian bank. According to this bancassurance contract, the bank agrees to act as an insurance agent in the interest of Renaissance Life and facilitate the sale of Life insurance products and their distribution through the bank's offices throughout Russia. The bancassurance contract is expected to generate GWP in an amount exceeding RUB 50 billion during the five-year period starting from 1 January 2022.

Facility Agreement with an International Investment and Financial Group

On 28 June 2021, "RenPrime" JSC, the Group's subsidiary, as a borrower, entered into a RUB 3,000 million facility agreement with an international investment and financial group (the "**Facility Agreement**"). The loan under the Facility Agreement is secured by a surety of "Medcorp" LLC and a pledge by "RenPrime" JSC of 67% in the charter capital of Renaissance Life. The Facility Agreement matures in June 2024.

The Facility Agreement contains customary representations and warranties and customary affirmative and negative covenants, including without limitation, negative pledge, mergers and acquisitions covenants. In the event of a change of control over Sputnik Management Services Limited, LLC "Holding Renaissance Insurance" or the Company (subject to certain carve-outs, including IPO of the Company), the lender may demand early repayment of all outstanding amounts due under the Facility Agreement or increase the rate of interest.

TAXATION

The following summary of the U.S. federal income and Russian tax consequences of the purchase, ownership and disposition of the Ordinary Shares based upon laws, regulations, decrees, rulings, income tax conventions (treaties), administrative practice and judicial decisions in effect at the date hereof. Legislative, judicial or administrative changes or interpretations may, however, be forthcoming. Any such changes or interpretations could affect the tax consequences to holders of the Ordinary Shares, possibly on a retroactive basis, and could alter or modify the statements and conclusions set forth herein. This summary does not purport to be a legal opinion or to address all tax aspects that may be relevant to a holder of the Ordinary Shares. Each prospective holder is urged to consult its tax advisor as to the particular tax consequences to such holder of the purchase, ownership and disposition of the Ordinary Shares, including the applicability and effect of any other tax laws or tax treaties, of pending or proposed changes in applicable tax laws as at the date hereof, and of any actual changes in applicable tax laws after such date.

Russian Tax Considerations

The following is a general description of the Russian tax considerations relating to the Ordinary Shares. It does not purport to be a complete analysis of all tax considerations relating to the Ordinary Shares.

Prospective holders of the Ordinary Shares should consult their tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of the Ordinary Shares and receiving payments of dividends and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect as at the date hereof. The information and analysis contained in this section are limited to issues relating to taxation, and prospective holders should not apply any information or analysis set out below to other issues, including (but not limited to) the legality of transactions involving the Ordinary Shares.

General

The following is an overview of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Ordinary Shares. This overview is based on the laws of the Russian Federation in effect on the date of this Offering Memorandum, which are subject to potential change (possibly with retrospective effect). This overview does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia, nor does it seek to address the availability of double tax treaty relief in respect of income payable on the Ordinary Shares, or practical difficulties connected with claiming such double tax treaty relief.

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Ordinary Shares that may arise in their own particular circumstances. No representation with respect to the Russian tax consequences of investing in, owning or disposing of the Ordinary Shares pertinent to any particular Holder is made hereby.

Many aspects of Russian tax laws are subject to significant uncertainty and a lack of interpretive guidance, resulting in the inconsistent interpretation and application of such laws. Further, provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable changes (possibly with retrospective effect) and inconsistent interpretation than in jurisdictions with better developed capital markets or taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates and relevant interpretations may continually change. In practice, interpretation by different tax inspectorates may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated in the Russian Tax Code. Similarly, in the absence of binding precedents, court rulings on tax or other related matters taken by different Russian courts relating to the same or similar facts and circumstances may also be inconsistent or contradictory.

For the purposes of this overview, the term **"Russian Resident Holder"** means:

(a) a Holder which is a legal entity or an organization and is:

(i) a Russian legal entity;

(ii) a foreign legal entity or organization treated as a Russian tax resident based on Russian domestic law (if Russia is treated as the place of management of such legal entity or organization as determined in the Russian Tax Code unless otherwise envisaged by an applicable double tax treaty);

(iii) a foreign legal entity or organization treated as a Russian tax resident based on the provisions of an applicable double tax treaty (for the purposes of application of such double tax treaty); or

(iv) a foreign legal entity or organization which holds and/or disposes of the Ordinary Shares through its permanent establishment in Russia (a **"Russian Resident Holder – Legal Entity"**), or

(b) a Holder who is an individual and is actually present in Russia for a total of 183 calendar days or more in any period comprised of 12 consecutive months (a **"Russian Resident Holder – Individual"**).

Presence in Russia is not considered interrupted if an individual departs for short periods (less than six months) from the Russia for medical treatment or educational purposes as well as for employment or other duties related to the performance of services on offshore hydrocarbon fields. The interpretation of this definition by the Russian Ministry of Finance states that, for tax withholding purposes, an individual's tax residence status should be determined on the date of the payment (based on the number of days in Russia in the 12-month period preceding the date of the payment). An individual's final tax liability in Russia for any reporting calendar year should be determined based on the number of days spent in Russia in such calendar year.

For the purposes of this overview, the term **"Non-Resident Holder"** means any Holder (including any individual (a **"Non-Resident Holder – Individual"**) and any legal entity or an organization (a **"Non-Resident Holder – Legal Entity"**)) that does not qualify as a Russian Resident Holder.

Holders of the Ordinary Shares should seek professional advice on their tax status in Russia.

Taxation of the Ordinary Shares

Taxation of the Acquisition of the Ordinary Shares

The acquisition of the Ordinary Shares by a Russian Resident Holder – Legal Entity or a Non-Resident Holder – Legal Entity should not constitute a taxable event under Russian tax law. Consequently, the acquisition of the Ordinary Shares should not trigger any Russian tax implications for a Russian Resident Holder – Legal Entity or a Non-Resident Holder – Legal Entity.

In certain circumstances, acquisition of the Ordinary Shares by a Russian Resident Holder – Individual may constitute a taxable event for Russian personal income tax purposes. In particular, if the acquisition price of the Ordinary Shares is below fair market value (calculated under a specific procedure for the determination of the market price of securities for Russian personal income tax purposes), this may constitute a taxable event pursuant to the provisions of the Russian Tax Code relating to material benefit (imputed income) received by individuals as a result of acquiring securities. Such difference may be subject to the Russian personal income tax for a Russian Resident Holder—Individual at progressive scale of rates (13% and 15% depending on the total annual income of the individual).

The taxation of income of a Non-Resident Holder – Individual will depend on whether the income is characterized as received from a Russian or non-Russian source. Although the Russian Tax Code does not contain any provisions as to how the source of a material benefit should be determined, in practice the Russian tax authorities may treat such income as Russian source income if the Ordinary Shares are purchased "in the Russian Federation." In the absence of any additional guidance as to what should be considered as a purchase of securities in Russia, the Russian tax authorities could apply various criteria, including looking at the place of the acquisition transaction, the location of the seller, territory of service rendering (if the discount from the fair market value is a form of remuneration), or other similar criteria. In such a case, if the acquisition price of the Ordinary Shares is below fair market value, a Non-Resident Holder—Individual could be subject to Russian personal income tax at a rate of 30% on an amount equal to the difference between the fair market value (calculated under the Russian Tax Code) and the purchase price of the Ordinary Shares.

Subject to any available relief under an applicable DTT, Russian personal income tax from such income may be withheld at source of payment or, if the tax is not withheld, a Non-Resident Holder—Individual may be required to declare his or her income in Russia by filing a tax return and paying the tax on a self-assessment basis or based on a tax assessment received from the Russian tax authorities, depending on the circumstances.

In certain circumstances, a Russian Resident Holder – Legal Entity acquiring the Ordinary Shares must fulfil the responsibilities of a tax agent (i.e., a legal entity resident in Russia for tax purposes which pays taxable Russian source income to a non-resident legal person, organization or non-resident individual and is responsible for withholding Russian tax) with respect to withholding tax from the sales proceeds for the Ordinary Shares to be transferred to a Non-Resident Holder disposing of the Ordinary Shares. Holders of the Ordinary Shares should consult their own tax advisers with respect to the tax consequences of acquiring the Ordinary Shares.

Taxation of Dividends

Russian tax on dividends is withheld and remitted to the Russian budget by a Russian company that, in accordance with the provisions of the Russian Tax Code, is regarded as a tax agent. The applicable withholding tax rate will depend on the status of the dividend recipient unless the Ordinary Shares are held through the Russian depositary, in which case the withholding tax rate applicable will also depend on the disclosure of information to such Russian custodian in respect of the persons executing rights attached to the relevant Ordinary Shares and on the jurisdiction where such persons are resident for tax purposes.

The following sections summarize the taxation of dividends paid by the Company in respect of the Ordinary Shares held other than through foreign accounts

<u>*Russian Resident Holders*</u>

Payments of dividends by the Company to a Russian Resident Holder that is either an individual or a legal entity, other than a legal entity or organisation not organised under Russian law that holds the Ordinary Shares through a permanent establishment in Russia, discussed below, should generally be subject to tax in Russia, and such tax should not exceed 13% of the gross dividend amount payable to each Russian Resident Holder (for Russian Resident Holders—Individuals the tax should generally not exceed 15% of the gross dividend amount). The Holders should bear in mind that tax is calculated in Russian Roubles, therefore exchange rate fluctuation may affect the effective tax rate.

Payments of dividends by the Company to a Holder that is a legal entity or organisation not organised under Russian law that holds the Ordinary Shares through a permanent establishment in Russia should generally be subject to Russian withholding tax at a rate of 15% A Holder that is a legal entity or organisation not organised under Russian law that holds the Ordinary Shares through a permanent establishment in Russia is entitled to pay this tax to the Russian budget on its own behalf (i.e., without the withholding of tax by the Russian entity distributing the dividends to such holder) if such Holder provides the Russian entity distributing the dividends as the Russian tax agent with special documentary evidence confirming the fact that this dividend income is attributable to a permanent establishment of the Holder in Russia.

This evidence includes (a) a notarised copy of the form confirming registration of the Holder with the Russian tax authorities and (b) notification from the Holder that such dividend income is attributable to the permanent establishment of the Holder in Russia. The Russian Tax Code does not provide any formal guidance as to the required format of the notification. In particular, the document confirming the fact that this dividend income is attributable to the permanent establishment of the Holder in Russia should be issued by the Russian tax authorities at the holder’s place of tax registration.

It is possible that payments of dividends in respect of the Ordinary Shares made by the Company to a Holder which is a legal entity or organisation not organised under Russian law that holds the Ordinary Shares through a permanent establishment may be subject to Russian withholding income tax, not at 15%, but at a rate of up to 13% of the gross dividend amount. This lower rate could apply to each such Holder of the Ordinary Shares through a permanent establishment in Russia if the applicable double tax treaty between Russia and the country of the tax residence of such Holder provides for the non-discrimination of tax residents of such country as compared with Russian tax residents. In such case, the rate applicable to Russian legal entities should be applied with respect to the gross dividend amount payable to such Holder to the extent such Holder is entitled to benefits under such double tax treaty and provided further that such Holder satisfies the Russian tax documentation requirements (i.e., the requirement that a holder should provide annually advance confirmation of tax residency and verification that it is the beneficial owner of the relevant income or proceeds before payment of such income or proceeds). However, there can be no assurance that such double tax treaty relief will be available to a Holder that is a legal entity or organisation, in each case not organised under Russian law and that holds the Ordinary Shares through a permanent establishment in Russia.

Russian Resident Holders should consult their own tax advisers with respect to the tax consequences of the receipt of dividend income in respect of the Ordinary Shares.

Non-Resident Holders

Dividends paid to Non-Resident Holders are subject to Russian withholding tax at a rate of 15%. Such Russian withholding tax may be subject to reduction pursuant to the terms of an applicable DTT between Russia and the country of tax residence of the Non-Resident Holder to the extent such Non-Resident Holder is the beneficial owner of the dividends received and is entitled to benefit from the relevant DTT. However, no assurance can be given that any available DTT relief (or a refund of any taxes withheld) will be available for a Non-Resident Holder.

Payment of a dividend on the Ordinary Shares made by the Company to a Non-Resident Holder may be subject to withholding tax at a reduced rate if such reduction is provided for by an applicable double tax treaty, provided that the Russian tax documentation requirements are satisfied. It should be noted that in March 2020, the president of Russia proposed to cancel tax benefits with certain DTT partner countries and increase the tax rates on income withholding on dividends and interest to 15%, noting that Russia is ready to withdraw from DTTs with countries that do not agree with such measures. Russia has signed amendments to the DTTs with Malta, Cyprus (effective as of 1 January 2021) and Luxembourg (to become effective as of 1 January 2022). In accordance with these amendments, no withholding tax rate on interest (for Cyprus and Luxembourg) or 5% withholding tax on interest (for Malta) and on dividends will apply to certain categories of recipients of income, such as insurance companies and pension funds, government authorities and with respect to interest on external bonds (Eurobond). The Russian Ministry of Finance has announced that DTTs with Hong Kong, Singapore and Switzerland could be revised as well. In September 2021 it was announced that the Russian Ministry of Finance initiated revision of DTT with Switzerland. It is possible that some other DTTs will also be renegotiated by the Russian Ministry of Finance.

For Non-Resident Holders – Legal Entities, such documentation would include an annual confirmation of the Holder's tax residency to be presented to the Russian tax resident acting as a tax agent prior to payment of such income and other documents confirming the eligibility of the non-resident legal entity or organisation for the benefits of the double tax treaty (the Russian tax authorities may, in practice, require a wide variety of documentation). In addition to a tax residency certificate, starting from 1 January 2017, the Russian Tax Code obliges a non-resident legal entity or organisation to provide the tax agent with a confirmation that it is the beneficial owner of the relevant income or proceeds in advance of payment of such income or proceeds. As of the date of this Offering Memorandum, there has been no guidance on the form of such confirmation in the Russian Tax Code. Due to, *inter alia*, these requirements there can be no assurance that treaty relief at source will be available in practice for a Non-Resident Holder – Legal Entity.

A Non-Resident Holder – Individual should confirm to the tax agent that he or she is a tax resident of a relevant foreign jurisdiction having a double tax treaty with the Russian Federation by providing the tax agent with (i) a passport of the foreign resident, or (ii) another document envisaged by an applicable federal law or recognised as a personal identity document of the foreign resident in accordance with an international treaty, and (iii) if such passport/document does not confirm the individual's tax resident status in such foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status as a tax resident of the respective country. A notarised Russian translation of such official confirmation is required. If a non-resident individual holder does not obtain double tax treaty relief at the time the dividend is paid and income tax is withheld by a tax agent, such non-resident individual holder may apply for a refund generally within three years from the end of the tax period during which the tax was withheld. There can be no assurance that such double tax treaty relief or tax refund will be available to a Non-Resident Holder – Individual.

Non-Resident Holders should consult their own tax advisers with respect to the tax consequences of the receipt of dividends from the Ordinary Shares.

The following sections summarize the taxation of dividends paid by the Company in respect of the Ordinary Shares held through foreign nominal accounts

Special requirements are provided by the Russian Tax Code with respect to the taxation of dividends in respect of securities of Russian issuers which are held in certain types of accounts with Russian custodians as described below, including Ordinary Shares held in special accounts for foreign nominal holders (i.e., foreign custodians, depositaries, foreign authorized holders (e.g., foreign brokers)) or depositary receipt programs.

This tax regime introduces, inter alia, disclosure of tax-related information on an aggregate basis by a foreign nominal holder to the Russian custodian acting as a tax agent in respect of persons executing rights in respect of Ordinary Shares issued by Issuer held with Russian custodians in foreign nominal holder deposit accounts, foreign authorized holder deposit accounts and foreign depositary receipt program deposit accounts. When the Russian custodian transfers dividends in respect of the Ordinary Shares, Russian withholding tax is calculated and withheld by such Russian custodian acting as a tax agent based on the disclosure of the aggregated information about the persons executing rights in respect of the relevant Ordinary Shares.

The Russian custodian acting as a tax agent can, prima facie, withhold the tax from the dividends payable under the Ordinary Shares held in the above types of accounts at a rate of 15%. If the required information is properly disclosed in accordance with the Russian Tax Code, the Russian custodian can withhold Russian withholding tax at the tax rate stipulated in the Russian Tax Code or as determined by a relevant double tax treaty, but only if the application of such reduced tax rate provided by such double tax treaty does not require compliance with any additional requirements.

If the tax is withheld at a rate higher than that established by a relevant double tax treaty, a Non-Resident Holder—Legal Entity that meets certain additional requirements set by the relevant double tax treaty can claim a reduced withholding income tax rate for dividends established by such treaty by claiming a refund from the Russian budget (provided such Non-Resident Holder is viewed as the "beneficial owner" of such dividends under the Russian Tax Code and subject to the eligibility for treaty benefits of such Non-Resident Holder).

In order to claim advance double tax treaty relief, a Non-Resident Holder—Individual should confirm to a tax agent that he or she is a tax resident of a relevant foreign jurisdiction having a double tax treaty with the Russian Federation by providing the tax agent with (i) a passport of the foreign resident, or (ii) another document envisaged by an applicable federal law or recognized as a personal identity document of the foreign resident in accordance with an international treaty, and (iii) if such passport/document does not confirm the individual's tax resident status in such foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status as a tax resident of the respective country. A notarized Russian translation of such official confirmation is required. See "—*Tax Treaty Procedures and Refund of Tax Withheld*."

As mentioned above, it should be noted that in March 2020 the President of the Russian Federation proposed to cancel tax benefits with certain DTT partner countries and increase the tax rates on income withholding on dividends and interest to 15%, noting that the Russian Federation is ready to withdraw from DTTs with countries that do not agree with such measures. Russia has signed amendments to the DTTs with Malta, Cyprus (effective as of 1 January 2021) and Luxembourg (to become effective as of 1 January 2022). In accordance with these amendments, no withholding tax rate on interest (for Cyprus and Luxembourg) or 5% withholding tax on interest (for Malta) and on dividends will apply to certain categories of recipients of income, such as insurance companies and pension funds, government authorities and with respect to interest on external bonds (Eurobond). The Russian Ministry of Finance has announced that DTTs with Hong Kong, Singapore and Switzerland could be revised as well. In September 2021 it was announced that the Russian Ministry of Finance initiated revision of DTT with Switzerland. It is possible that some other DTTs will also be renegotiated by the Russian Ministry of Finance.

Both Russian Resident Holders and Non-Resident Holders should therefore consult their own tax advisers with respect to the tax consequences of their receipt of dividends in respect of the Ordinary Shares registered in the above accounts.

Taxation of Capital Gains

The following sections summarize the taxation of capital gains in respect of a disposal of the Ordinary Shares

<u>*Russian Resident Holders*</u>

A Russian Resident Holder – Legal Entity should, *prima facie,* be subject to Russian profits tax at a rate of up to 20% on the capital gains realized on a disposal of the Ordinary Shares. The applicable Russian profits tax rate could be reduced to zero provided that (a) at the date of sale (or other disposal) of the Ordinary Shares, the Ordinary Shares continuously belonged to the Russian Resident Holder – Legal Entity on the basis of legal ownership or other proprietary right for more than five years, and (b) not more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in Russia. Generally, Russian Resident Holders – Legal Entities are required to submit Russian profits tax returns and assess and pay tax on capital gains. The taxable capital gain from disposal of the Ordinary Shares is generally determined by a Russian Resident Holder – Legal Entity as the gross proceeds from the disposal of the Ordinary Shares less the cost of acquisition of such Ordinary Shares and expenses incurred by such Russian Resident Holder in relation to the acquisition, holding and sale of the Ordinary Shares (provided that the cost of acquisition of the Ordinary Shares and the other expenses can be confirmed by appropriate primary documents).

Russian Resident Holders – Legal Entities should consult their own tax advisers with respect to the tax consequences of gains derived from a disposal of the Ordinary Shares.

A Russian Resident Holder – Individual should generally be subject to personal income tax at the progressive scale of rates (13% from individual’s total annual income up to RUB 5 million and 15% from total annual income over RUB 5 million) on the gross proceeds from a disposal of the Ordinary Shares less any available deductions (including the cost of acquisition of the Ordinary Shares, expenses incurred by such Russian Resident Holder in relation to the acquisition, holding and sale of the Ordinary Shares (provided that the cost of acquisition of the Ordinary Shares and the other expenses can be confirmed by appropriate primary documents) and material benefit resulted from the acquisition of the Ordinary Shares provided that Russian personal income tax was paid from such material benefit). The applicable personal income tax rate could be reduced to zero provided that (a) at the date of sale (or other disposal) of the Ordinary Shares, the Ordinary Shares continuously belonged to the Russian Resident Holder – Individual on the basis of legal ownership or other proprietary right for more than five years, and (b) not more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in the Russian Federation. Tax reliefs may apply depending on the circumstances; please consult with a professional tax advisor on this matter.

If such income is paid to a Russian Resident Holder – Individual by a tax agent, the applicable Russian personal income tax should be withheld at source by such tax agent (including a licensed broker or an asset manager who carries out operations on behalf of the Russian Resident Holder – Individual under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement or a Russian legal entity or an individual entrepreneur making payments to the Russian Resident Holder – Individual under relevant sell-purchase or share exchange agreement). If the Russian personal income tax has not been withheld (due to the fact that the buyer was not a tax agent) for Russian personal income tax purposes, a Russian Resident Holder— Individual is required to submit an annual personal income tax return, assess and personally pay the tax.

Russian Resident Holders – Individuals should consult their own tax advisers with respect to the tax consequences of gains derived from a disposal of the Ordinary Shares.

Non-Resident Holders

A Non-Resident Holder – Legal Entity generally should not be subject to any Russian taxes on the capital gains realized on a disposal of the Ordinary Shares. The proceeds (capital gain) of a Non-Resident Holder – Legal Entity from a sale (or other disposal) of the Ordinary Shares could be subject to Russian withholding tax if (a) the Ordinary Shares are not qualified as securities traded on an organised securities market as defined in the Russian Tax Code, and (b) more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in Russia.

For the purpose of the Russian Tax Code, "securities traded on an organised securities market" mean shares and other securities (1) which are admitted to circulation by at least one authorised trading organiser in accordance with applicable legislation, (2) for which information on securities prices (quotes) is published in the mass media (including electronic ones) or may be provided by the trading organiser or other authorised person to any interested party within three years after the trade date with securities and (3) for which a market quotation was calculated at least once (except for the market quotation on IPO) during the consecutive three months preceding the trade date with these securities. If the Ordinary Shares do not meet the qualification criteria for securities traded on an organised securities market or more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in Russia, the gross proceeds from the disposal of the Ordinary Shares less any available deductions (including, but not limited to, the purchase price of the Ordinary Shares and associated transaction costs) may be subject to withholding income tax in Russia at a rate of 20%.

The above withholding tax rate is subject to any available double tax treaty relief. In order to enjoy the benefits of an applicable double tax treaty, documentary evidence is required to be presented by a Non-Resident Holder – Legal Entity to the tax agent prior to any payment being made to confirm the applicability of the double tax treaty under which benefits are claimed including a confirmation that such Non-Resident Holder — Legal Entity is the beneficial owner of the relevant income or proceeds. A Non-Resident Holder – Legal Entity that disposes of the Ordinary Shares through a permanent establishment in Russia is entitled to pay this tax to the Russian budget on its own behalf (that is, without the withholding of tax). In such case, the Non-Resident Holder – Legal Entity must provide the tax agent with documentary evidence confirming the fact that the income from the disposal of the Ordinary Shares is attributable to a permanent establishment of the Non-Resident Holder – Legal Entity in Russia. This evidence includes a notarized copy of the form confirming the registration of the Holder with the Russian tax authorities.

Non-Resident Holders – Legal Entities should consult their own tax advisers with respect to the possibility of being subject to Russian taxes on the capital gains realized on a disposal of the Ordinary Shares.

A Non-Resident Holder – Individual generally should not be subject to any Russian taxes on the capital gains realized from a disposal of the Ordinary Shares outside Russia, provided the proceeds of such disposal of the Ordinary Shares are not received from a source within Russia. According to an opinion of the Russian Ministry of Finance such proceeds shall be treated as income received from a source within Russia if the depository or registry, which keep records about transactions resulting in the transfer of ownership of shares, is located in Russia. In the absence of any additional guidance as to what should be considered as a source within Russia, the Russian tax authorities may apply various criteria in order to determine the source of the sale (or other disposal) of the Ordinary Shares, including the place where the transaction was concluded, the location or tax residency of the buyer, the location of the register where the transfer of title to the Ordinary Shares takes place, or other similar criteria. If proceeds from the disposal of the Ordinary Shares are treated as received from a Russian source as discussed above, a Non-Resident Holder – Individual will generally be subject to Russian personal income tax at a rate of 30% (which could be reduced to zero if certain criteria are met as discussed above for a Resident Holder – Individual) in respect of the gross proceeds from such sale, redemption or other disposal less any available deduction of expenses incurred by the Holder (which includes the purchase price of the Ordinary Shares) subject to any available double tax treaty relief and the discussion above in "Taxation of the Acquisition of the Ordinary Shares." If the sale (or other disposal) of the Ordinary Shares is made by a Non-Resident Holder – Individual through a Russian tax agent, Russian personal income tax should be withheld at source by such tax agent (including a licensed broker or an asset manager which carries out operations on behalf of the Non-Resident Holder – Individual under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement). If the Ordinary Shares are not sold through a Russian tax agent, generally no Russian personal income tax should be withheld at source.

If a Non-Resident Holder – Individual does not obtain double tax treaty relief at the time the proceeds from the disposal of the Ordinary Shares are paid to such Non-Resident Holder – Individual, and income tax is withheld by the Russian payer of such income, the Non-Resident Holder – Individual generally may apply for a refund within three years from the end of the tax period during which the tax was withheld, as discussed below. However, no assurance could be given that any available double tax treaty relief (or the refund of any taxes withheld) will be available for a Non-Resident Holder – Individual.

Non-Resident Holders – Individuals should consult their own tax advisers with respect to the tax consequences of the receipt of proceeds from a disposal of the Ordinary Shares and the possibilities of benefiting from any double tax treaty relief to obtain the refund of any taxes withheld.

Tax Treaty Procedures and Refund of Tax Withheld

Advance Relief

Russia has concluded double tax treaties with a number of countries. These double tax treaties may contain provisions that allow for the reduction or elimination of Russian withholding taxes with respect to income or proceeds received by Non-Resident Holders from a source within Russia, which would include income or proceeds from the sale, redemption or other disposal of the Ordinary Shares. To the extent double tax treaty relief is available and the Russian Tax Code requirements are met (i.e. the “beneficial ownership” concept and the concept of “tax residency”), a non-resident holder must comply with the information, documentation and reporting requirements which are then in force in the Russia to obtain such relief.

In accordance with the “beneficial ownership” concept, if a person serves as an intermediary and has an obligation to transfer part or all of the income received from the company to a third party (i.e., a person that is not able to act independently with respect to the use and disposition of the received income), such person may not be treated as the beneficial owner of income. The result of the denial of beneficial ownership would be the denial of tax treaty benefits (such as the reduced tax on dividends). Although the “beneficial ownership” concept as currently defined in the Russian Tax Code is in line with the relevant internationally known rules, the application of this concept in the Russian administrative and court practice currently shows rather broad and conflicting interpretations. Given the current conflicting interpretation of the “beneficial ownership” concept, the application of this concept may lead to excessive taxation of the Group’s retained earnings on their distribution.

A Non-Resident Holder – Legal Entity which is the beneficial owner of income or proceeds for the purposes of an applicable double tax treaty and the Russian Tax Code must provide the payer of the income or proceeds with a certificate of tax residence issued by the competent tax authority of the relevant treaty country in advance of payment of such income or proceeds in order to obtain relief from Russian withholding taxes under a double tax treaty. This certificate should confirm that the respective Non-Resident Holder – Legal Entity is a tax resident of the relevant double tax treaty country in the particular calendar year during which the income or proceeds is paid. This certificate should be apostilled or legalized and needs to be renewed on an annual basis. A notarized Russian translation of the certificate may be required. However, in practice, the payer of the income or proceeds may request additional documents confirming the eligibility of a Non-Resident Holder – Legal Entity for the benefits of the double tax treaty. In addition, in order to enjoy benefits under an applicable double tax treaty, the person claiming such benefits must be the beneficial owner of the relevant income or proceeds according to the requirements of the Russian Tax Code. In addition to a certificate of tax residency the Russian Tax Code obliges a Non-Resident Holder – Legal Entity to provide the tax agent with a confirmation that it is the beneficial owner of the relevant income or proceeds in advance of the payment of such income or proceeds. There can be no assurance that treaty relief at source will be available in practice for non-resident holders, which are either legal entities or individuals.

Currently, in order to obtain a full or partial exemption from taxation in Russia under an applicable double tax treaty at source, a Non-Resident Holder – Individual must confirm to a tax agent that he or she is a tax resident of a relevant foreign jurisdiction having a double tax treaty with Russia by providing the tax agent with (i) a passport of the foreign resident, or (ii) another document envisaged by an applicable federal law or recognized as a personal identity document of the foreign resident in accordance with an international treaty, and (iii) if such passport/document does not confirm the individual’s tax resident status in such foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status as a tax resident of the respective country. A notarized Russian translation of such official confirmation is required. The above provisions are intended to provide a tax agent with the opportunity of applying reduced withholding tax rates or exemptions under an applicable double tax treaty at source.

The treaty relief procedure as described above does not apply if dividends are paid in respect of the Ordinary Shares which are registered in special accounts (i.e. foreign nominal holder deposit account, foreign authorized holder deposit account or foreign depositary receipt programme deposit account) opened with a Russian custodian.

In this case, a foreign nominal holder of the above accounts should present tax-related information on an aggregate basis to a Russian custodian acting as the tax agent (the format and the deadlines are established by the Russian

Tax Code). Subject to receipt of such information, the Russian custodian can apply Russian withholding tax at the tax rate in the Tax Code, or as determined by a relevant double tax treaty but not applying any reduced tax rate which is subject to special conditions (percentage of shareholding, threshold of investments to the capital of a Russian legal entity or a holding period) under the relevant double tax treaty (a reduced tax rate that is subject to conditions can only be obtained through a tax refund). However, there can be no assurance that tax relief at source will be available in practice for the holders with respect to dividends paid on the Ordinary Shares, which are held in certain types of accounts with Russian custodians.

Non-Resident Holders and Russian Resident Holders should consult their own tax advisers with respect to the applicability of tax relief under a double tax treaty and the relevant procedures required in Russia to claim such relief.

Refund of Tax Withheld

For a Non-Resident Holder – Legal Entity for which double tax treaty relief is available, if Russian income tax was withheld at the source on a payment at a rate which is higher than the applicable rate established by a relevant double tax treaty, a claim for refund of such tax is possible within three years from the end of the tax period during which the tax was withheld.

To reclaim the tax, the following documents must be submitted to the Russian tax authorities by the Non-Resident Holder – Legal Entity:

- An application for a refund of the withheld tax (the form of such application is established by the Order of the Ministry of the Russian Federation for Taxes and Levies);
- Confirmation of residence of the income recipient; and
- Copies of the relevant contracts or other documents based upon which the income was paid, as well as payment documents confirming the payment of the tax that was withheld and paid to the appropriate Russian authorities.

For a Non-Resident Holder – Individual for whom double tax treaty relief is available, if Russian income tax was withheld by the source of a payment at a rate higher than the applicable rate established by a relevant double tax treaty, a refund of such tax may be filed with the tax agent generally within three years from the end of the tax period during which the tax was withheld. In the absence of a tax agent who withheld the Russian personal income tax, such an application for a refund may be filed with the Russian tax authorities within three years from the end of the tax period during which the tax was withheld if it is accompanied by a Russian tax return, a tax residency certificate and documentation proving the tax was withheld and paid to the Russian authorities. To obtain a refund, documentation confirming the right of the recipient of the income to double tax treaty relief is required.

Certain additional documentation requirements were introduced into the Russian Tax Code in order to claim a refund of excess withholding tax. In particular, to process a claim for a refund of such excess withholding tax the Russian tax authorities additionally require a number of documents, including: a document confirming that the applicant exercised his/her rights under the Russian securities; a document confirming the amount of income paid in respect of the Russian securities; information about the custodian (custodians) that transferred dividend to the foreign company (the holder of the relevant account with the Russian custodian); and a document confirming that the applicant satisfies any additional conditions under the Russian Tax Code or the relevant double tax treaty for application of the reduced tax rate (if applicable). Starting from 1 January 2021, refund of excess withholding tax should generally be made to the taxpayer's bank account opened with a Russian bank or to the bank account of a foreign nominee holder, a foreign authorized holder and (or) the person to whom the custodian account of depositary program is opened, if income to the taxpayer was paid via such persons.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty or the right to receive a zero tax rate under Russian domestic tax law. Such documentation, in practice, may not be explicitly required by the Russian Tax Code and in particular could include documents confirming the eligibility of the holder claiming a refund of tax to be treated as the "beneficial owner" of such dividend under the Russian Tax Code. Obtaining a refund of Russian tax withheld may be a time-consuming process and involve considerable difficulties.

The treaty relief and refund procedures with respect to a dividend paid to special accounts, as discussed above, are ambiguous, and may be subject to different interpretation by the Russian tax authorities.

Stamp Duties

No Russian stamp duty should be payable by the Holders upon any of the transactions with the Ordinary Shares discussed in this section of the Offering Memorandum (e.g., on a purchase or sale of the Ordinary Shares), except for transactions involving the receipt of the Ordinary Shares by way of inheritance.

U.S. Federal Income Tax Considerations

The following summary describes certain U.S. federal income tax considerations generally applicable to U.S. Holders (as defined below) of the Ordinary Shares. This summary deals only with the Ordinary Shares purchased in the Offering at the Offer Price and held as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "**Internal Revenue Code**"). This summary also does not address the tax consequences that may be relevant to holders in special tax situations including, without limitation, dealers in securities, traders that elect to use a mark-to-market method of accounting, holders that own the Ordinary Shares as part of a "straddle," "hedge," "conversion transaction," or other integrated investment, banks or other financial institutions, individual retirement accounts and other tax-deferred accounts, insurance companies, tax-exempt organizations, U.S. expatriates, holders whose functional currency is not the U.S. dollar, holders subject to the alternative minimum tax, holders that acquired the Ordinary Shares in a compensatory transaction, holders subject to special tax accounting rules as a result of any item of gross income with respect to the Ordinary Shares being taken into account in an applicable financial statement, or holders that actually or constructively own 10% or more of the total voting power or value of the Company's Ordinary Shares.

This summary is based upon the Internal Revenue Code, applicable U.S. Treasury regulations, administrative pronouncements and judicial decisions, in each case as in effect on the date hereof, all of which are subject to change (possibly with retroactive effect). No ruling will be requested from the Internal Revenue Service (the "**IRS**") regarding the tax consequences described herein, and there can be no assurance that the IRS will agree with the discussion set out below. This summary does not address any U.S. federal tax consequences other than U.S. federal income tax consequences (such as the estate and gift tax or the Medicare tax on net investment income) and does not address state, local, non-U.S. or other tax laws.

As used herein, the term "U.S. Holder" means a beneficial owner of the Ordinary Shares that is, for U.S. federal income tax purposes, (i) a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any state thereof or therein or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, or (iv) a trust (a) that is subject to the supervision of a court within the United States and the control of one or more United States persons as described in Internal Revenue Code Section 7701(a)(30), or (b) that has a valid election in effect under applicable U.S. Treasury regulations to be treated as a United States person.

If an entity or other arrangement treated as a partnership for U.S. federal income tax purposes acquires the Ordinary Shares, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Entities or arrangements treated as partnerships for U.S. federal income tax purposes should consult their tax advisers regarding the U.S. federal income tax consequences to them and their partners of purchasing, owning, and disposing of the Ordinary Shares by the partnership.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE INVESTORS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF PURCHASING, OWNING AND DISPOSING OF THE ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Dividends

Subject to the discussion below under *"Taxation—Passive Foreign Investment Company*", the amount of dividends paid to a U.S. Holder with respect to the Ordinary Shares, before reduction for any taxes withheld therefrom, generally will be included in the U.S. Holder's gross income on the date actually or constructively received as ordinary income from foreign sources to the extent paid out of the Company's current or accumulated earnings and profits (as determined for U.S. federal income tax purposes). Distributions in excess of earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's adjusted tax basis in the Ordinary Shares, thereby reducing a U.S. Holder's adjusted tax basis (but not below zero) in the Ordinary Shares, and thereafter as capital gain. However, the Company does not intend to calculate the Company's earnings and profits under U.S. federal income tax principles. Therefore, U.S. Holders should expect to treat a distribution as a dividend even if that distribution would otherwise be treated as a non-taxable return of capital or as capital gain under the rules described above. The amount of any distribution paid in foreign currency will be equal to the U.S. dollar value of such currency, translated at the spot rate of exchange on the date such distribution is received, regardless of whether the payment is in fact converted into U.S. dollars at that time.

Dividends paid to a non-corporate U.S. Holder by a "qualified foreign corporation" may be subject to reduced rates of taxation if certain holding period and other requirements are met. A "qualified foreign corporation" generally includes a foreign corporation (other than a foreign corporation that is a PFIC (as defined below) with respect to the relevant U.S. Holder for the taxable year in which the dividends are paid or for the preceding taxable year) which is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes. The U.S. Treasury Department has determined that the treaty between the United States and the Russian Federation (the "**Treaty**") is satisfactory for these purposes. However, as discussed below (see "*Taxation—Passive Foreign Investment Company*"), the Company has not made any determinations regarding its PFIC status. U.S. Holders should consult their tax advisors regarding the availability of the reduced tax rate on dividends paid with respect to the Ordinary Shares. The dividends will not be eligible for the dividends received deduction generally available to corporations in respect of dividends received from other U.S. corporations.

Russian withholding tax at the rate applicable to a U.S. Holder under the Treaty should be treated as a foreign income tax that, subject to generally applicable limitations and conditions, may be eligible for credit against the U.S. Holder's U.S. federal income tax liability or, at such U.S. Holder's election, may be deducted in computing taxable income. If Russian tax is withheld at a rate in excess of the rate applicable to such U.S. Holder under the Treaty, the U.S. Holder will not be entitled to credits for the excess amount, even though the procedures for claiming refunds and the practical likelihood that refunds will be made available in a timely fashion are uncertain. If the Company is a qualified foreign corporation (as discussed above), the amount of the dividend taken into account for purposes of calculating the foreign tax credit limitation will generally be limited to the gross amount of the dividend, multiplied by the reduced rate divided by the highest rate of tax normally applicable to dividends. Dividends paid on the Ordinary Shares generally will constitute "passive category income" for purposes of the foreign tax credit. The rules governing foreign tax credits are complex. U.S. Holders should consult their tax advisers about the impact of these rules in their particular situations.

Disposition of the Ordinary Shares

Subject to the discussion below under "*—Passive Foreign Investment Company*", a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes on the sale or other taxable disposition of the Ordinary Shares equal to the difference, if any, between the amount realized and the U.S. Holder's adjusted tax basis in the Ordinary Shares. In general, capital gains recognised by a non-corporate U.S. Holder, including an individual, are subject to a lower rate under current law if such U.S. Holder held the Ordinary Shares for more than one year. The deductibility of capital losses is subject to limitations. Any such gain or loss generally will be treated as U.S. source gain or loss for purposes of the foreign tax credit. Therefore, the use of any foreign tax credits relating to any Russian taxes imposed upon such sale may be limited. Each U.S. Holder is urged to consult its tax advisors as to the availability of tax credits for any Russian taxes withheld on the sale of the Ordinary Shares.

If the consideration received upon the sale or other taxable disposition of the Ordinary Shares is paid in foreign currency, the amount realized will be the U.S. dollar value of the payment received, translated at the spot rate of exchange on the date of taxable disposition. If the Ordinary Shares are treated as traded on an established securities market, a cash basis U.S. Holder and an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS) will determine the U.S. dollar value of the amount realized in foreign currency by translating the amount received at the spot rate of exchange on the settlement date of the sale. An accrual basis U.S. Holder that does not make the special election will recognise exchange gain or loss to the extent attributable to the difference between the exchange rates on the sale date and the settlement date, and such exchange gain or loss generally will constitute U.S. source ordinary income or loss. A U.S. Holder's initial tax basis in its Ordinary Shares will be the U.S. dollar value of the foreign currency denominated purchase price determined on the date of purchase. If the Ordinary Shares are treated as traded on an established securities market, a cash basis U.S. Holder and an accrual basis U.S. Holder who has made a special election (which must be applied consistently from year to year and cannot be changed without the consent of the IRS) will determine the U.S. dollar value of the cost of such Ordinary Shares in foreign currency by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

Passive Foreign Investment Company

In general, a non-U.S. corporation will be a PFIC for any taxable year if at least (i) 75% of its gross income is classified as "passive income" (the "income test") or (ii) 50% of the value of its assets (determined on the basis of a quarterly average) produce or are held for the production of passive income (the "asset test"). For these purposes, cash is considered a passive asset. In making this determination, the non-U.S. corporation is treated as earning its proportionate share of any income and owning its proportionate share of any assets of any corporation in which it holds a 25% or greater interest (the "**look-thru rule**").

Because the Company and its affiliates are in the insurance business, the Company maintains a certain quantum of passive assets on its consolidated balance sheet, which, absent an exception from being considered passive assets for purposes of the asset test, could cause the Company to be a PFIC in a given tax year. There is an exception to PFIC status potentially available under certain rules applicable to "qualifying insurance corporations," and the Company's PFIC status may depend on whether it and potentially one or more of its subsidiaries qualify for the qualifying insurance corporation exception from the PFIC rules. Under the qualifying insurance corporation rules, income is not treated as passive if it is derived from the "active conduct" of an insurance business by a "qualifying insurance corporation" and certain other conditions are satisfied, and any assets of a qualifying insurance corporation that are available to satisfy liabilities related to its insurance business are likewise not treated as passive assets for purposes of the PFIC rules.

The Company has not made any determinations regarding its PFIC status. Based on the historic and anticipated composition of income, assets and operations of the Company, expected price of the Ordinary Shares and expectations as to the insurance business operation of the Company going forward, there is a risk that the Company was a PFIC for its most recent taxable year, is a PFIC for the current taxable year, and will be a PFIC for the foreseeable future if it is not eligible to apply the qualifying insurance corporation rules to itself or to one or more of its subsidiaries. The application of the qualifying insurance corporation exception to holding companies is complicated and itself is subject to various fact-intensive exceptions. In addition, the qualifying insurance corporation exception is based on recently promulgated Treasury Regulations, the application of which remains subject to uncertainties in several material respects and can give rise to conflicting interpretations, including with respect to a proper application of the look-thru rule to subsidiaries that are qualifying insurance corporations. The determination of whether the Company is a PFIC is made annually. Therefore, there cannot be any assurance that the Company has qualified or will qualify for the qualifying insurance corporation exception in the current taxable year or for the foreseeable future. Moreover, the value of the Company's assets for purposes of the PFIC determination will generally be determined by reference to the public price of the Ordinary Shares, which may fluctuate significantly. Therefore, there is no assurance that the Company would not be a PFIC in the future due to, for example, changes in the composition of the Company's assets or income, as well as changes in the Company's market capitalisation.

Under the PFIC rules, if the Company was considered a PFIC at any time that a U.S. Holder holds the Ordinary Shares, the Company would continue to be treated as a PFIC with respect to such holder's investment unless (i) the Company ceases to be a PFIC, and (ii) the U.S. Holder has made a "deemed sale" election under the PFIC rules. If such election is made, the U.S. Holder would be deemed to have sold its Shares at their fair market value on the last day of the last taxable year in which the Company was a PFIC, and any gain from the deemed sale would be subject to the rules described in the following paragraph. After the deemed sale election, so long as the Company does not become a PFIC in a subsequent taxable year, the Shares with respect to which such election was made would not be treated as shares in a PFIC. U.S. Holders should consult their tax advisors as to the possibility and consequences of making a deemed sale election if the Company is or becomes and then ceases to be a PFIC, and such election becomes available.

If the Company is a PFIC for any taxable year that a U.S. Holder holds the Ordinary Shares, any gain recognised by the U.S. Holder on a sale or other disposition of the Ordinary Shares would be allocated pro-rata over the U.S. Holder's holding period for the Ordinary Shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before the Company became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as appropriate, for that taxable year, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on the Ordinary Shares exceeds 125% of the average of the annual distributions on the Ordinary Shares received during the preceding three years or the U.S. Holder's holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain on the sale or other disposition of the Ordinary Shares if the Company was a PFIC, described above. Certain elections may be available that would result in alternative treatments (such as mark-to-market treatment, discussed below) of the Ordinary Shares. If the Company is treated as a PFIC with respect to a U.S. Holder for any taxable year, the U.S. Holder will be deemed to own shares in any entities in which the Company directly or indirectly owns equity that are also PFICs (the "**lower-tier PFICs**").

A timely election to treat the Company as a qualified electing fund under the Internal Revenue Code would result in an alternative treatment. A U.S. Holder may generally make a qualified electing fund election with respect to shares of a foreign corporation only if such taxpayer is furnished annually with a PFIC annual information statement as specified in the applicable Treasury regulations. However, the Company does not intend to prepare or provide the information that would enable U.S. Holders to make a qualified electing fund election. Therefore, U.S. Holders should assume that they will not receive such information from us and would therefore be unable to make a qualified electing fund election with respect to any of the Ordinary Shares.

Alternatively, if the Company is a PFIC for any taxable year and if the Ordinary Shares are "regularly traded" on a "qualified exchange," a U.S. Holder could make a mark-to-market election with respect to the Ordinary Shares (but likely not with respect to any lower-tier PFICs, if any). The Shares will be marketable if they are "regularly traded" on certain U.S. stock exchanges or on a foreign stock exchange that meets certain conditions. For these purposes, the Shares will be considered regularly traded during any calendar year during which they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. Any trades that have as their principal purpose meeting this requirement will be disregarded.

If a U.S. Holder makes an effective mark-to-market election, in each year that the Company is a PFIC, such U.S. Holder would include in ordinary income the excess of the fair market value of such U.S. Holder's Shares at the end of the year over such U.S. Holder's adjusted tax basis in the Shares. Such U.S. Holder would be entitled to deduct as an ordinary loss in each such year the excess of such U.S. Holder's adjusted tax basis in the Shares over their fair market value at the end of the year, but only to the extent of the net amount previously included in income as a result of the mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, in each year that the Company is a PFIC, any gain such U.S. Holder recognizes upon the sale or other disposition of such U.S. Holder's Shares would be treated as ordinary income and any loss would be treated as ordinary loss, but only to the extent of the net amount of previously included income as a result of the mark-to-market election.

A U.S. Holder's adjusted tax basis in the Shares would be increased by the amount of any income inclusion and decreased by the amount of any deductions under the mark-to-market rules discussed above. If a U.S. Holder makes an effective mark-to-market election, it would be effective for the taxable year for which the election is made and all subsequent taxable years unless the Shares are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election. However, because a mark-to-market election might not be made for any lower-tier PFICs that the Company may own, a U.S. Holder would generally continue to be subject to the PFIC rules discussed above with respect to such holder's indirect interest in any investments the Company holds that are treated as an equity interest in a PFIC for United States federal income tax purposes. As a result, it is possible that any mark-to-market election will be of limited benefit. U.S. Holders should consult their tax advisers about the availability of the mark-to-market election, and whether making the election would be advisable in their particular circumstances.

If the Company is a PFIC, a U.S. Holder also will be required to file an annual IRS Form 8621 (Information Return by Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund). Significant penalties are imposed for failure to file IRS Form 8621, and the failure to file such form may suspend the running of the statute of limitations. U.S. Holders should consult their tax advisers about the potential application of the PFIC rules, and any elections related thereto, to an investment in the Ordinary Shares.

Information Reporting and Backup Withholding

Dividend payments and proceeds paid from the sale or other taxable disposition of the Ordinary Shares may be subject to information reporting to the IRS. In addition, a U.S. Holder (other than exempt holders who establish their exempt status if required) may be subject to backup withholding on cash payments received in connection with dividend payments and proceeds from the sale or other taxable disposition of the Ordinary Shares made within the United States or through certain U.S.-related financial intermediaries.

Backup withholding will not apply, however, to a U.S. Holder who furnishes a correct taxpayer identification number, makes other required certification and otherwise complies with the applicable requirements of the backup withholding rules. Backup withholding is not an additional tax. Rather, any amount withheld under the backup withholding rules will be creditable or refundable against the U.S. Holder's U.S. federal income tax liability, provided the required information is timely furnished to the IRS.

Foreign Financial Asset Reporting

Certain U.S. Holders are required to report their holdings of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds certain threshold amounts. The Ordinary Shares are expected to constitute foreign financial assets subject to these requirements unless the Ordinary Shares are held in an account at certain financial institutions. U.S. Holders should consult their tax advisors regarding the application of these reporting requirements.

SELLING AND TRANSFER RESTRICTIONS

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Ordinary Shares, or possession or distribution of this Offering Memorandum or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Ordinary Shares may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisement in connection with the Ordinary Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Offering Memorandum comes should inform themselves about and observe any restrictions on the distribution of this Offering Memorandum and the offer and sale of the Ordinary Shares offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Memorandum does not constitute an offer to subscribe for or buy any of the Ordinary Shares offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

Information to Distributors

MiFID II Product Governance Requirements

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, Distributors should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

UK Product Governance Requirements

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Ordinary the Ordinary Shares have been subject to a product approval process, which has determined that the Ordinary Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each defined in paragraph 3 of the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the "**UK**

Target Market Assessment"). Notwithstanding the UK Target Market Assessment, "distributors" (for the purposes of the UK Product Governance Requirements) should note that: the price of the Ordinary Shares may decline and investors could lose all or part of their investment; the Ordinary Shares offer no guaranteed income and no capital protection; and an investment in the Ordinary Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK Target Market Assessment is without prejudice to any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment, the Underwriters will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the UK Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Ordinary Shares.

Each distributor is responsible for undertaking its own UK Target Market Assessment in respect of the Ordinary Shares and determining appropriate distribution channels.

Selling Restrictions

United States

The Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in certain transactions exempt from the registration requirements of the Securities Act. The Ordinary Shares are being offered and sold outside of the United States in reliance on Regulation S. The Underwriting Agreement provides that certain of the Underwriters may directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Ordinary Shares within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the Offering of the Ordinary Shares, an offer or sale of the Ordinary Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

United Kingdom

No Ordinary Shares have been or will be offered pursuant to the Offering to the public in the United Kingdom, except that the Ordinary Shares may be offered to the public in the United Kingdom at any time:

- to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Underwriters for any such offer; or
- in any other circumstances falling within Section 86 of the Financial Services and Markets Act 2000, as amended (the "**FSMA"**),

provided that no such offer of the Ordinary Shares shall require the Company, the Selling Shareholders or any Underwriter to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

For the purposes of this provision, the expression an "*offer to the public*" in relation to the Ordinary Shares in the United Kingdom means the communication in any form and by any means of sufficient information of the terms of the Offering and the Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares; and the expression "**UK Prospectus Regulation**" means Regulation (EU) 2017/1129 as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018.

In the case of any Ordinary Shares being offered to a financial intermediary, as that term is used in Article 5(1) of the UK Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant State to qualified investors who are not financial intermediaries as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Underwriters and their respective affiliates, and others will rely (and the Company and Selling Shareholders acknowledge that the Underwriters and their respective affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to purchase the Ordinary Shares.

In addition, in the United Kingdom, this Offering Memorandum and the Offering are only addressed to and directed at persons who are "qualified investors" within the meaning of Article 2(e) of the UK Prospectus Regulation who are (1) persons who have professional experience in matters relating to investments who fall within the definition of "investment professionals" in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"), (2) persons who are high net worth entities falling within Article 49(2)(a)-(d) of the Order, or (3) other persons to whom this Offering Memorandum and the Offering may otherwise lawfully be communicated (all such persons together being referred to as "**relevant persons**"). This Offering Memorandum and its contents must not be acted upon or relied upon in the United Kingdom by persons who are not relevant persons. Any investment or investment activity to which this Offering Memorandum relates is available only to relevant persons in the United Kingdom.

European Economic Area

Each of the Underwriters has represented and agreed in relation to each Member State of the European Economic Area (each, a "**Relevant Member State**") that neither it nor any of its affiliates have made nor will make an offer to the public of any Ordinary Shares which are the subject of the Offering contemplated herein in that Relevant Member State, except that it may make an offer of the Ordinary Shares to the public in that Relevant Member State under the following exemptions under the Prospectus Regulation:

(a) to legal entities which are qualified investors as defined under Article 2 of the Prospectus Regulation;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation), as permitted under the Prospectus Regulation, subject to obtaining the prior consent of the Underwriters for any such offer; or

(c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Ordinary Shares shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an "*offer of any Ordinary Shares to the public*" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information of the terms of the offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Regulation in that Relevant Member State; the expression "**Prospectus Regulation**" means Regulation (EU) 2017/1129 of the European Parliament and of the Council dated 14 June 2017.

In the case of any Ordinary Shares being offered to a financial intermediary, as that term is used in Article 3(2) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors who are not financial intermediaries as so defined or in circumstances in which the prior consent of the Underwriters has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Underwriters and their respective affiliates, and others will rely (and the Company and the Selling Shareholders each acknowledges that the Underwriters and their respective affiliates and others will rely) upon the truth and accuracy of the foregoing representations, acknowledgements and agreements. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the consent of the Underwriters, be permitted to subscribe for or purchase Ordinary Shares.

Canada

The Ordinary Shares may be sold in Canada only to purchasers resident or located in the Provinces of Ontario, Québec, Alberta and British Columbia, purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Ordinary Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (“**NI 33-105**”), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Cyprus

Each Underwriter has represented, warranted and agreed, and each further Underwriter appointed will be required to represent, warrant and agree that:

(a) it has not offered or sold and will not offer or sell any Ordinary Shares, except in conformity with the provisions of the Public Offer and Prospectus Law, Law 114(I)/2005 and the provisions of the Cyprus Companies Law, Cap. 113 (as amended);

(b) it has not and will not offer or sell any Ordinary Shares other than in compliance with the provisions of the Investment Services and Activities and Regulated Markets Law, Law 144(I)/2007 (the “**Cyprus Investment Services Law**”); and

(c) it has not and will not distribute copies of the Underwriting Agreement or this Offering Memorandum or any other offering material to the information distribution channels or the public in Cyprus, nor (when distributed by a duly licensed investment firm established or operating through a branch in Cyprus) to any person in Cyprus other than a “professional client” as defined in the Cyprus Investment Services Law;

(d) it has not used the material and disclosure statements in the Underwriting Agreement or in this Offering Memorandum for solicitation purposes for or in connection with the acquisition of the Ordinary Shares in circumstances under which is unlawful under Cyprus laws to make such an offer or solicitation; and

(e) it will not be providing from or within Cyprus any “investment services”, “investment activities” and “non-core services” (as such terms are defined in the Cyprus Investment Services Law) in relation to the Ordinary Shares or will be otherwise providing investment services, investment activities and non-core services to residents or persons domiciled in Cyprus and will not be concluding in Cyprus any transaction relating to such investment services, investment activities and non-core services in contravention of the

Cyprus Investment Services Law and/or any applicable regulations adopted pursuant thereto or in relation thereto.

Japan

The Ordinary Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the "**FIEL**"). This Offering Memorandum is not an offer of securities for sale, directly or indirectly, in Japan or to or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exception from the registration requirements under the FIEL, and otherwise in compliance with, the FIEL and other relevant laws and otherwise in compliance with such law and any other applicable laws, regulations or ministerial guidelines of Japan.

Australia

No prospectus or other disclosure document has been lodged with or registered by the Australian Securities and Investments Commission in relation to the offering of the Ordinary Shares. This Offering Memorandum does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (the "**Corporations Act**") and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act.

This Offering Memorandum is being distributed in Australia by the Underwriters to persons (the "**Exempt Investors**") who are "sophisticated investors" (within the meaning of section 708(8) of the Corporations Act), to "professional investors" (within the meaning of section 708(11) of the Corporations Act) and/or otherwise pursuant to one of more exemptions contained in section 708 of the Corporations Act. The entity receiving this Offering Memorandum represents and warrants that if it is in Australia, it is either a professional or a sophisticated investor or a person to whom it is lawful to offer the Ordinary Shares without disclosure to investors under Chapter 6D of the Corporations Act and that it will not distribute this Offering Memorandum to any other person.

Any of the Ordinary Shares applied for by Exempt Investors in Australia must not be offered for sale in Australia for 12 months from the date of issue, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 or 708A of the Corporations Act. This Offering Memorandum is not supplied in connection with any offering or proposed offering of securities or financial products that require disclosure in accordance with Chapter 6D or Part 7.9 of the Corporations Act. Chapters 6D and 7 of the Corporations Act are complex. Any person acquiring the Ordinary Shares must observe such Australian on-sale restrictions and if in any doubt as to the application or effect of this legislation, should confer with its professional advisors.

South Africa

The Ordinary Shares may not be and, accordingly, are not being offered or sold to prospective investors in the Republic of South Africa. Accordingly, the offer of the Shares will not constitute a public offer as defined in Section 96 of the Companies Act, 2008 (as amended) (the "**Companies Act**") and this Offering Memorandum does not, nor is it intended to, constitute a Prospectus prepared and registered under the Companies Act.

Transfer Restrictions

Rule 144A Offering

Each purchaser of the Ordinary Shares in the Rule 144A Offering, by its acceptance of delivery of this Offering Memorandum, will be deemed to have represented, agreed and acknowledged as follows:

1. The purchaser (i) is a QIB as that term is defined by Rule 144A under the Securities Act, (ii) is aware that, and each beneficial owner of such Ordinary Shares has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, (iii) is acquiring such Ordinary Shares for its own account or for the account of one or more QIBs and (iv) if it is acquiring such Ordinary Shares for the

account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the acknowledgements, representations and agreements herein on behalf of each such account.

2. The purchaser is aware that the Ordinary Shares, purchased pursuant to Rule 144A under the Securities Act or another exemption from, or transaction not subject to, the registration requirements of the Securities Act, have not been and will not be registered under the Securities Act and are being offered in the United States only in transactions not involving any public offering in the United States and are "restricted securities" as defined in Rule 144(a)(3) under the Securities Act (the "**Restricted Securities**").

3. For so long as the Ordinary Shares are Restricted Securities, it will not deposit such Ordinary Shares into any depositary receipt facility in respect of the Ordinary Shares established and maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility.

4. The Company, the Selling Shareholders, the Underwriters, their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the Ordinary Shares purchased within the United States pursuant to Rule 144A may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A under the Securities Act.

Regulation S Offering

Each purchaser of the Ordinary Shares in the Regulation S Offering, by its acceptance of the delivery of this Offering Memorandum, will be deemed to have represented and agreed as follows (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

1. the purchaser is, at the time of the offer to it of the Ordinary Shares and at the time the buy order originated, outside the United States for the purposes of Rule 903 under the Securities Act;

2. the purchaser is aware that the Ordinary Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S;

3. any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions shall not be recognised by the Company; and

4. the Company, the Selling Shareholders, the Underwriters and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

If a purchaser of the Ordinary Shares is acquiring such Ordinary Shares as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account, and it has full power to make the foregoing representations and agreements on behalf of each account.

SETTLEMENT AND DELIVERY

Subject to acceleration or extension of the timetable for the Offering, payment (in Russian Roubles) for, and delivery of, the Ordinary Shares (Settlement) is expected to take place on our about the Settlement Date. If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions and purchasers of the Ordinary Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Moscow Exchange may be annulled. Any transactions in the Ordinary Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Selling Shareholders and the Underwriters do not accept responsibility or liability towards any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in the Ordinary Shares. Each purchaser of the Ordinary Shares must pay for such Ordinary Shares by the date agreed with the Underwriters. The Ordinary Shares will be delivered to purchasers through the settlement facilities of the NSD. Therefore, to take delivery of the Ordinary Shares, purchasers must have a depositary account with the NSD or any other depositary that has an account with the NSD. The purchasers shall take all actions required in accordance with the depositary rules and applicable law to take delivery of the purchased Ordinary Shares, including issuing appropriate credit instructions to their depositaries.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Company in respect of the laws of England, the Russian Federation and the United States by Latham & Watkins LLP and in respect of the laws of the Russian Federation by Latham & Watkins LLP and EMPP Law Firm. Certain legal matters with respect to the Offering will be passed upon for the Underwriters in respect of the laws of England and the United States by White & Case LLP and with respect to the laws of the Russian Federation by White & Case LLC.

INDEPENDENT AUDITORS

The 2020 Financial Statements, the 2019 Financial Statements and the 2018 Financial Statements included in this Offering Memorandum have been audited by Ernst & Young LLC, independent auditors, in accordance with International Standards on Auditing.

The Interim Financial Information included in this Offering Memorandum has been reviewed by Ernst & Young LLC, independent auditors, in accordance with ISRE 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable auditors to obtain assurance that they would become aware of all significant matters that might be identified in an audit.

The address of Ernst & Young LLC is Sadovnicheskaya Nab., 77, bld. 1, Moscow 115035, Russian Federation. Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo. Ernst & Young LLC is independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) (including international independence standards) together with the ethical requirements that are relevant to the audit of the consolidated financial statements in the Russian Federation.

APPENDIX A

REPORT ON EMBEDDED VALUE CALCULATIONS

KPMG

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Independent Practitioner's Limited Assurance Report on results of the Embedded Value calculations prepared by LLC "Renaissance Life"

To the Board of Directors of LLC "Renaissance Life"

Introduction

We were engaged by the Management of LLC "Renaissance Life" ("the Management") to report on results of the Embedded Value calculations as set out in Section 5 of the LLC "Renaissance Life" ("the Company") Report on Embedded Value calculations at 31 December 2020 and 30 June 2021 and the accompanying Management statement thereon ("Embedded Value Report"), in the form of a limited assurance conclusion that, based on our work performed, nothing has come to our attention that causes us to believe that Management's statement that the results of the Embedded Value calculations presented in Section 5 of the Embedded Value Report are prepared based on methodology and assumptions as set out in Sections 3 and 4 of the Embedded Value Report is not, in all material respects, fairly stated.

We have not performed any procedures by way of audit, review or verification of source data used by the Management for the Embedded Value calculations except comparisons of data on policies, claims and surrenders with supporting documentation on a sample basis.

Our scope did not include performing procedures on the value or quality of the asset portfolio, nor did it include performing procedures on the adequacy of insurance contract provisions.

Management's Responsibilities

Management is responsible for:

- selecting methodology and assumptions for the Embedded Value calculations and for preparing the Embedded Value Report
- calculating the Embedded Value in accordance with methodology and assumptions as set out in Sections 3 and 4 of the Embedded Value Report

This responsibility also includes: designing, implementing and maintaining internal control system relevant to the preparation of the Embedded Value Report that is free from material misstatement, whether due to fraud or error. It also includes responsibilities for preventing and detecting fraud; for identifying and ensuring that the Company complies with laws and regulations applicable to its activities; selecting and applying policies; making judgments and estimates that are reasonable in the circumstances; and maintaining adequate records in relation to the information required for Embedded Value calculations.

Our Responsibilities

Our responsibility is to perform procedures to obtain evidence in respect of the Embedded Value calculation prepared by Management and to report thereon in the form of a limited assurance conclusion regarding Management's statement in respect of the Embedded Value calculation based on the evidence obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board.

ISAE 3000 requires that we plan and perform our procedures to obtain a meaningful level of assurance about whether Management's statement that the results of Embedded Value calculations presented in Section 5 of the Embedded Value Report are prepared based on methodology and assumptions as set out in Sections 3 and 4 of the Embedded Value Report is, in all material respects, fairly stated.

Our Independence and Quality Control

We have complied with the independence and ethical requirements established by the *Rules on Independence of Auditors and Audit Firms* and the *Code of Professional Ethics for Auditors* approved by the Audit Council of the Ministry of Finance of the Russian Federation and by the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which are based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

We apply the *International Standard on Quality Control* 1, and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Procedures Performed

The procedures selected, and our determination of the nature, timing and extent of these procedures, depend on our judgment, including the assessment of risk of material misstatement in the Embedded Value calculation, whether due to fraud or error, our understanding of the Embedded Value calculation, as well as other engagement circumstances.

In making these risk assessments, we considered internal control system relevant to the Company's preparation of the Embedded Value calculation in order to design procedures that are appropriate in the circumstances, but not for the purposes of expressing a conclusion as to the effectiveness of the Company's internal control.

Key procedures performed by us during the engagement included, but were not limited to, the following:

- Comparison of methodology used in Embedded Value calculations with that described in Section 3 of the Embedded Value Report
- Comparison of assumptions used in Embedded Value calculations with those described in Section 4 of the Embedded Value Report
- Assessing logic and relevance of approach to selecting assumptions used in Embedded Value calculations and comparison of this logic with description in Section 4 of the Embedded Value Report
- Comparison of relevant data on policies in-force used for Embedded Value calculations as at 30 June 2021 and 31 December 2020 with supporting documentation (such as originals of policy documents) on a sample basis
- Comparison of relevant data on claims and surrenders occurred during the period used for estimation of assumptions in Embedded Value calculations with supporting documentation (such as insurance claims files, surrender payment invoices, etc.) on a sample basis
- Independent recalculation in accordance with the Company's methodology of present value of future profits for a sample of products as at 30 June 2021 and 31 December 2020 and comparison of recalculation results with amounts calculated by the Company and stated in Section 5 of the Embedded Value Report
- Comparison of solvency margin projections prepared by the Company with current solvency margin regulation (Central Bank of Russia statement №710-P dated 10 January 2020, "On Certain Requirements for Financial Sustainability and Solvency of Insurers")
- Independent recalculation of cost of capital in accordance with the Company's methodology at 30 June 2021 and 31 December 2020 and comparison of recalculation results with amounts calculated by the Company and stated in Section 5 of the Embedded Value Report
- Reconciliation of net assets value used in Embedded Value calculations with local GAAP financial statements at 31 December 2020 (audited by the audit company Marillion, unmodified opinion was issued on 01 March 2021) and at 30 June 2021 (unaudited)
- Independent recalculation of Embedded Value at 31 December 2020 for a sample of products after changing assumptions on lapse rates, investment income rates and discount rate in order to compare results with amounts calculated by the Company and stated in Table 8 in Section 5 of the Embedded Value Report

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Criteria Used

Criteria for our evaluation are the methodology and assumptions as set out in Sections 3 and 4 of the Embedded Value Report.

Management's Statement

Management states that the results of Embedded Value calculations presented in Section 5 of the Embedded Value Report are prepared based on methodology and assumptions as set out in Sections 3 and 4 of the Embedded Value Report.

Characteristics and Limitations of the Embedded Value

Section 1 of the Embedded Value report describes limitations of the Embedded Value. Attention of the users of this report should be drawn to the following key limitations:

- Embedded Value calculation is based on a set of assumptions selected by the Company's management with a significant degree of expert judgement in estimating these assumptions and as a result in the Embedded Value itself
- Actual future results will differ from those shown in Section 5 of the Embedded Value Report, on account of changes in the operating and economic environments and natural variations in experience. No assurance is given by KPMG that future experience after the valuation dates will be in line with the assumptions made
- The results shown in the Embedded Value Report are not intended to represent an opinion of market value and should not be interpreted in that manner. The Embedded Value Report does not purport to encompass all of the many factors that may bear upon a market value
- Judgements as to the contents of this report and Embedded Value report should be made only after studying both of them in their entirety, as a review of a single section or sections on an isolated basis may not provide sufficient information to draw appropriate conclusions

Conclusion

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures performed and described in this report, nothing has come to our attention that causes us to believe that Management's statement that the results of Embedded Value calculations presented in Section 5 of the Embedded Value Report are prepared based on methodology and assumptions as set out in Sections 3 and 4 of the Embedded Value Report is not, in all material respects, fairly stated.

Restriction of use and distribution of our report

Our report is released to the Company and its Board of Directors on the basis that it shall not be copied, referred to or disclosed, in whole or in part without our prior written consent save for the Company's and Board of Directors' own internal purposes as well as for including in the Company's IPO prospectus in its entirety.

This report has been prepared for the Board of Directors of LLC "Renaissance Life" solely in connection with the Company's preparation for an IPO and for no other purpose or in any other context.

Andrey Kouznetsov

JSC "KPMG"

Moscow, Russia

05 October 2021

Report on Embedded Value calculations at 31 December 2020 and 30 June 2021

Contents

1. Introduction & Purpose

To enhance investors' understanding of our economic value and profitability, we have disclosed information regarding our Embedded Value, as presented below. This measure is determined using a discounted cash flow approach based on commonly applied actuarial methodologies.

It should be noted that there is no single adopted standard for the form, determination or presentation of the Embedded Value of a life insurance company.

Because of the technical complexity involved in these calculations and the fact that these estimates vary materially with any change in key assumptions, you should read the following report in its entirety, interpret the Embedded Value results with special care, and seek the advice of experts familiar with the interpretation of Embedded Value results.

The Embedded Value method is a commonly adopted alternative method of measuring the value and profitability of a life insurance company. Embedded Value is an actuarially determined estimate of the economic value of a life insurance business based on a particular set of assumptions as to future experience, excluding any economic value attributable to any future new business.

We believe that reporting our Embedded Value provides useful information to investors, in that it reports the value of shareholders' interests in the earnings distributable from assets allocated to the business in-force after sufficient allowance for the aggregate risks in that business.

Judgements as to the contents of this report should be made only after studying it in its entirety, as a review of a single section or sections on an isolated basis may not provide sufficient information to draw appropriate conclusions.

The Embedded Value results are not intended to represent an opinion of market value and should not be interpreted in that manner. Actual market value is determined by investors based on many factors. In particular, Embedded Value does not include the potential contribution arising from future new business which will depend on, among other things, the prospects of the local insurance market, our future position in this market and the profitability of future new business.

The Embedded Value results are presented as of 31 December 2020 and as of 30 June 2021 and are based on a series of assumptions as to the future. There is a significant degree of expert judgement in estimating these assumptions and as a result in the Embedded Value itself. It should be recognised that actual future results may vary from those shown, on account of changes in the operating and economic environments and natural variations in experience and such differences may be material. No warranty is given that future experience will be in line with the assumptions made.

The results shown in the Embedded Value report only consider claims by policyholders in the normal course of business under the terms of the policies issued to them. No attempt has been made to determine the effect on the results of any other claims against Renaissance Life, effect of changes in regulation, court practices and other external and internal factors.

Management statement

Management states that the results of Embedded Value calculations presented in Section 5 of this report are prepared based on methodology and assumptions as set out in Sections 3 and 4 of this report.

Oleg Kiselev

CEO

Sergey Faizov

Vice President, Head of Strategy

2. Executive summary

2.1. Methodology and assumptions overview

The Embedded Value (EV) is a measure of the value of shareholders’ interests in the earnings distributable from assets allocated to the in-force business. EV is calculated after allowance for the aggregate risks in that business arising from uncertainty in the timing and amount of expected future distributable earnings.

Renaissance Life calculates Embedded Value using a traditional deterministic discounted cash flow methodology. Under this approach EV at a particular reporting date is calculated as follows:

EV = Present value of future profits from in-force portfolio Less Cost of capital Plus Net asset value

Present value of future profits is calculated on an after-tax basis based on best estimate assumptions regarding future cash flows (premiums, claims, surrenders, etc.).

Cost of capital reflects opportunity cost of shareholders' funds locked-in in the insurance company in form of a solvency margin which cannot be withdrawn due to regulatory requirements.

Net asset value is based on financial statements under local GAAP at reporting date with 2 adjustments – reserves are valued in accordance with statutory rules and intangible assets are excluded.

Table 1. Summary of key assumptions employed in EV calculation

	31 December 2020	**30 June 2021**
Lapse rates	Rates are based on own lapse experience study and vary across products and policy years	Same rates as at 31 December 2020, except rates for most of Endowment products sold via banks where there was a downwards revision based on most recent lapse experience
Mortality rates	23% of rates in general population mortality table used for statutory reserving Adjustment coefficient of 23% is based on own mortality experience study	
Investment income rates	Based on target portfolio structure and management expectations on yields for each particular asset class Weighted average investment income rates are 8%, 8.2% and 8.5% for years 2021, 2022 and 2023 respectively From 2024 the rate becomes flat and equal to 8%	Based on target portfolio structure and management expectations on yields for each particular asset class Weighted average investment income rates are 8.2% and 8.5% for years 2021 and 2022-2026 respectively From 2027 the rate is reduced by an average of 0.2 p.p. from 8.3% to 7.5% in 2031 which is flat afterwards
Operating expenses	Depend on product type. For key products assumptions are as follows: Endowment: 5% of premium paid in each period Investment: 0.5% of insurance reserves per year Credit life: RUB 103 per year per policy	
Risk discount rate	11.0% based on CAPM approach	12.7% based on CAPM approach
Insurance reserves projection	Based on statutory rules at both reporting dates	
Bonus rates	80% / 85% of actual investment income for Investment / Endowment products Less guaranteed interest rate	
Corporate profit tax rate	20% at both reporting dates	

2.2. Key results

Table 2. Resulting EV components (RUB mln)

	31 December 2020	30 June 2021
Present value of future profits	7,705,316	8,387,634
Cost of capital	671,397	1,080,686
VIF (PVFP Less Cost of capital)	**7,033,919**	**7,306,948**
Net asset value, including	**6,778,215**	**6,001,870**
Required capital	3,677,353	4,107,888
Free surplus	3,100,862	1,893,982
Total EV (VIF + NAV)	**13,812,133**	**13,308,818**

Table 3. Key changes in EV value in the 1st half-year of 2021 (RUB mln)

EV at 31 December 2020	**13,812,133**
Decrease in equity (dividends + decrease in additional capital)	(2,203,687)
EV at 31 December 2020 after decrease in equity	**11,608,446**
Impact of revision of assumption on lapse rates	(780,478)
EV at 31 December 2020 after decrease in equity and one-off change in assumption on lapse rates	**10,827,968**
Impact of change in investment income and discount rates	(249,287)
VIF at 30 June 2021 of new business written in the 1st half of 2021	1,866,086
Other changes (unwinding of discount, experience adjustments, etc.)	864,051
EV at 30 June 2021	**13,308,818**
Growth rates in the 1st half-year of 2021	
Compared to EV after decrease in equity	15%
Compared to EV after decrease in equity and one-off change in assumption on lapse rates	23%

Technically EV decreased between 31 December 2020 and 30 June 2021, however, this decrease is attributed to the following factors:

- Decrease in equity of RUB 2.2 bln following payment of dividends and decrease in additional capital (in May 2021 Renaissance Life returned shareholders’ contribution to equity made in 2020)
- Change in assumption on lapse rates leading to a decrease in EV of RUB 780.5 mln

Subtracting these one-off impacts from EV at 31 December 2020 and comparing with EV at 30 June 2021 results in a growth of 23%.

Refer to sections below for detailed description of methodology, approach to selecting assumptions and key results.

3. Methodology of calculations

The Embedded Value (EV) is a measure of the value of shareholders’ interests in the earnings distributable from assets allocated to the in-force business. EV is calculated after allowance for the aggregate risks in that business arising from uncertainty in the timing and amount of expected future distributable earnings.

Renaissance Life uses a traditional deterministic discounted cash flow methodology for determining its EV. This methodology makes implicit allowance for all sources of risk including the cost of investment return guarantees and policyholder options, asset/liability mismatch risk, credit risk, the risk that actual experience in future years differs from that assumed, and for the economic cost of capital, through the use of a risk adjusted discount rate. Typically, the higher the risk discount rate, the greater the allowance for these factors.

EV is calculated as the sum the following components calculated at reporting date:

1. Value of in-force business (VIF)

   VIF is calculated as Present value of future profits (PVFP) generated by policies in-force at reporting date Less Cost of capital (CoC) required by regulation to support that business until its full run-off.

   PVFP is calculated on an after-tax basis based on best estimate assumptions regarding future cash flows (premiums, claims, surrenders, etc.).

   PVFP calculation does not include run-off portfolio transferred from Renaissance Health company in the end of March 2021 (RUB 1.4 bln of statutory reserves) and some other non-significant products (less than RUB 100 mln of statutory reserves)

   Cost of capital reflects opportunity cost of shareholders’ funds locked-in in the insurance company in form of a solvency margin which cannot be withdrawn due to regulatory requirements

2. Net asset value (NAV)

3.1. PVFP projection

PVFP is the present value of post-tax profits generated by policies in-force at reporting date. It includes cash flow components described in the table below.

Table 4. Cash flows in PVFP calculation

Cash flow	Description
Premium	Future premiums payable under in-force policies in accordance with product conditions on premium schedule
Acquisition costs	Commission payable to insurance intermediaries in accordance with product conditions and agreements with intermediaries
Claims	Expected claims on maturity and risk (death, disability, etc.) components of insurance coverage Claims include bonus payments to policyholders in accordance with product conditions
Change in reserves	Change in reserves calculated according to statutory reserving rules
Surrenders	Surrender values payable to policyholders who cease to pay future premiums Calculated in accordance with product conditions on surrender values depending on in-force period
Investment income	Investment income earned on average reserves in the projection period
Operating expenses	Operating expenses related to administering in-force portfolio
Profit before tax	Premium Less Acquisition costs Less Claims Less Change in reserves Less Surrenders Plus Investment income Less Operating expenses
Corporate profit tax	Profit before tax Multiplied by Corporate profit tax rate
Profit after tax	Profit before tax Less Corporate profit tax

Cash flows are projected till full run-off of portfolio in-force at reporting date. All cash flows are projected net of reinsurance. For policies denominated in foreign currencies cash flows are converted to RUB using exchange rates from CBR at reporting dates.

Profit after tax is calculated based on cash flows multiplied by probabilities of their occurrence (i.e. probability that a policy is still in-force at cash flow date and a probability that a cash flow occurs at that particular date). Values of profit after tax for each future projection period are then discounted back to reporting date using a risk discount rate.

See ‘Assumptions’ section on details for approach to selecting values of these probabilities and risk discount rates.

3.2. Cost of capital projection

Cost of capital reflects opportunity cost of shareholders’ funds locked-in in the insurance company in form of a solvency margin which cannot be withdrawn due to regulatory requirements.

For each future projection period cost of capital is calculated as follows:

(Risk discount rate Less Expected after-tax investment return rate) Multiplied by Solvency margin at the beginning of projection period.

Cost of capital for each future projection period is then discounted back to reporting date using a risk discount rate and summed up to arrive at total cost of capital.

3.3. Solvency margin projection

Recently Central Bank of Russia introduced new regulation on solvency for insurance companies – statement №710-P dated 10 January 2020, “On Certain Requirements for Financial Sustainability and Solvency of Insurers” which came into force on 1 July 2021.

This regulation amended earlier one (which covered capital for insurance risk only) with capital charges for market (including concentration, spread, interest, equity, currency, property and other assets risks) and credit risks. Coefficients in formulae for newly introduced capital charges (reflecting shocks to fair values of assets) will be increasing stepwise over 2021-2025 with thresholds on asset concentration simultaneously decreasing thus strengthening financial stability of the market players.

Another change introduced by 710-P is that minimum solvency ratio increases from 100% to 105%.

All these changes are incorporated in Renaissance Life calculations.

Impact of increasing capital charges for market and credit risks is estimated as follows:

1. Calculation of solvency margin at current reporting date as if future requirements are already in-force. Different solvency margin value is obtained for each of future steps of increasing coefficients in formulae for market and credit risks
2. Expressing solvency margins from Step 1 as percentages of sum of insurance reserves and equity at current reporting date
3. Applying percentages from Step 2 to sum of insurance reserves and equity from PVFP model for each future reporting dates

   Future equity is projected as opening equity plus after-tax profit of current period less expected dividends. Dividend flow is an assumption of management selected to keep solvency ratio at least 100% (for most periods it is above 130%).

Solvency margin for insurance risk is calculated as sum of solvency margins for risks classified as life insurance and non-life insurance (e.g. riders such as accidental disability, injury, etc.) respectively.

Solvency margin for life insurance risks is calculated as 5% of life insurance reserves adjusted for the reinsurance share in these reserves, but not more than by 15%.

Solvency margin for non-life insurance risks is a maximum of 2 indicators:

- Indicator 1 = 16% of gross written premiums over the past year
- Indicator 2 = 23% of average annual claims incurred calculated over the past 3 years

The resulting maximum is adjusted for a reinsurance share in claims incurred in the past year, but not more than by 15%.

Capital charges for market and credit risks are calculated in accordance with formulae stated in 710-P legislation.

Market risk capital charges depend on types of assets and are based on changes to balance sheet values of these assets following shocks applied to interest rates, credit spreads, foreign currency exchange rates, values of equities, property and other assets.

Credit risk capital charge is based on Monte-Carlo simulation of defaults of the company’s counterparties.

3.4. Net asset value

NAV is based on financial statements under local GAAP at reporting date with the following 2 adjustments:

- Insurance reserves are valued in accordance with statutory rules instead of ‘best estimate’ approach used in statement of financial position under local GAAP
- Intangible assets are excluded

NAV can be split into 2 components:

- Regulatory capital (solvency margin) – minimum capital required by local insurance regulator (Central Bank of Russia) to hold current volume of in-force business
- Free surplus – NAV in excess of regulatory capital (calculated based on regulatory reserves and excluding intangible assets)

4. Assumptions

This section summarises approach used by Renaissance Life to estimating assumptions for EV calculations at 31 December 2020 and 30 June 2021 and provides values for key assumptions used.

4.1. Lapse rates

Assumptions on lapse rates have been developed based on historical experience investigated in regular lapse rate studies.

Lapse rate assumptions vary by policy year and product type with different rates for regular and single premium products. Policies from products with regular premium are assumed to lapse at premium payment dates only. For single premium products lapses are assumed to be possible at any date.

Where experience for a particular product or a particular policy duration was not credible enough to allow any meaningful analysis to be performed, experience for similar products and management expert judgement were used as a basis for assumptions on lapse rates.

There was a revision of lapse rate assumptions during the 1st half of 2021 which led to a downwards revision of rates for most of Endowment products sold via banks.

4.2. Mortality and other claims incidence rates

Assumption on mortality rates is based on own mortality study covering more than 10 years of own claims experience.

Resulting mortality rates are assumed to be at 23% of a general population table used for statutory reserve calculations.

For other claims incidence rates (disability, injury, accidental death, etc.) we used either results of own experience study similar in essence to mortality study mentioned above or a combination of pricing assumptions, information from reinsurers, internal actuarial expert judgments. However, it has to be noted that impact of other claims on resulting PVFP is not significant.

The same assumptions on mortality and other claims incidence rates are used at 31 December 2020 and 30 June 2021.

4.3. Investment income rates

Renaissance Life uses investment income rates forecast based on target portfolio structure and expected yields for each particular asset class. These yields are based on historical returns, current market conditions, expectations of in-house investment department supplemented with expert opinion of asset management companies.

Table 5. Portfolio structure and resulting weighted average investment income rates

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031+
Portfolio structure (same at both reporting dates)											
Government bonds	16%	15%	8%	15%	15%	15%	15%	15%	15%	15%	15%
Corporate bonds	45%	41%	41%	45%	45%	45%	45%	45%	45%	45%	45%
Deposits	13%	20%	24%	16%	16%	16%	16%	16%	16%	16%	16%
Shares	24%	20%	24%	25%	25%	25%	25%	25%	25%	25%	25%
Property	3%	2%	2%	-	-	-	-	-	-	-	-
Other (credit-linked note)	1%	1%	1%	-	-	-	-	-	-	-	-
Weighted average investment income rate											
At 31 December 2020	8.0%	8.2%	8.5%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
At 30 June 2021	8.2%	8.5%	8.5%	8.5%	8.5%	8.5%	8.3%	8.1%	7.9%	7.7%	7.5%

Weighted average investment income rate at 30 June 2021 is generally higher than that at 31 December 2020 because of an increase in Central Bank of Russia key rate from 4.25% to 5.5% between those dates.

Other assumptions underlying weighted average investment income rate:

- Bonds and deposits

  Following CBR upwards revision of the key rate in the 1st half-year of 2021, we assume that interest rate environment would move towards higher interest rates in the nearest future, which will lead to an increase in the yields of fixed income instruments. We expect that following period of high interest rates, there would be a decrease after 2027.

- Shares

  We revised expected yields on stocks downwards on average by 2.4 p.p. moving to a more conservative estimate following analysis of historical and currently observed returns

- Property and credit-linked note

  We expect to dispose these assets in the end of 2023

4.4. Operating expenses

The expense levels are based on internal expense analysis investigations. The purpose of the expense analysis is to allocate firstly total expenses between acquisition and maintenance activities, and then to allocate these acquisition and maintenance expenses to various product categories to derive unit cost assumptions.

Expense assumptions employed in EV calculation refer to maintenance expenses only.

Expense assumptions do not make allowance for any anticipated future expense savings as a result of any strategic initiatives aimed at improving policy and claims handling efficiency.

Table 6. Unit costs assumptions used in the model depending on product type

Product type	Assumption on operating expenses
Endowment	5% of premium paid in each period
Investment	0.5% of insurance reserves per year
Credit life	RUB 103 per year per policy
Medical	27% of (Earned premium net of commission and reinsurance - change in life insurance reserve net of reinsurance)
Term	27% of (Earned premium net of commission and reinsurance - change in life insurance reserve net of reinsurance)

The same assumptions on operating expenses are used at 31 December 2020 and 30 June 2021.

4.5. Risk discount rate

Risk discount rate can be considered as the sum of the appropriate risk-free rate, to reflect the time value of money, and a risk margin to make allowance for the risk profile of the business.

Renaissance Life sets the risk discount rates to be equal to the estimated cost of equity capital based on Capital Asset Pricing Model (CAPM). The cost of equity capital is derived using a risk-free interest rate based on yields on Russian government bonds with duration close to duration of cash flows from in-force business, an equity risk premium and a market risk factor.

Resulting risk discount rates are 11.0% and 12.7% as at 31 December 2020 and 30 June 2021 respectively.

4.6. Other assumptions

Summary of other assumptions used in EV calculation is below:

- Insurance reserves are projected in accordance with current statutory rules and Renaissance Life internal reserving methodology submitted to CBR.

  No allowance is made for potential future changes in regulation and in internal reserving methodology
- Extra investment income attributable to policyholders (bonus payments) is 80% of actual investment income for Investment products or 85% of actual investment income for Endowment products Less guaranteed interest rate.

  Guaranteed interest rate is defined as 5% for all Endowment products for purposes of extra investment income calculation in the EV modelling.
- Cash flows from policies nominated in foreign currencies were converted into RUB using currency exchange rates as at each reporting date
- Corporate profit tax rate = 20%

5. Embedded Value results

Resulting EV components are as follows:

Table 7. Resulting EV components (RUB mln)

	31 December 2020	30 June 2021
PVFP, including	**7,705,316**	**8,387,634**
Endowment	4,401,105	4,488,088
Investment	3,023,647	3,565,854
Credit life	253,841	279,264
Medical	14,376	48,604
Term	12,347	5,823
Cost of capital	671,397	1,080,686
VIF (PVFP Less Cost of capital)	**7,033,919**	**7,306,948**
Net asset value, including	**6,778,215**	**6,001,870**
Required capital	3,677,353	4,107,888
Free surplus	3,100,862	1,893,982
Total EV (VIF + NAV)	**13,812,133**	**13,308,818**

Duration of after-tax profit cash flows is ca. 3 years which might explain EV being lower compared to the companies engaged in longer-term savings business. However, a shorter forecast horizon reduces uncertainty over assumptions and profits release pattern. In addition, growing local life insurance market provides opportunities to replace expiring business with a newly underwritten one.

Table 8. Key changes in EV value in the 1st half-year of 2021 (RUB mln)

EV at 31 December 2020	**13,812,133**
Decrease in equity (dividends + decrease in additional capital)	(2,203,687)
EV at 31 December 2020 after decrease in equity	**11,608,446**
Impact of revision of assumption on lapse rates	(780,478)
EV at 31 December 2020 after decrease in equity and one-off change in assumption on lapse rates	**10,827,968**
Impact of change in investment income and discount rates	(249,287)
VIF at 30 June 2021 of new business written in the 1st half of 2021	1,866,086
Other changes (unwinding of discount, experience adjustments, etc.)	864,051
EV at 30 June 2021	**13,308,818**
Growth rates in the 1st half-year of 2021	
Compared to EV after decrease in equity	15%
Compared to EV after decrease in equity and one-off change in assumption on lapse rates	23%

Technically EV decreased between 31 December 2020 and 30 June 2021, however, this decrease is attributed to the following factors:

- Decrease in equity of RUB 2.2 bln following payment of dividends and decrease in additional capital (in May 2021 Renaissance Life returned shareholders' contribution to equity made in 2020)
- Change in assumption on lapse rates leading to a decrease in EV of RUB 780.5 mln

Subtracting these one-off impacts from EV at 31 December 2020 and comparing with EV at 30 June 2021 results in a growth of 23%.

Appendix 1. Glossary

Bln	Billion
CBR	Central Bank of Russia
EV	Embedded Value
CAPM	Capital asset pricing model
CoC	Cost of capital
GAAP	Generally accepted accounting principles
Mln	Million
NAV	Net asset value
p.p.	Percentage point
PV	Present value
PVFP	Present value of future profits
RUB	Russian Ruble
VIF	Value of in-force business
710-P	Central Bank of Russia statement №710-P dated 10 January 2020, "On Certain Requirements for Financial Sustainability and Solvency of Insurers"

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Renaissance Insurance Group Joint Stock Company
Interim Condensed Consolidated Financial Statements

for the 6 months ended

30 June 2021

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улучшаем мир

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Report on Review of Interim Financial Information

To the Shareholders and Board of Directors of
Renaissance Insurance Group Joint Stock Company

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Renaissance Insurance Group Joint Stock Company and its subsidiaries, which comprise the interim condensed consolidated statement of financial position as at 30 June 2021, the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Renaissance Insurance Group Joint Stock Company is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Совершенствуя бизнес, улучшаем мир

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

D.E. Weinstein
Partner
Ernst & Young LLC

16 August 2021

Details of the entity

Name: Renaissance Insurance Group Joint Stock Company
Record made in the State Register of Legal Entities on 5 September 2018, State Registration Number 1187746794336.
Address: Russia 115114, Moscow, Derbenevskaya nab., 11, floor 10, office 12.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya nab., 77, bld. 1.
Ernst & Young LLC is a member of Self-regulated Organization of Auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Russian rubles)

	Notes	As at 30 June 2021	As at 31 December 2020
Assets			
Cash and cash equivalents	4	13 998 486	13 851 983
Amounts due from credit institutions	5	16 504 034	19 124 447
Financial assets at fair value through profit or loss	6	86 264 696	96 228 786
Assets of disposal group	7	25 566 917	-
Loans and other receivables	8	813 293	36 775
Available-for-sale financial assets	9	2 368 757	2 064 730
Financial assets held to maturity	10	-	566 078
Insurance and reinsurance receivables		7 602 731	6 111 768
Reinsurers' share of insurance contract liabilities	12	2 380 135	2 367 284
Current tax assets		113 254	138 694
Deferred tax assets		654 214	635 497
Deferred acquisition costs		9 422 190	8 640 151
Property and equipment		954 654	1 121 169
Investment property		1 984 515	1 859 500
Intangible assets		1 587 284	1 423 268
Goodwill	11	8 210 021	8 335 019
Other assets		922 240	1 168 689
Total assets		**179 347 421**	**163 673 838**
Liabilities			
Insurance contract liabilities	12	106 965 743	97 356 444
Liabilities of disposal group	7	23 586 438	-
Pension liabilities		-	22 578 168
Other insurance liabilities		7 349 794	5 936 299
Deferred commission income on ceded reinsurance		38 496	34 772
Debt securities issued		3 053 059	3 050 844
Borrowings and other payables	14	3 610 923	739 485
Current tax liabilities		51 437	211 555
Deferred tax liabilities		1 540 009	1 565 571
Other liabilities		1 559 748	1 957 049
Total liabilities		**147 755 647**	**133 430 187**
Equity			
Share capital		4 351 340	4 351 340
Additional capital		14 652 342	14 652 342
Revaluation reserve for available-for-sale financial assets		27 679	11 585
Translation differences		17 873	17 873
Insurance reserve of NSPF	7	914 791	901 994
Retained earnings		11 627 749	10 308 517
Total equity		**31 591 774**	**30 243 651**
Total equity and liabilities		**179 347 421**	**163 673 838**

These interim condensed consolidated financial statements were approved for issue on 16 August 2021 and signed by the General Director:

Yu.O. Gadliba
General Director

АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА РЕНЕССАНС СТРАХОВАНИЕ» • МОСКВА •
Ренессанс страхование

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(thousands of Russian rubles)

	Notes	*for the six months ended 30 June* 2021	2020
Gross insurance premiums		47 739 759	34 591 402
Gross change in unearned premium reserve		(1 688 361)	1 141 127
Premium ceded		(1 350 264)	(1 474 179)
Change in reinsurers' share of unearned premium reserve		58 524	230 722
Net premium earned	15	**44 759 658**	**34 489 072**
Insurance benefits and claims paid		(16 309 925)	(10 861 167)
Reinsurers' share of insurance benefits and claims paid		405 972	252 083
Gross change in claims reserve		(7 920 938)	(8 994 818)
Change in reinsurers' share of claims reserve		(45 673)	80 808
Net claims incurred	16	**(23 870 564)**	**(19 523 094)**
Net acquisition costs	17	(18 943 439)	(11 463 103)
Allowance for impairment of insurance and reinsurance receivables		(71 118)	(139 276)
Amortization of value of business in force		-	(21 854)
Result of insurance operations		**1 874 537**	**3 341 745**
Administrative expenses		(3 450 227)	(2 833 149)
Gains from financial assets at fair value through profit or loss, net	18	2 791 205	471 099
Other income from investing activities, net	18	1 267 436	1 011 563
Interest expense	14	(194 692)	(187 734)
Foreign exchange (losses)/ gains		(139 117)	531 653
Other operating income		93 026	173 536
Other operating expense		(558 898)	(493 327)
Other expenses less income		**(191 267)**	**(1 326 359)**
Profit before tax		**1 683 270**	**2 015 386**
Income tax expense		(267 081)	(327 507)
Profit for the period from continuing operations		**1 416 189**	**1 687 879**
Discontinued operations			
(Loss)/ profit for the period from discontinued operations	7	(84 160)	86 842
Net profit for the period		**1 332 029**	**1 774 721**
Earnings per share			
Basic and diluted earnings per share, rubles	19	3.25	4.33
Basic and diluted earnings per share for continuing operations, rubles	19	3.46	4.12
Other comprehensive income to be subsequently reclassified to profit or loss when specific conditions are met			
Net change in the fair value of available-for-sale financial assets		18 819	(34 727)
Translation differences		-	-
Reclassification of cumulative gains on disposal of debt instruments at fair value through other comprehensive income to the income statement		(2 725)	(3 417)
Other comprehensive income/ (loss), net of tax		**16 094**	**(38 144)**
Total comprehensive income for the period		**1 348 123**	**1 736 577**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Russian rubles)

	Share capital	*Additional capital*	*Revaluation reserve for available-for-sale financial assets*	*Translation differences*	*Insurance reserve of NSPF*	*Retained earnings*	*Total*
1 January 2020	**4 351 340**	**14 652 342**	**19 742**	**17 873**	**791 267**	**5 739 685**	**25 572 249**
Profit for the period	-	-	-	-	-	1 774 721	**1 774 721**
Other comprehensive loss net of tax	-	-	(38 144)	-	-	-	**(38 144)**
Total comprehensive income	**-**	**-**	**(38 144)**	**-**	**-**	**1 774 721**	**1 736 577**
Change in insurance reserve of NSPF	-	-	-	-	33 383	(33 383)	**-**
30 June2020	**4 351 340**	**14 652 342**	**(18 402)**	**17 873**	**824 650**	**7 481 023**	**27 308 826**
31 December 2020	**4 351 340**	**14 652 342**	**11 585**	**17 873**	**901 994**	**10 308 517**	**30 243 651**
Profit for the period	-	-	-	-	-	1 332 029	**1 332 029**
Other comprehensive income net of tax	-	-	16 094	-	-	-	**16 094**
Total comprehensive income	**-**	**-**	**16 094**	**-**	**-**	**1 332 029**	**1 348 123**
Change in insurance reserve of NSPF	-	-	-	-	12 797	(12 797)	**-**
30 June 2021	**4 351 340**	**14 652 342**	**27 679**	**17 873**	**914 791**	**11 627 749**	**31 591 774**

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of Russian rubles)

	For the six months ended 30 June	
	2021	***2020***
Cash flows from operating activities		
Life insurance premiums received	25 477 655	16 630 726
Non-life insurance premiums received	18 024 654	14 725 349
Reinsurance premiums paid	(907 391)	(1 182 524)
Life insurance benefits and claims paid	(6 726 833)	(2 855 932)
Non-life insurance benefits and claims paid	(8 857 292)	(7 020 114)
Reinsurers' share of benefits and claims, received	51 325	30 081
Acquisition costs paid	(15 230 695)	(7 591 755)
Claim settlement expenses, paid	(445 675)	(413 354)
Subrogation and salvages, received	639 726	636 278
Direct loss refund under Motor Third Party Liability Insurance, received from insurers	1 641 196	1 155 346
Direct loss refund under Motor Third Party Liability Insurance, paid to insurers	(1 528 681)	(1 515 534)
Direct loss refund under Motor Third Party Liability Insurance, paid to policyholders	(1 809 302)	(1 199 474)
Pension contributions received	1 890 841	1 657 080
Pension payments	(979 509)	(577 652)
Payments to professional associations of insurers in the form of deductions from premiums stipulated by the Russian legislation	(111 242)	(104 672)
Interest received	4 054 934	4 481 962
Interest paid	(160 353)	(174 631)
Dividends received and other similar payments	329 114	128 032
Purchase, sale and redemption of securities at fair value through profit or loss	(14 260 587)	(12 755 741)
Salaries and other employee benefits	(2 545 345)	(1 662 447)
Other administrative and operating expenses	(1 542 704)	(1 002 368)
Other cash flows from operating activities	595 040	226 835
Income tax paid	(483 670)	(288 317)
Net cash flows (used in)/ from operating activities	**(2 884 794)**	**1 327 174**
Cash flows from investing activities		
Proceeds from sale of property and equipment and intangible assets	8 671	345
Payments on purchase of property and equipment and intangible assets	(356 325)	(251 413)
Revenue from rental of investment property	116 490	86 082
Placement and withdrawal of deposits	2 475 572	304 960
Divestments and sale of available-for-sale financial assets	161 100	144 779
Loans granted	(1 402 597)	(1 055 236)
Loans repaid	589 618	153 031
Other cash flows from investing activities	-	(389)
Net cash flows from/ (used in) investing activities	**1 592 529**	**(617 841)**
Cash flows from financing activities		
Borrowings and other payables, received	2 970 000	855 058
Borrowings and other payables, repaid	-	(410 915)
Lease payments	(139 620)	(131 488)
Net cash flows from financing activities	**2 830 380**	**312 655**
Net increase in cash and cash equivalents	**1 538 115**	**1 021 988**
Effect of changes in the exchange rate of foreign currency to the ruble	21 653	(11 628)
Cash and cash equivalents, beginning	**13 851 983**	**10 612 901**
Cash and cash equivalents, ending	**15 411 751**	**11 623 261**

For the six months ended 30 June 2021 and 30 June 2020, the Group had no non-cash transactions from investing and financing activities, except for the recognition of right-of-use assets and lease liabilities on the basis of IFRS 16 *Leases.*

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

1. Corporate information

These interim condensed consolidated financial statements comprise financial statements of Renaissance Insurance Group Joint Stock Company (the “Company”) and its subsidiaries (together referred to as the “Group”).

The Company's legal address is Russian Federation 115114, Moscow, Derbenevskaya nab., 11, floor 10, office 12.

The Group's principal business activity is the provision of insurance and pension services within the Russian Federation. The Group provides various insurance services, including insurance of motor vehicles, property of legal entities and individuals, freight, different types of civil and professional liability, voluntary health insurance, medical costs insurance for individuals traveling abroad, life insurance, and compulsory motor third party liability insurance. Entities engaged in providing life insurance services offer a wide range of life insurance products such as endowment, including term life, pure endowment with premium refund and accident insurance. The non-state pension fund offers its clients non-state pension insurance services.

As at 30 June 2021 and 31 December 2020, the total number of shares issued is 404 763 892 364, with a nominal value of RUB 0.01 each. The shares are distributed among the shareholders of the entity in proportion to their interests.

The Group's parent company is LLC “Holding Renaissance Insurance”. The ultimate controlling party of the Group is Sputnik Management Services Limited due to changes in shareholders’ and control in May 2021.

As at 31 December 2020, the shareholders of the Company exercising joint control over its activities were as follows:
- Renaissance Insurance Holding LLC - 52.12%
- JOINT STOCK COMPANY TRANSFINGROUP ASSET MANAGEMENT, closed-end-mutual investment combined fund TEKHNOLOGICHESKIY - 35.80%
- Notivia Ltd. - 12.08%.

No individual person has ultimate control over the Group.

As at 30 June 2021 and 31 December 2020, the Group comprises the following entities:
- Renaissance Insurance Group Joint Stock Company
- Renaissance Life Ltd.
- JSIC “Renaissance health”
- JSC NSPF Renaissance pensions (NSPF; the “Fund”)
- SPUTNIK ASSET MANAGEMENT JSC
- MEDCORP LLC
- InRos-Med LLC
- Pryor Holdings Ltd.
- Overcombe Holdings Ltd.
- JSC “RenConsult”
- JSC “RenPrime”
- Welbi Holding LLC
- RenClinica LLC.

2. Basis of preparation

Basis of preparation of the financial statements

These interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 December 2020.

The interim condensed consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest thousand except where otherwise indicated. The functional currency of the Group’s companies is the Russian ruble.

2. Basis of preparation (continued)

Effect of COVID-19 pandemic

COVID-19 pandemic continues to influence the Russian economy and the world's in 2021: restrictions on travel abroad the Russian Federation remain in place, although individual countries have opened, or have announced the imminent opening of borders to Russian tourists; there was announced a population vaccination in Russia in the first half of 2021 and new restrictions were imposed on mass events and restaurants. Due to an increase in the incidence of the disease, there is a probability that restrictive measures for the spread of coronavirus will be strengthened.

In 2021, the Government and the Central Bank of Russia continue to provide support measures to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, repayment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

The Group monitors pandemic effect and changing micro- and macroeconomic conditions on its activities, financial position and financial results.

Going concern

These interim condensed consolidated financial statements of the Group as at 30 June 2021 and for the six months then ended have been prepared based on the going concern assumption.

3. Selected accounting policies

Changes in accounting policies. Application of standards and interpretations

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

Amendments to IFRS 4 –Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018.

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard IFRS 17 *Insurance Contracts*. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance.

The temporary exemption permits such entities to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until 1 January 2023 at the latest. The overlay approach requires that the additional volatility that may arise if IFRS 9 is applied with IFRS 4 to remove from profit or loss.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The Group decided to use the deferred application option of IFRS due to the fact that it complied with all necessary requirements, such as (i) its insurance liabilities exceeded 80% of the total amount of liabilities as at 31 December 2015 and (ii) there were no subsequent significant changes in the Group's operations. The Group will continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.* From the moment of decision to use the deferred application option and the assessment of compliance with criteria, there were no significant changes in the Group's operations.

(thousands of Russian rubles, unless otherwise stated)

3. Selected accounting policies (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods.

Standards issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 on or before the date it first applies IFRS 17. The Group is assessing the potential effect of IFRS 17 on its consolidated financial statements.

4. Cash and cash equivalents

	30 June 2021	***31 December 2020***
Cash on hand	2 784	301
Current accounts	5 306 144	7 655 524
Short-term deposits and overnight placements	8 689 558	6 196 158
Total cash and cash equivalents	**13 998 486**	**13 851 983**

For the purpose of the interim condensed consolidated statement of cash flows for the six months ended 30 June 2021, cash and cash equivalents comprise the assets of disposal group:

	30 June 2021	***31 December 2020***
Cash on hand	2 784	301
Current accounts	5 306 144	7 655 524
Short-term deposits and overnight placements	8 689 558	6 196 158
Cash and cash equivalents attributable to disposal group	1 413 265	-
Total cash and cash equivalents	**15 411 751**	**13 851 983**

(thousands of Russian rubles, unless otherwise stated)

5. Amounts due from credit institutions

Amounts due from credit institutions were represented by medium-term (more than 90 days) and long-term (more than a year) placements with Russian and foreign banks.

As at 30 June 2021 and 31 December 2020, 100% deposits were placed in Russian rubles, of which 47% and 36% respectively placed in the government-related banks.

As at 30 June 2021 and 31 December 2020, the effective interest rate on RUB-denominated deposits except for accounts intended for direct loss refund under Motor Third Party Liability Insurance was from 3.36% to 7.25%.

As at 30 June 2021, the Group had agreements with financial institutions, relating to accounts intended for direct loss refund under Motor Third Party Liability Insurance totaling RUB 550 000 thousand (31 December 2020: RUB 613 000 thousand), the use of which was restricted to settlements under obligatory types of insurance. As at 30 June 2021, the effective interest rate on such accounts was from 0% to 4.38% (31 December 2020: from 0% to 3.13%)

6. Financial assets at fair value through profit or loss

The Group estimates fair values of financial instruments reported in the statement of financial position using the following fair value hierarchy that reflects the materiality of the inputs used in making the estimates:

- *Level 1:* quoted (unadjusted) prices in an active market for an identical financial instrument.
- *Level 2:* valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar market instruments that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- *Level 3:* valuation techniques using significant unobservable inputs. This category includes instruments measured using inputs not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect differences between the instruments.

Financial assets at fair value through profit or loss comprise the following:

			30 June 2021
	Level 1	*Level 2*	**Total**
Corporate shares	19 492 008	-	**19 492 008**
Corporate bonds	43 767 472	1 246 867	**45 014 339**
State and municipal bonds	18 346 316	520 313	**18 866 629**
Other financial assets	2 100 285	791 435	**2 891 720**
Total financial assets at fair value through profit or loss	**83 706 081**	**2 558 615**	**86 264 696**

				31 December 2020
	Level 1	*Level 2*	*Level 3*	**Total**
Corporate shares	14 087 901	-	-	**14 087 901**
Corporate bonds	40 933 525	2 105 421	38 282	**43 077 228**
State and municipal bonds	37 651 562	532 523	-	**38 184 085**
Other financial assets	537 741	341 831	-	**879 572**
Total financial assets at fair value through profit or loss	**93 210 729**	**2 979 775**	**38 282**	**96 228 786**

As of 30 June 2021 and 31 December 2020 the Group's corporate shares consisted of Russian blue chips by 64% and 63% respectively.

The corporate bonds were represented by quoted bonds of major Russian companies.

State and municipal bonds were represented by RUB-denominated securities.

Corporate bonds include structured credit notes by an international investment and financial group, purchased by the Group in October 2020 for USD 15 000 thousand (RUB 1 159 283 thousand) with maturity in January 2024. The underlying asset of these structured credit notes is a liability of the parent. In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* the structured credit notes are classified as financial assets at fair value through profit or loss upon initial recognition. As at 30 June 2021 the structured credit notes amounted to USD 16 192 thousand (RUB 1 171 874 thousand) (31 December 2020: USD 15 985 thousand (RUB 1 180 976 thousand)).

(thousands of Russian rubles, unless otherwise stated)

7. Disposal group

In June 2021 the Group reached an agreement with JSC NSPF Sberbank to sell 100% shares of JSC NSPF Renaissance pensions and Welbi Holding LLC, which mainly represent segment of pension operations. As of 30 June 2021 the companies were classified as a disposal group held for sale and as a discontinued operations. The results of such companies for the six months ended 30 June 2021 are presented below:

	For six months ended	
	2021	***2020***
Pension contributions (including income allocated to depositors)	1 927 724	2 382 443
Pension payments	(984 375)	(657 430)
Change in pension liabilities	(930 797)	(1 686 484)
Commission income for pension insurance contracts	48 857	42 202
Result of pension operations	**61 409**	**80 731**
Administrative expenses	(150 450)	(102 621)
Other income from investing activities, net	25 848	152 592
Interest expense	-	(447)
Foreign exchange (losses)/ gains	(10)	47
Other operating income	10 329	6 413
Other operating expense	(12 989)	(2 871)
Other expenses less income	**(127 272)**	**53 113**
(Loss)/ profit before tax from discontinued operations	**(65 863)**	**133 844**
Income tax expense	(18 297)	(47 002)
(Loss)/ profit for the period from discontinued operations	**(84 160)**	**86 842**

Assets and liabilities of the disposal group held for sale as at 30 June 2021 are, as follows:

	As at 30 June 2021
Assets	
Cash and cash equivalents	1 413 265
Financial assets at fair value through profit or loss	23 973 223
Loans and other receivables	1 629
Current tax assets	11 212
Deferred tax assets	29 977
Property and equipment	1 555
Intangible assets	5 670
Other assets	5 388
Goodwill of JSC NSPF Renaissance pensions	124 998
Total assets	**25 566 917**
Liabilities	
Pension liabilities	23 508 965
Current tax liabilities	16 964
Other liabilities	60 509
Total liabilities	**23 586 438**
Net assets of the disposal group held for sale	**1 980 479**

The insurance reserve for pension activities formed as of 30 June 2021 ensures the sustainable fulfillment of obligations towards the participants of non-state pension agreements and will be released upon completion of the sale of NSPF.

The net cash flows of discontinued operations are, as follows:

	For six months ended	
	2021	***2020***
Net cash flows from/ (used in) operating activities	37 538	(812 921)
Net cash flows from investing activities	190 599	1 089 846
Net increase in cash and cash equivalents	**228 137**	**276 925**

(thousands of Russian rubles, unless otherwise stated)

8. Loans and other receivables

	30 June 2021	*31 December 2020*
Loans	806 604	27 166
Other receivables	6 689	9 609
Total loans and other receivables	**813 293**	**36 775**

As of 30 June 2021 loans include RUB-denominated loans issued to employees and a related party as well as a repurchase agreement. Loans issued to employees as at 30 June 2021 amounted to RUB 1 560 thousand maturing in 2021-2022 (31 December 2020: RUB 1 601 thousand maturing in 2021).

Loans issued to a related party as at 30 June 2021 amounted to RUB 53 220 thousand maturing in 2023 (31 December 2021: USD-denominated loans amounted RUB 25 565 thousand, repaid in 2021).

As of 30 June 2021 a loan issued under repurchase agreement amounted to RUB 750 167 maturing in 2022. As a collateral under this agreement the shares of a Russian public company were pledged to the Group, their fair value as of June 30, 2021 amounted to RUB 1 529 850 thousand.

As at 30 June 2021 and 31 December 2020, other receivables were mainly represented by security deposits under finance lease agreements.

9. Available-for-sale financial assets

	30 June 2021	*31 December 2020*
State and municipal bonds	250 740	-
Corporate bonds	1 811 649	1 783 614
Other financial assets available for sale	306 368	281 116
Total available-for-sale financial assets	**2 368 757**	**2 064 730**

Yield to maturity and maturities of the corporate bonds are presented below:

	30 June 2021		*31 December 2020*	
	Yield to maturity, %	*Maturity*	*Yield to maturity, %*	*Maturity*
State and municipal bonds	6,80%-7,30%	2024-2036	-	-
Corporate bonds	1,17%-9,64%	2021-2027	5,81%	2021

In 2021 this Group investment portfolio increased due to reclassification of financial assets from “Financial assets held to maturity” (*Note 10*).

As at 30 June 2021 and 31 December 2020, other financial assets available for sale are represented by investments in funds (investments in a global fund of funds and in an international venture investment fund). The fair value of the investments is determined based on the funds’ reports, where the value of the funds’ assets is defined as mark-to-market measurement.

10. Financial assets held to maturity

	30 June 2021	*31 December 2020*
State and municipal bonds	-	505 538
Corporate bonds	-	60 540
Total financial assets held to maturity	**-**	**566 078**

(thousands of Russian rubles, unless otherwise stated)

10. Financial assets held to maturity (continued)

Yield to maturity and maturities of financial assets held to maturity are as follows:

	30 June 2021		***31 December 2020***	
	Yield to maturity, %	***Maturity***	***Yield to maturity, %***	***Maturity***
State and municipal bonds	-	-	6,60%-8,68%	2024-2036
Corporate bonds	-	-	2,20%-2,50%	2026-2027

In 2021the Group intentions with respect to financial assets held to maturity changed. As a result, the portfolio was partially sold and the remaining part was reclassified to "Financial assets available-for-sale" at fair value in the amount of RUB 591 529 thousand (*Note 9*).

11. Goodwill

As at 30 June 2021, goodwill is represented by excess of the consideration paid over the fair value of net identifiable assets of Renaissance Life Ltd., MEDCORP LLC less any impairment losses. Goodwill of JSC NSPF Renaissance pensions is attributed to the assets of disposal group (*Note 7*).

As at 31 December 2020, goodwill is represented by excess of the consideration paid over the fair value of net identifiable assets of Renaissance Life Ltd., MEDCORP LLC and JSC NSPF Renaissance pensions less any impairment losses.

12. Insurance contract liabilities

	Life insurance contracts	*Non-life insurance contracts*	***Total liabilities***
30 June 2021			
Insurance contract liabilities	81 516 941	25 448 802	**106 965 743**
Reinsurers' share of insurance contract liabilities	(1 151 619)	(1 228 516)	**(2 380 135)**
Liabilities, net of reinsurance	**80 365 322**	**24 220 286**	**104 585 608**
31 December 2020			
Insurance contract liabilities	74 053 356	23 303 088	**97 356 444**
Reinsurers' share of insurance contract liabilities	(1 149 303)	(1 217 981)	**(2 367 284)**
Liabilities, net of reinsurance	**72 904 053**	**22 085 107**	**94 989 160**

Life insurance contract liabilities can be analyzed as follows:

	30 June 2021			***31 December 2020***		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Actuarial reserve	76 871 719	(779 086)	**76 092 633**	71 572 173	(810 291)	**70 761 882**
Claims reserve	4 367 724	(341 695)	**4 026 029**	2 223 040	(302 339)	**1 920 701**
Unearned premium reserve	277 498	(30 838)	**246 660**	258 143	(36 673)	**221 470**
Total liabilities	**81 516 941**	**(1 151 619)**	**80 365 322**	**74 053 356**	**(1 149 303)**	**72 904 053**

Non-life insurance contract liabilities can be analyzed as follows:

	30 June 2021			***31 December 2020***		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Claims reserve	7 306 836	(383 568)	**6 923 268**	6 672 723	(440 321)	**6 232 402**
Expected amounts to be recovered from subrogations	(893 468)	15 163	**(878 305)**	(842 566)	19 911	**(822 655)**
Expected gains on sale of property transferred to the insurer	(469 965)	5 110	**(464 855)**	(363 462)	3 291	**(360 171)**
Unearned premium reserve	19 505 399	(865 221)	**18 640 178**	17 836 393	(800 862)	**17 035 531**
Total liabilities	**25 448 802**	**(1 228 516)**	**24 220 286**	**23 303 088**	**(1 217 981)**	**22 085 107**

(thousands of Russian rubles, unless otherwise stated)

13. Segment analysis

Under the requirements of IFRS 8 *Operating Segments*, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)

- whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources allocated to the segment and assess its performance; and

- for which discrete financial information is available.

The Group's segment reporting is based on the following operating segments: non-life insurance, life insurance and other activities. The segment of pension operations is no longer presented due to disposal of the companies JSC NSPF Renaissance pensions and Welbi Holding LLC (*Note 7*). Other activities include asset management and other service-entities results.

Management monitors the results of performance of each operating segment separately.

Transactions not allocated by the Group to any segments and intersegment eliminations are reported in "Intersegment and non-allocated transactions" column.

Disclosure of reporting segments for the six months ended 30 June 2021 is presented in the table below:

	Non-life insurance	Life insurance	Other activities	Intersegment and non-allocated transactions	Total
Gross insurance premiums	21 088 516	26 658 680	-	(7 437)	**47 739 759**
Gross change in unearned premium reserve	(1 658 690)	(19 355)	-	(10 316)	**(1 688 361)**
Premiums ceded	(1 060 207)	(290 057)	-	-	**(1 350 264)**
Change in reinsurers' share of unearned premium reserve	64 359	(5 835)	-	-	**58 524**
Net premium earned	**18 433 978**	**26 343 433**	**-**	**(17 753)**	**44 759 658**
Insurance benefits and claims paid	(9 646 168)	(6 720 774)	-	57 017	**(16 309 925)**
Reinsurers' share of insurance benefits and claims paid	289 435	116 537	-	-	**405 972**
Gross change in claims reserve	(470 512)	(7 445 344)	-	(5 082)	**(7 920 938)**
Change in reinsurers' share of claims reserve	(53 824)	6 774	-	1 377	**(45 673)**
Net claims incurred	**(9 881 069)**	**(14 042 807)**	**-**	**53 312**	**(23 870 564)**
Net acquisition costs	(6 112 213)	(12 832 358)	-	1 132	**(18 943 439)**
Allowance for impairment of insurance and reinsurance receivables	(71 118)	-	-	-	**(71 118)**
Result of insurance operations	**2 369 578**	**(531 732)**	**-**	**36 691**	**1 874 537**
Administrative expenses	(2 142 056)	(1 131 214)	(204 101)	27 144	**(3 450 227)**
Net income from investing activities	809 603	3 237 336	63 205	(51 503)	**4 058 641**
Interest expense	(157 013)	(7 792)	(30 235)	348	**(194 692)**
Foreign exchange losses	(8 675)	(110 210)	(20 232)	-	**(139 117)**
Other operating income	90 151	2 785	62 797	(62 707)	**93 026**
Other operating expense	(467 554)	(131 639)	(10 965)	51 260	**(558 898)**
Other income/ (expenses)	**(1 875 544)**	**1 859 266**	**(139 531)**	**(35 458)**	**(191 267)**
Profit before tax	**494 034**	**1 327 534**	**(139 531)**	**1 233**	**1 683 270**
Income tax expense	(86 454)	(190 414)	8 568	1 219	**(267 081)**
Profit for the period from continuing operations	**407 580**	**1 137 120**	**(130 963)**	**2 452**	**1 416 189**

(thousands of Russian rubles, unless otherwise stated)

13. Segment analysis (continued)

30 June 2021	Non-life insurance	Life insurance	Other activities	Intersegment and non-allocated transactions	Total
Segment assets	68 430 464	94 858 207	21 499 945	(30 883 114)	**153 905 502**
Segment liabilities	34 867 181	86 338 466	4 615 093	(1 651 531)	**124 169 209**

Disclosure of reporting segments for the six months ended 30 June 2020 and as at 31 December 2020 is presented in the table below:

	Non-life insurance	Life insurance	Other activities	Intersegment and non-allocated transactions	Total
Gross insurance premiums	17 177 488	17 418 917	-	(5 003)	**34 591 402**
Gross change in unearned premium reserve	1 095 866	49 121	-	(3 860)	**1 141 127**
Premiums ceded	(1 254 691)	(219 488)	-	-	**(1 474 179)**
Change in reinsurers' share of unearned premium reserve	287 537	(56 815)	-	-	**230 722**
Net premium earned	**17 306 200**	**17 191 735**	**-**	**(8 863)**	**34 489 072**
Insurance benefits and claims paid	(8 048 371)	(2 889 270)	-	76 474	**(10 861 167)**
Reinsurers' share of insurance benefits and claims paid	185 153	67 557	-	(627)	**252 083**
Gross change in claims reserve	548 842	(9 545 658)	-	1 998	**(8 994 818)**
Change in reinsurers' share of claims reserve	72 471	5 915	-	2 422	**80 808**
Net claims incurred	**(7 241 905)**	**(12 361 456)**	**-**	**80 267**	**(19 523 094)**
Net acquisition costs	(6 226 133)	(5 236 970)	-	-	**(11 463 103)**
Allowance for impairment of insurance and reinsurance receivables	(139 276)	-	-	-	**(139 276)**
Amortization of value of business in force	-	-	-	(21 854)	**(21 854)**
Result of insurance operations	**3 698 886**	**(406 691)**	**-**	**49 550**	**3 341 745**
Administrative expenses	(1 957 040)	(691 247)	(182 162)	(2 700)	**(2 833 149)**
Net income from investing activities	488 921	972 731	(14 167)	35 177	**1 482 662**
Interest expense	(169 475)	(20 767)	(1 619)	4 127	**(187 734)**
Foreign exchange (losses)/gains	116 373	302 399	112 881	-	**531 653**
Other operating income	113 118	55 150	76 771	(71 503)	**173 536**
Other operating expense	(497 431)	(34 409)	(6 066)	44 579	**(493 327)**
Other expenses	**(1 905 534)**	**583 857**	**(14 362)**	**9 680**	**(1 326 359)**
Profit before tax	**1 793 352**	**177 166**	**(14 362)**	**59 230**	**2 015 386**
Income tax expense	(337 147)	43 395	5 304	(39 059)	**(327 507)**
Profit for the period from continuing operations	**1 456 205**	**220 561**	**(9 058)**	**20 171**	**1 687 879**

31 December 2020	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Segment assets	62 869 606	87 536 240	24 597 927	20 532 915	(31 862 850)	**163 673 838**
Segment liabilities	34 025 014	78 521 776	22 661 712	957 696	(2 736 011)	**133 430 187**

(thousands of Russian rubles, unless otherwise stated)

14. Borrowings and other payables

	30 June 2021	***31 December 2020***
Borrowings	3 001 521	-
Other payables, including:		
Other	5 600	5 600
Lease liabilities	603 802	733 885
Total other payables	**3 610 923**	**739 485**

Borrowings are represented by a credit opened with the international investment and financial group by the Group in June 2021 in the amount of RUB 3 billions maturing in 2022-2024. The loan is collateralized by a surety of MEDCORP LLC and by a share of 67 percent in the charter capital of Renaissance Life Ltd.

Interest expense on borrowings and other payables includes interest and other payments:

	For six months ended 30 June	
	2021	***2020***
Borrowings	31 521	-
Lease liabilities	26 259	40 673
Other	57	9 440
Total interest expense on borrowings and other payables	**57 837**	**50 113**

15. Net premium earned

	For six months ended 30 June					
			2021			***2020***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Gross written premiums, *including*:	**21 081 079**	**26 658 680**	**47 739 759**	**17 172 485**	**17 418 917**	**34 591 402**
Premiums on direct insurance	20 906 653	26 658 680	**47 565 333**	16 969 255	17 418 917	**34 388 172**
Premiums on assumed reinsurance	174 426	-	**174 426**	203 230	-	**203 230**
Gross change in unearned premium reserve	(1 669 006)	(19 355)	**(1 688 361)**	1 092 006	49 121	**1 141 127**
Gross premium earned	**19 412 073**	**26 639 325**	**46 051 398**	**18 264 491**	**17 468 038**	**35 732 529**
Reinsurers' share of the written premium	(1 060 207)	(290 057)	**(1 350 264)**	(1 254 691)	(219 488)	**(1 474 179)**
Change in reinsurers' share of reserve	64 359	(5 835)	**58 524**	287 537	(56 815)	**230 722**
Reinsurers' share of earned premium	**(995 848)**	**(295 892)**	**(1 291 740)**	**(967 154)**	**(276 303)**	**(1 243 457)**
Premiums earned, net of reinsurance	**18 416 225**	**26 343 433**	**44 759 658**	**17 297 337**	**17 191 735**	**34 489 072**

(thousands of Russian rubles, unless otherwise stated)

16. Net claims incurred

	For six months ended 30 June					
			2021			**2020**
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Insurance benefits and claims paid:						
Direct insurance	10 456 711	6 705 251	**17 161 962**	8 490 755	2 867 863	**11 358 618**
Assumed reinsurance	22 975	-	**22 975**	30 263	-	**30 263**
Claim settlement expenses	450 241	12 598	**462 839**	385 354	21 407	**406 761**
Income from subrogation	(679 208)	-	**(679 208)**	(622 681)	-	**(622 681)**
Income from salvages	(658 643)	-	**(658 643)**	(311 794)	-	**(311 794)**
Total insurance claims paid	**9 592 076**	**6 717 849**	**16 309 925**	**7 971 897**	**2 889 270**	**10 861 167**
Reinsurers' share of insurance benefits and claims paid	**(289 435)**	**(116 537)**	**(405 972)**	**(184 526)**	**(67 557)**	**(252 083)**
Change in claims reserve *(reclassified)*	634 113	2 144 684	**2 778 797**	(500 084)	446 823	**(53 261)**
Change in subrogation reserve	(50 902)	-	**(50 902)**	(15 809)	-	**(15 809)**
Changes in salvages reserve	(106 503)	-	**(106 503)**	(34 947)	-	**(34 947)**
Change in long-term life insurance reserve *(reclassified)*	-	5 299 546	**5 299 546**	-	9 098 835	**9 098 835**
Gross change in claims reserve and other reserves	**476 708**	**7 444 230**	**7 920 938**	**(550 840)**	**9 545 658**	**8 994 818**
Reinsurers' share of change in claims reserve	**53 824**	**(8 151)**	**45 673**	**(74 893)**	**(5 915)**	**(80 808)**
Total net claims incurred	**9 833 173**	**14 037 391**	**23 870 564**	**7 161 638**	**12 361 456**	**19 523 094**

(thousands of Russian rubles, unless otherwise stated)

17. Acquisition costs

	For six months ended 30 June					
			2021			***2020***
	Non-life insurance	*Life Insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Commissions for agents, brokers and other intermediaries	3 239 209	13 186 088	**16 425 297**	2 480 324	5 420 474	**7 900 798**
Expenses associated with use of information technologies to enter into insurance contracts	1 246 010	-	**1 246 010**	1 184 882	-	**1 184 882**
Extra commission	908 285	-	**908 285**	844 150	-	**844 150**
Sellers' payroll	722 486	83 355	**805 841**	657 987	55 718	**713 705**
Direct insurance advertising costs	329 396	-	**329 396**	178 308	-	**178 308**
Other acquisition costs	45 401	27 767	**73 168**	16 270	18 068	**34 338**
Total acquisition costs	**6 490 787**	**13 297 210**	**19 787 997**	**5 361 921**	**5 494 260**	**10 856 181**
Commission income on ceded reinsurance	(55 715)	(10 529)	**(66 244)**	(71 755)	(23 496)	**(95 251)**
Change in deferred expenses for commissions to agents, brokers and other intermediaries	(150 683)	(454 323)	**(605 006)**	698 316	(233 794)	**464 522**
Change in deferred expenses associated with use of information technologies to enter into insurance contracts	41 358	-	**41 358**	15 452	-	**15 452**
Change in deferred expenses for the extra comission	(24 371)	-	**(24 371)**	185 168	-	**185 168**
Change in deferred expenses for the sellers' payroll	(61 908)	-	**(61 908)**	865	-	**865**
Change in deferred expenses for direct insurance advertising	(118 725)	-	**(118 725)**	18 445	-	**18 445**
Change in other deferred acquisition costs	(13 386)	-	**(13 386)**	10 473	-	**10 473**
Change in deferred reinsurance commission income	3 724	-	**3 724**	7 248	-	**7 248**
Total current acquisition costs, net of reinsurance	**6 111 081**	**12 832 358**	**18 943 439**	**6 226 133**	**5 236 970**	**11 463 103**

18. Net income from investing activities

	For six months ended 30 June **2021**	**2020**
Financial assets at fair value through profit or loss:		
Gains from sale, net	141 830	170 018
Interest income	1 890 784	1 699 021
Change in fair value of financial instruments	758 591	(1 397 940)
Gains from financial assets at fair value through profit or loss, net	**2 791 205**	**471 099**
Other gains from investing activities:		
Interest income		
Deposits (more than 90 days)	386 583	555 019
Corporate securities	102 304	109 572
Banking accounts (including short-term deposits)	217 153	227 186
Loans	3 055	12 111
	709 095	**903 888**
Other investment income		
Dividends accrued	325 309	128 460
Commission expense	(10 974)	(13 906)
Gains less losses from investment property	240 259	100 478
Rental income	*115 519*	*102 208*
Maintenance	*(321)*	*(1 730)*
Revaluation	*125 061*	-
Other investment income/ (loss)	3 747	(107 357)
	558 341	**107 675**
Other income from investing activities, net	**1 267 436**	**1 011 563**
Total net income from investing activities	**4 058 641**	**1 482 662**

For six months ended 30 June 2021 foreign exchange losses related to financial assets at fair value through profit or loss amounted to RUB 108 430 thousand (For six months ended 30 June 2020 foreign exchange gains: RUB 241 909 thousand) and is included in “Foreign exchange gains/ (losses)” in interim condensed consolidated statement of comprehensive income.

19. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent (after adjusting for interest on the convertible preference shares) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the basic and diluted EPS calculations:

	30 June 2021	***30 June 2020***
Profit attributable to ordinary equity holders of the parent		
Profit for the period from continuing operations	1 416 189	1 687 879
(Loss)/ profit for the period from discontinued operations	(84 160)	86 842
Profit attributable to ordinary equity holders of the parent for basic and diluted earnings	**1 332 029**	**1 774 721**

	30 June 2021	***30 June 2020***
Weighted average number of ordinary shares outstanding (thousands of shares)	409 680	409 680

The weighted average number of shares takes into account the share consolidation that occurred in August 2021 (*Note 23*).

20. Fair value measurement

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value is best evidenced by the financial instrument's quoted price in the active market.

The estimated fair value of financial instruments is determined by the Group based on the available market information (if any) and appropriate valuation techniques. Management uses its own judgment in allocating financial assets to a particular level of the fair value hierarchy.

Assets for which carrying amount approximates fair value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than 90 days) it is assumed that their fair values approximate their carrying amounts. This assumption is also applied to amounts due from credit institutions and loans, which are carried at amortized cost using the discounted cash flow method using a fixed interest rate that is consistent with market levels.

Fixed rate financial instruments

The estimated fair value of unquoted debt financial instruments is based on discounting future cash flows using prevailing levels of interest rates for debt instruments having similar credit risk and remaining maturities.

The Group estimates fair values of financial instruments stated on the statement of financial position using fair value hierarchy, set out in *Note 6,* that reflects the materiality of the inputs used in estimation.

Derivatives

Other financial assets at fair value through profit or loss include derivative financial instruments represented by structured notes. The underlying asset for such instruments is a basket of mutual fund units, each of a certain weight. The market value of the basket is used to calculate an index indicating an increase in the basket's value on a certain date. The index is adjusted for the realized volatility of the basket's value and movements in EURIBOR 3M rates. Payments on the notes depend on the maximum value of the adjusted index during a certain period. Where the maximum value of the adjusted index is under 100% (relative to the date on which the index was first calculated), no payments are made. Contracts may contain a quanta currency component.

Available-for-sale financial assets

Available-for-sale financial assets measured using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. Such assets are valued using models incorporating either only observable data or both observable and unobservable data. The unobservable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Investment property

The Group uses comparative and income approach for valuation of its investment property. Under the comparative approach the adjustments method was implemented, under the income approach discounted cash flow method ("DCF") was used. When using DCF fair value is estimated using assumptions regarding the benefits and obligations associated with ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The return on investment is usually determined separately and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-leasing, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real estate. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent fees and commissions and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

When using the method of adjustments, sales of similar or substituting items of property and relevant market data are considered, and the estimated value is established through a process involving comparison. Generally, the property being appraised is compared to sales of similar properties that have occurred in the market. This method is one of the basic and reliable methods to evaluate the value of the property if there is market data on comparable objects. The following market factors are analyzed: offer period, physical characteristics of the property, sale conditions, technical condition and others. Then necessary corrections are made to determine fair value of the evaluated object.

(thousands of Russian rubles, unless otherwise stated)

20. Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 30 June 2021:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain/(loss)*	***Carrying amount***
Assets measured at fair value					
Financial assets at fair value through profit or loss	83 706 081	2 558 615	-	-	**86 264 696**
Available-for-sale financial assets	307 980	1 754 409	306 368	-	**2 368 757**
Investment property	-	-	1 983 135	-	**1 983 135**
Total assets measured at fair value	**84 014 061**	**4 313 024**	**2 289 503**	**-**	**90 616 588**
Assets for which fair values are disclosed					
Cash and cash equivalents	13 998 486	-	-	-	**13 998 486**
Amounts due from credit institutions	-	16 504 034	-	-	**16 504 034**
Loans and other receivables	-	806 604	6 689	-	**813 293**
Other assets	-	-	200 430	-	**200 430**
Total assets for which fair values are disclosed	**13 998 486**	**17 310 638**	**207 119**	**-**	**31 516 243**
Liabilities for which fair values are disclosed					
Debt securities issued	3 068 160	-	-	(15 101)	**3 053 059**
Borrowings and other payables	-	3 610 923	-	-	**3 610 923**
Other liabilities	-	-	1 295 148	-	**1 295 148**
Total liabilities for which fair values are disclosed	**3 068 160**	**3 610 923**	**1 295 148**	**(15 101)**	**7 959 130**

In the reporting period, financial assets at fair value through profit or loss in amount of RUB 1 451 852 thousand were transferred from Level 1 to Level 2 of the fair value hierarchy. Financial assets at fair value through profit or loss in amount of RUB 1 213 323 thousand were transferred from Level 2 to Level 1 of the fair value hierarchy. The reason for the transfers to Level 1 was that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market in respect of identical financial instruments. The reason for the transfers to Level 2 is that the market for some securities has become inactive, and since the transfer, these instruments have been valued using quoted prices of NSD Pricing Center estimated by the index extrapolation based on the observable market data.

Financial assets at fair value through profit or loss in amount of RUB 2 504 thousand were transferred from Level 3 to Level 1 of the fair value hierarchy. Financial assets at fair value through profit or loss in amount of RUB 36 159 thousand were transferred from Level 3 to Level 2 of the fair value hierarchy. The reason for the transfers to Level 1 was that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market in respect of identical financial instruments. The reason for the transfers to Level 2 is that these instruments have been valued using quoted prices of NSD Pricing Center estimated by the index extrapolation based on the observable market data and not by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data.

There have been no transfers to Level 3 of the fair value measurement hierarchy during the reporting period.

(thousands of Russian rubles, unless otherwise stated)

20. Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities as at 31 December 2020:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain/(loss)*	***Carrying amount***
Assets measured at fair value					
Financial assets at fair value through profit or loss	93 210 729	2 979 775	38 282	-	**96 228 786**
Available-for-sale financial assets	-	1 783 614	281 116	-	**2 064 730**
Investment property	-	-	1 858 073	-	**1 858 073**
Total assets measured at fair value	**93 210 729**	**4 763 389**	**2 177 471**	**-**	**100 151 589**
Assets for which fair values are disclosed					
Cash and cash equivalents	13 851 983	-	-	-	**13 851 983**
Amounts due from credit institutions	-	19 124 447	-	-	**19 124 447**
Loans and other receivables	-	-	36 775	-	**36 775**
Financial assets held to maturity	599 047	-	-	32 969	**566 078**
Other assets	-	-	187 117	-	**187 117**
Total assets for which fair values are disclosed	**14 451 030**	**19 124 447**	**223 892**	**32 969**	**33 766 400**
Liabilities for which fair values are disclosed					
Debt securities issued	3 106 710	-	-	(55 866)	**3 050 844**
Other payables	-	733 885	5 600	-	**739 485**
Other liabilities	-	-	1 783 389	-	**1 783 389**
Total liabilities for which fair values are disclosed	**3 106 710**	**733 885**	**1 788 989**	**(55 866)**	**5 573 718**

(thousands of Russian rubles, unless otherwise stated)

20. Fair value measurement (continued)

The following table includes valuation models and inputs used to measure Level 3 fair values, as well as sensitivity of measurement to reasonable possible changes in inputs as at 30 June 2021:

	Carrying amount	*Valuation model*	*Unobservable inputs*	*Range (weighted average value)*	*Reasonable changes*	*Sensitivity of fair value measurements*
Available-for-sale financial assets	171 432	Value of net assets	Net assets of the fund	N/a	+/- 1%	1 714
	134 936	Combined model to measure fair value	Carrying amount of the fund's investments, financial performance of the fund's investments	N/a	+/- 1%	1 349

The following table includes valuation models and inputs used to measure Level 3 fair values, as well as sensitivity of measurement to reasonable possible changes in inputs as at 31 December 2020:

	Carrying amount	*Valuation model*	*Unobservable inputs*	*Range (weighted average value)*	*Reasonable changes*	*Sensitivity of fair value measurements*
Financial assets at fair value through profit or loss	38 282	Quoted price of NSD Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data	Price, % of par value	100,17% - 101,56% (101,14%)	+/- 1%	372
Available-for-sale financial assets	143 377	Value of net assets	Net assets of the fund	н/п	+/- 1%	1 434
	137 739	Combined model to measure fair value	Carrying amount of the fund's investments, financial performance of the fund's investments	н/п	+/- 1%	1 377

(thousands of Russian rubles, unless otherwise stated)

20. Fair value measurement (continued)

Movements in Level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets that are recognized at fair value:

	1 January 2021	*Gains recorded in profit or loss*	*Losses recorded in equity*	*Purchases*	*Sales/ withdrawals*	*Transfers between levels*	*Currency revaluation*	*30 June 2021*
Financial assets at fair value through profit or loss	38 282	536	-	-	(155)	(38 663)	-	**-**
Available-for-sale financial assets	281 116	-	35 911	-	(4 301)	-	(6 358)	**306 368**
Total financial assets classified as Level 3 of the fair value hierarchy	**319 398**	**536**	**35 911**	**-**	**(4 456)**	**(38 663)**	**(6 358)**	**306 368**

	1 January 2020	*Gains (losses) recorded in profit or loss*	*Losses recorded in equity*	*Purchases*	*Sales/ withdrawals*	*Transfers between levels*	*Currency revaluation*	*31 December 2020*
Financial assets at fair value through profit or loss	1 566 417	47 825	-	30 860	(421 461)	(1 185 359)	-	**38 282**
Available-for-sale financial assets	410 778	(136 193)	(19 082)	-	(40 556)	-	66 169	**281 116**
Total financial assets classified as Level 3 of the fair value hierarchy	**1 977 195**	**(88 368)**	**(19 082)**	**30 860**	**(462 017)**	**(1 185 359)**	**66 169**	**319 398**

21. Related party transactions

	30 June 2021/ For six months ended 30 June 2021				
	Parent	***Key management personnel***	***Other***	***Total related parties***	***Total category***
Assets and liabilities					
Loans and other receivables	-	-	53 220	**53 220**	**813 293**
Other assets	-	3 894	6 728	**10 622**	**922 240**
Insurance contract liabilities	-	810	670	**1 480**	**106 965 743**
Other liabilities	-	77 257	-	**77 257**	**1 559 748**
Income and expenses					
Gross insurance premiums	-	1 108	63 884	**64 992**	**47 739 759**
Gross change in unearned premium reserve	-	(212)	(30 278)	**(30 490)**	**(1 688 361)**
Insurance benefits and claims paid	-	-	(7 577)	**(7 577)**	**(16 309 925)**
Gross change in claims reserve	-	-	(3 052)	**(3 052)**	**(7 920 938)**
Net acquisition costs	-	-	(5 350)	**(5 350)**	**(18 943 439)**
Administrative expenses	-	(50 193)	(5 933)	**(56 126)**	**(3 450 227)**
Other income from investing activities, net	-	-	43 209	**43 209**	**1 267 436**
Interest expense	-	(35)	(1 407)	**(1 442)**	**(194 692)**
Foreign exchange (losses)/ gains	-	-	(707)	**(707)**	**(139 117)**
Other operating income	55	-	728	**783**	**93 026**
Other operating expense	-	(814)	-	**(814)**	**(558 898)**

(thousands of Russian rubles, unless otherwise stated)

21. Related party transactions (continued)

					31 December 2020
	Companies with joint control over the Group	***Key management personnel***	***Other***	***Total related parties***	***Total category***
Assets and liabilities					
Cash and cash equivalents	15 797	-	-	**15 797**	**13 851 983**
Amounts due from credit institutions	-	-	2 476 360	**2 476 360**	**19 124 447**
Insurance and reinsurance receivables	-	-	490	**490**	**6 111 768**
Loans and other receivables	-	-	25 565	**25 565**	**36 775**
Deferred acquisition costs	-	-	27 147	**27 147**	**8 640 151**
Other assets	-	3 899	122	**4 021**	**1 168 689**
Insurance contract liabilities	555	655	60 307	**61 517**	**97 356 444**
Other insurance liabilities	-	1	19 919	**19 920**	**5 936 299**
Other liabilities	2 426	296 460	122	**299 008**	**1 957 049**

					For six months ended 30 June 2020
	Companies with joint control over the Group	***Key management personnel***	***Other***	***Total related parties***	***Total category***
Income and expenses					
Gross insurance premiums	-	927	74 592	**75 519**	**34 591 402**
Gross change in unearned premium reserve	-	325	2 802	**3 127**	**1 141 127**
Insurance benefits and claims paid	-	-	(20 841)	**(20 841)**	**(10 861 167)**
Gross change in claims reserve	-	-	(3 699)	**(3 699)**	**(8 994 818)**
Net acquisition costs	-	-	(70 743)	**(70 743)**	**(11 463 103)**
Administrative expenses	(24)	(187 527)	(35 756)	**(223 307)**	**(2 833 149)**
Other income from investing activities, net	177	-	79 982	**80 159**	**1 011 563**
Interest expense	-	(70)	(9 877)	**(9 947)**	**(187 734)**
Foreign exchange (losses)/ gains	2 534	-	60 212	**62 746**	**531 653**
Other operating income	-	-	1 148	**1 148**	**173 536**
Other operating expense	-	(1 429)	-	**(1 429)**	**(493 327)**

Administrative expenses include the total remuneration to the key management personnel, which amounted to RUB 44 758 thousand. For six months ended 30 June 2021 (For six months ended 30 June 2020: RUB 179 349 thousand). This includes short-term payments only.

The underlying asset of the structured credit notes by the international investment and financial group is a liability of the parent (*Note 6*).

As of 30 June 2021 other related parties were mainly presented by the ultimate controlling party’s subsidiaries (*Note 1*).

As of 31 December other related parties were mainly represented by the shareholders’ subsidiaries that have been exercised joint control over the Company’s activities. One of the Group’s shareholders was under control by Russian Federation. In the course of the Group’s ordinary activities, the Group entered into transactions on an arm's length basis with government-related entities, including investments in bonds, deposits and insurance operations

22. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government. For the six months ended 30 June 2021 the Central Bank of Russia increased the key rate three times: in March by 0.25 percentage points up to 4.5%, in April and June by 0.5 percentage points up to 5.0% and 5.5% respectively.

22. Commitments and contingencies (continued)

Operating environment (continued)

In general, economic indicators at the end of the six months ended 30 June 2021 reflect market expectations of an early economic recovery and the end of the pandemic, but at the moment the disease statistics are multidirectional, and expectations of an early end of the pandemic are combined with fears of the third wave of the pandemic development. In this regard, it is not possible to predict the further development of the situation with the pandemic coronavirus, and the risks of high volatility on stock, currency and commodity exchanges, the risks of a new decline in oil prices and further devaluation of the Russian ruble against the U.S. dollar and euro remain. The Group's management believes that it is taking appropriate measures to maintain the economic stability of the Group in the current situation.

Litigations and regulatory requirements

In the course of its ordinary activities, the Group is subject to legal claims. The claims are related to the nature of the Group's operations (settlement of claims under insurance contracts and recovery of counter claims as part of regress and subrogation activities). Management believes that legal proceedings will not result in significant non-recorded losses.

Short-term leases

The Group enters into a large number of short-term lease agreements in Russia. The term of these agreements does not exceed 12 months or the underlying asset is of low value. Lease payments for such leases are recognized as an expense on a straight-line basis over the lease term. If the lease terms have changed – for example, the Group has taken an option that was not expected with certainty to be taken before that – or the terms of the lease have been modified, the Group accounts for the lease as a new lease.

Sureties

As at 30 June 2021 and 31 December 2020, the Group had no sureties issued.

23. Subsequent events

In July 2021, the Group purchased a new issue of structured credit notes by the international investment and financial group in the amount of USD 15 500 thousand (RUB 1 127 213 thousand) with maturity in January 2024. The underlying asset of these structured credit notes is a liability of the parent.

In July 2021, the Group completed the sale of 100% shares of JSC NSPF Renaissance pensions and Welbi Holding LLC to JSC NSPF Sberbank.

In August 2021, the Company's shares were consolidated at the ratio of 1:988: the total number of shares issued is 409 680 053, with a nominal value of RUB 9.88 each.

Renaissance Insurance Group Joint Stock Company

Consolidated Financial Statements
in accordance with
International Financial Reporting Standards
Year ended 31 December 2020

Together with Independent Auditor's Report

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Notes to the consolidated financial statements

EY
Совершенствуя бизнес, улучшаем мир

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Independent auditor's report

To the Shareholders and Board of Directors of
Renaissance Insurance Group Joint Stock Company

Opinion

We have audited the consolidated financial statements of Renaissance Insurance Group Joint Stock Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) (including international independence standards) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

Key audit matter	How our audit addressed the matter
Estimation of insurance contract liabilities	
Estimation of insurance contract liabilities is one of the most important matters for our audit due to the significance of their amount, to complex and subjective nature of the estimates, which are based on assumptions and judgments made by management, and to a substantial variability of the estimation result depending on the assumptions used. Insurance contract liabilities are disclosed in Note 19 to the consolidated financial statements.	Our audit procedures included, in particular, an assessment of the assumptions and the methodology used by management for estimating insurance contract liabilities and liability adequacy testing, performed with the involvement of our actuaries. We analyzed the historical loss development and compared the estimates previously made by management with the actual portfolio movements. We analyzed the data used in the calculation, checked the mathematical accuracy of formulas and whether they are in line with the adopted methodology used to for estimating the insurance contract liabilities. We also analyzed the information on the estimation of insurance contract liabilities disclosed by the Group, including information on the use of liabilities, significant assumptions and the sensitivity of the amount of liabilities to changes in these assumptions.
Goodwill impairment testing	
The amount of recognized goodwill is significant to the consolidated financial statements and assumptions on the operating performance of subsidiaries and discount rate underlying the model of goodwill impairment testing are subjective. Therefore, this matter is one of the key matters of the audit of the consolidated financial statements. Information on the amount of goodwill and the results of goodwill impairment testing is disclosed in Note 16 to the consolidated financial statements.	Our audit procedures included, in particular, an assessment of the assumptions and the methodology used by Management for goodwill impairment testing, performed with the involvement of our valuation specialists. We analyzed data and assumptions used for goodwill impairment testing. We also analyzed the information on goodwill testing disclosed by the Group, including the information on assumptions and methodology used.

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Other information included in the annual report of Renaissance Insurance Group Joint Stock Company

Other information consists of information included in the annual report of Renaissance Insurance Group Joint Stock Company, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for other information. The annual report of Renaissance Insurance Group Joint Stock Company is expected to be provided to us after the date of this auditor's report.

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

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

Responsibilities of Management and the Audit Committee for the consolidated financial statements

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

The partner in charge of the audit resulting in this independent auditor's report is D. E. Weinstein.

D.E. Weinstein
Partner
Ernst & Young LLC

5 March 2021

Details of the audited entity

Name: Renaissance Insurance Group Joint Stock Company
Record made in the State Register of Legal Entities on 5 September 2018, State Registration Number 1187746794336.
Address: Russia 115114, Moscow, Derbenevskaya nab., 11, floor 10, office 12.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(thousands of Russian rubles)

	Notes	As at 31 December 2020	2019
Assets			
Cash and cash equivalents	5	13 851 983	10 612 901
Amounts due from credit institutions	6	19 124 447	18 986 182
Financial assets at fair value through profit or loss	7	96 228 786	66 895 008
Loans and other receivables	8	36 775	9 395
Available-for-sale financial assets	9	2 064 730	2 270 554
Financial assets held to maturity	10	566 078	553 338
Insurance and reinsurance receivables	11	6 111 768	5 862 400
Reinsurers' share of insurance contract liabilities	21	2 367 284	1 922 564
Current tax assets		138 694	470 109
Deferred tax assets	12	635 497	889 669
Deferred acquisition costs	13	8 640 151	9 166 079
Property and equipment	14	1 121 169	1 411 149
Investment property		1 859 500	1 851 567
Intangible assets	15	1 423 268	1 072 240
Goodwill	16	8 335 019	8 435 471
Value of business in force		-	43 708
Other assets	17	1 168 689	1 205 981
Total assets		**163 673 838**	**131 658 315**
Liabilities			
Insurance contract liabilities	19	97 356 444	74 364 338
Pension liabilities	20	22 578 168	19 586 615
Other insurance liabilities	22	5 936 299	4 653 214
Deferred commission income on ceded reinsurance	13	34 772	35 537
Debt securities issued	23	3 050 844	3 043 349
Borrowings and other payables	24	739 485	1 008 732
Current tax liabilities		211 555	84 000
Deferred tax liabilities	12	1 565 571	1 614 684
Other liabilities	26	1 957 049	1 695 597
Total liabilities		**133 430 187**	**106 086 066**
Equity			
Share capital	27	4 351 340	4 351 340
Additional capital	28	14 652 342	14 652 342
Revaluation reserve for available-for-sale financial assets		11 585	19 742
Translation differences		17 873	17 873
Insurance reserve of NSPF	29	901 994	791 267
Retained earnings		10 308 517	5 739 685
Total equity		**30 243 651**	**25 572 249**
Total equity and liabilities		**163 673 838**	**131 658 315**

These consolidated financial statements were approved for issue on 5 March 2021 and signed by the General Director:

Yu.O. Gadliba
General Director

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of Russian rubles)

	Notes	Year ended 31 December 2020	2019
Gross insurance premiums		82 765 924	71 691 037
Gross change in unearned premium reserve		365 855	(188 371)
Premium ceded		(2 699 263)	(2 503 457)
Change in reinsurers' share of unearned premium reserve		59 593	264 764
Net premium earned	31	**80 492 109**	**69 263 973**
Insurance benefits and claims paid		(23 671 807)	(22 636 731)
Reinsurers' share of insurance benefits and claims paid		621 322	911 636
Gross change in claims reserve		(23 357 961)	(16 519 599)
Change in reinsurers' share of claims reserve		385 127	(220 314)
Net claims incurred	32	**(46 023 319)**	**(38 465 008)**
Net acquisition costs	33	(29 712 534)	(24 801 813)
Allowance for impairment of insurance and reinsurance receivables	18	(123 402)	(192 337)
Amortization of value of business in force		(43 708)	(222 456)
Result of insurance operations		**4 589 146**	**5 582 359**
Pension contributions (including income allocated to depositors)		4 531 074	4 748 418
Pension payments		(1 423 649)	(1 386 548)
Change in pension liabilities		(2 991 553)	(3 244 724)
Commission income for pension insurance contracts		89 812	88 536
Result of pension operations	20	**205 684**	**205 682**
Administrative expenses	34	(6 849 597)	(6 514 630)
Gains from financial assets at fair value through profit or loss, net	35	5 548 722	5 023 394
Other income from investing activities, net	35	2 629 797	2 394 187
Interest expense		(366 541)	(337 318)
Foreign exchange gains/ (losses)		767 632	(220 365)
Other operating income	36	353 107	471 661
Other operating expense	36	(1 139 565)	(1 380 805)
Other expenses		**943 555**	**(563 876)**
Profit before tax		**5 738 385**	**5 224 165**
Income tax expense	12	(1 058 826)	(1 077 272)
Net profit		**4 679 559**	**4 146 893**
Other comprehensive income to be subsequently reclassified to profit or loss when specific conditions are met			
Net change in the fair value of available-for-sale financial assets		(4 740)	(87 265)
Reclassification of cumulative gain on disposal of debt instruments at fair value through other comprehensive income to profit or loss		(3 417)	
Translation differences		-	(104 405)
Other comprehensive (loss)/income for the year, net of tax		**(8 157)**	**(191 670)**
Total comprehensive income for the year		**4 671 402**	**3 955 223**

Yu.O. Gadliba
General Director

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Russian rubles)

	Share capital	Additional capital	Revaluation reserve for available-for-sale financial assets	Translation differences	Insurance reserve of NSPF	Retained earnings/ (accumulated loss)	Total
1 January 2019	**4 351 340**	**14 652 342**	**107 007**	**122 278**	**673 982**	**1 710 077**	**21 617 026**
Profit for the year	-	-	-	-	-	**4 146 893**	**4 146 893**
Other comprehensive loss net of tax	-	-	(87 265)	(104 405)	-	**-**	**(191 670)**
Total comprehensive income	**-**	**-**	**(87 265)**	**(104 405)**	**-**	**4 146 893**	**3 955 223**
Change in insurance reserve of NSPF	-	-	-	-	117 285	**(117 285)**	**-**
31 December 2019	**4 351 340**	**14 652 342**	**19 742**	**17 873**	**791 267**	**5 739 685**	**25 572 249**
Profit for the year	-	-	-	-	-	**4 679 559**	**4 679 559**
Other comprehensive loss net of tax	-	-	(8 157)	-	-	**-**	**(8 157)**
Total comprehensive income	**-**	**-**	**(8 157)**	**-**	**-**	**4 679 559**	**4 671 402**
Change in insurance reserve of NSPF	-	-	-	-	110 727	**(110 727)**	**-**
31 December 2020	**4 351 340**	**14 652 342**	**11 585**	**17 873**	**901 994**	**10 308 517**	**30 243 651**

Yu.O. Gadlibai
General Director

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

CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of Russian rubles)

	Year ended 31 December	
	2020	***2019***
Cash flows from operating activities		
Life insurance premiums received	44 099 583	30 036 980
Non-life insurance premiums received	33 100 139	33 121 002
Reinsurance premiums paid	(1 895 343)	(1 594 777)
Life insurance benefits and claims paid	(6 469 076)	(4 565 314)
Non-life insurance benefits and claims paid	(15 419 511)	(16 175 708)
Reinsurers' share of benefits and claims, received	110 088	393 554
Acquisition costs paid	(22 354 079)	(17 562 254)
Claim settlement expenses, paid	(821 828)	(1 075 524)
Subrogation and salvages, received	1 229 628	1 128 829
Direct loss refund under Motor Third Party Liability Insurance, received from insurers	2 313 942	2 932 384
Direct loss refund under Motor Third Party Liability Insurance, paid to insurers	(2 972 081)	(2 819 237)
Direct loss refund under Motor Third Party Liability Insurance, paid to policyholders	(2 690 565)	(3 555 341)
Pension contributions received	3 244 000	3 189 114
Pension payments	(1 415 234)	(1 387 345)
Payments to professional associations of insurers in the form of deductions from premiums stipulated by the Russian legislation	(214 521)	(195 386)
Interest received	6 945 890	5 709 637
Interest paid	(358 537)	(269 606)
Dividends received and other similar payments	653 695	379 627
Purchase, sale and redemption of securities at fair value through profit or loss	(27 006 708)	(12 945 312)
Salaries and other employee benefits	(4 171 025)	(3 483 995)
Other administrative and operating expenses	(2 220 952)	(2 410 350)
Other cash flows from operating activities	751 129	778 127
Income tax paid	(547 876)	(656 164)
Net cash flows from operating activities	**3 890 758**	**8 972 941**
Cash flows from investing activities		
Proceeds from sale of property and equipment and intangible assets	1 245	62
Payments on purchase of property and equipment and intangible assets	(820 243)	(367 439)
Revenue from rental of investment property	210 190	208 760
Placement and withdrawal of deposits	(180 523)	(7 024 223)
Withdrawals and sales of available-for-sale financial assets	143 629	1 046 151
Purchase of securities held to maturity	-	(549 580)
Loans granted	(1 055 303)	(100)
Loans repaid	1 199 968	59
Other cash flows from investing activities	(1 785)	310 964
Net cash flows used in investing activities	**(502 822)**	**(6 375 346)**
Cash flows from financing activities		
Borrowings and other payables, received	855 058	705 600
Borrowings and other payables, repaid	(800 755)	(3 200 000)
Proceeds from bonds issued	-	3 000 000
Lease payments	(297 834)	(203 427)
Other cash flows from financing activities	-	(30 054)
Net cash flows (used in)/ from financing activities	**(243 531)**	**272 119**
Net increase in cash and cash equivalents	**3 144 405**	**2 869 714**
Effect of changes in the exchange rate of foreign currency to the ruble	94 677	(88 144)
Cash and cash equivalents, beginning	**10 612 901**	**7 831 331**
Cash and cash equivalents, ending	**13 851 983**	**10 612 901**

In 2020 and 2019, the Group had no non-cash flows from investing and financing activities, except for the recognition of right-of-use assets and lease liabilities on the basis of IFRS 16 *Leases*.

Yu.O. Gadliba
General Director

Ренессанс страхование

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

1. Corporate information

These consolidated financial statements comprise financial statements of Renaissance Insurance Group Joint Stock Company (the "Company") and its subsidiaries (together referred to as the "Group").

The Company's legal address is Russian Federation 115114, Moscow, Derbenevskaya nab., 11, floor 10, office 12.

The Group's principal business activity is the provision of insurance and pension services within the Russian Federation. The Group provides various insurance services, including insurance of motor vehicles, property of legal entities and individuals, freight, different types of civil and professional liability, voluntary health insurance, medical costs insurance for individuals traveling abroad, life insurance, and compulsory motor third party liability insurance. Entities engaged in providing life insurance services offer a wide range of life insurance products such as endowment, including term life, pure endowment with premium refund and accident insurance. The non-state pension fund offers its clients non-state pension insurance services.

As at 31 December 2020 and 31 December 2019, the total number of shares issued is 404 763 892 364, with a nominal value of RUB 0.01 each. The shares are distributed among the shareholders of the entity in proportion to their interests.

As at 31 December 2020 and 31 December 2019, the shareholders of the Company exercising joint control over its activities were as follows:

- Renaissance Insurance Holding LLC - 52.12%
- JOINT STOCK COMPANY TRANSFINGROUP ASSET MANAGEMENT, closed-end-mutual investment combined fund TEKHNOLOGICHESKIY - 35.80%
- Notivia Ltd. - 12.08%.

No individual entity or person has ultimate control over the Company.

As at 31 December 2020 and 31 December 2019, the Group comprised the following entities:

- Renaissance Insurance Group Joint Stock Company
- Renaissance Life Ltd.
- JSIC "Renaissance health"
- JSC NSPF Renaissance pensions (NSPF, the "Fund")
- SPUTNIK ASSET MANAGEMENT JSC
- MEDCORP LLC
- RenClinica LLC*
- InRos-Med LLC
- Pryor Holdings Ltd.
- Overcombe Holdings Ltd.
- JSC "RenConsult"
- JSC "RenPrime"
- Welbi Holding LLC
- "RL Partners" JSC**

**The Company was established by the Group in September 2020.*

***In February 2020, the Group's entity, "RL Partners" JSC, was liquidated.*

2. Basis of preparation

Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations issued by the International Financial Reporting Standards Foundation, endorsed in accordance with the procedure established in line with the Russian legislation by the Government Russian Federation as agreed with the Bank of Russia.

These consolidated financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest thousand except where otherwise indicated. The functional currency of the Group is the Russian ruble.

Management made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in accordance with IFRS. Actual results could differ from these estimates.

2. Basis of preparation (continued)

Basis of preparation of the financial statements (continued)

The Group presents its consolidated statement of financial position in order of liquidity. An analysis of assets and liabilities to be recovered or settled within a period of 12 months after the reporting date (current assets/liabilities) or beyond a period of 12 months after the reporting date (non-current assets/liabilities) is provided in respective notes.

Subsidiaries

In accordance with the requirements of IFRS 10 *Consolidated Financial Statements,* subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, or otherwise has power to exercise control over their operations, are consolidated in the financial statements of the Group. Subsidiaries are fully consolidated by the Group from the date of acquisition, being the date on which the Group obtains control over the subsidiary, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as those of the parent company, using consistent accounting policies for all companies of the Group.

Subsidiaries acquired in 2015-2017 qualify as entities and businesses under common control. Since IFRS does not address the accounting for acquisition of such entities, the Group applied its own accounting policy, similar to IFRS 3 *Business Combinations*. Subsidiaries acquired as a result of transactions on an arm's length basis are recognized in accordance with IFRS 3 *Business Combinations*.

Effect of COVID-19 pandemic

Due to rapid spread of COVID-19 pandemic in 2020, many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chains, demand for goods and services, as well as the scale of business activity. It is expected that pandemic itself, as well as measures for minimization of its consequences, may influence the business of the entities in wide range of industries. Since March 2020, there exists a significant volatility in stock, currency and commodity markets, including decrease in crude prices and decrease in RUR to USD and EUR foreign exchange rates. These changes had a negative impact on the valuation of the Group's financial instruments, but in the second quarter the markets began to recover. As part of the existing products, the Group has developed several programs and services adapted for the pandemic. Due to the pandemic the Group moved a significant number of employees to work remotely, which reduced the cost of renting office space. Moreover, due to quarantine measures in April-May there was a decrease in loss ratio, which had a positive impact on the Group's financial performance. At the moment, the Group does not observe a significant impact of these changes on the Group's financial performance.

In 2020, support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, loan repayment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

The Group continues to assess pandemic effect and changing micro- and macroeconomic conditions on its activities, financial position and financial results.

Going concern

These consolidated financial statements of the Group as at 31 December 2020 and for the year then ended have been prepared based on the going concern assumption.

Changes in accounting policies. Application of standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2020. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and impact of each amendment is described below:

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 7, IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendment to IFRS 16: Covid-19-Related Rent Concessions

In May 2020, the IASB adopted and enacted amendments to IFRS 16 Leases which provides lessees with a practical exemption from accounting a COVID-19-related rent concession. The exemption allows a lessee, under certain circumstances, not to analyze whether a rent concession is a lease modification but to recognize a rent concession as an income or loss in the current period as well as it lists what information a lessee must disclose if it decides to adopt these amendments. The Group has not applied these amendments to accounting for leases.

3. Summary of accounting policies

Financial reporting in hyperinflationary economies

Prior to 2002, the Russian economy was marked by a relatively high level of inflation and was considered to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. During the reporting period, it does not meet the definition of a hyperinflationary economy provided in IAS 29. The above-mentioned standard requires that the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the end of the reporting period. The corresponding figures for the previous period and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. Application of IAS 29 results in an adjustment reflecting the loss of purchasing power of the Russian ruble that is recorded in profit or loss.

When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements in accordance with IAS 29, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

3. Summary of accounting policies (continued)

Financial reporting in hyperinflationary economies (continued)

Subject to the above provisions of IAS 29, the historical cost of non-monetary balance-sheet items was restated based on the change in consumer price indices in the Russian Federation, published by the State Statistics Committee. Conversion factors applicable in the period from 1997 to 2002 are presented below:

Year	***Consumer price index***
1997	1.110
1998	1.844
1999	1.365
2000	1.202
2001	1.186
2002	1.151

Non-monetary items originating prior to 1 January 2003, namely, share capital and property and equipment, were restated.

Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate to the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. According to the standard procedure, the Group determines whether it has significant insurance risk by comparing the consideration paid with the consideration to be paid if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts, which transfer significant financial risk; however, they do not transfer significant insurance risk. Financial risk is the risk of possible future changes in one or more certain factors, such as interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other underlying variable.

If the contract has been classified as an insurance contract it remains an insurance contract for the remaining contractual period, even if during this period a significant decline of the insurance risk takes place, except for the cases when all the rights and obligations are redeemed or expired. Investment contracts can be reclassified as insurance contracts after their conclusion, if the insurance risk becomes significant.

Non-state pension agreements. According to such agreements, the participant in the NSPF is an individual eligible to receive non-state pension payments in accordance with the pension agreement terms. A depositor under a pension agreement is an individual or a legal entity who is a party to a pension agreement and pays pension contributions to the NSPF. Pension contributions comprise funds paid by the depositor on behalf of the participant in accordance with the terms of the pension agreement. A participant can be a depositor on its own behalf.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash on current accounts, cash under trust management on broker accounts, short-term deposits and deposit certificates maturing in 90 (ninety) days or less from the date of placement without any contractual restriction on use.

Amounts due from credit institutions

In the normal course of business, the Group maintains deposits with credit institutions with various maturities. Amounts due from credit institutions with a fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowances for impairment.

3. Summary of accounting policies (continued)

Financial assets and liabilities

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument below. All regular purchases and sales of financial assets are recognized at the date of the transaction, i.e. the date when the Group commits to purchase or sell the financial asset. All other purchases are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, or available-for-sale financial assets, as appropriate.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

"Day 1" profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of resale in the short run. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in profit or loss.

After the initial recognition, these financial assets are measured at fair value. Fair value adjustments and realized gains and losses are recognized in profit or loss.

Financial assets held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold them to maturity. Financial investments held for an indefinite term are not included in this category. After initial measurement, financial assets held to maturity are measured at amortized cost, using the effective interest rate (EIR) method, less impairment. The EIR amortization is included as investment gains in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available for sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the recognition of changes in amortized cost.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, gains or losses on an available-for-sale financial asset are recognized as other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized. On derecognition, cumulative gains and losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Determination of fair value

The fair value for financial instruments traded in an active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option valuation models and other valuation techniques.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group establishes an allowance for impairment of financial assets when it is probable that the Group will not be able to collect the principal and interest according to the contractual terms of loans issued, financial assets held to maturity and other financial assets, that are carried at cost and amortized cost. The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The allowance for impairment of financial assets is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument.

For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Group expects to realize this financial instrument.

The allowance is based on the Group’s historical information on losses and management’s assessment of losses, which are likely to be recognized with respect to assets of each credit risk category, depending on possibility of debt servicing and the borrower's credit history. The allowance for impairment of financial assets is determined on the basis of existing economic and political conditions. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Changes in the allowance are recognized in profit or loss for the respective period. When a loan is uncollectible, it is written off against the related allowance for loan impairment. If the amount of the impairment decreases because of an event occurring after the write-off, the recovery is credited to the respective impairment of financial assets in profit or loss.

Available-for-sale financial assets

If there is objective evidence that a financial asset available for sale is impaired, the cumulative loss, being the difference between the acquisition cost and the current fair value (less any impairment loss previously recognized in profit or loss) is reclassified from other comprehensive income to profit or loss.

Reversal of impairment losses with respect to equity instruments classified as available for sale is not recognized in the comprehensive income. Impairment losses in respect of debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognized when liabilities arise and are measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Allowance for impairment of insurance and reinsurance receivables

The Group assesses whether there is any indication of impairment of insurance and reinsurance assets at the end of each reporting period. If the impairment indicators are identified, the Group records an allowance for impairment. Impairment allowances recognised due to the impairment of assets are accounted by the Group as expenses. The amounts of reversal of impairment allowances due to the repayment of receivables are accounted by the Group as income.

3. Summary of accounting policies (continued)

Reinsurers' share of insurance contract liabilities

The Group cedes risks to reinsurance in the course of its operating activities. Reinsurance assets represent balances due from reinsurance companies with respect to insurance liabilities ceded to reinsurance. Amounts recoverable from reinsurers are estimated in accordance with the terms of the related reinsurance contracts in a manner consistent with that used to estimate liabilities under insurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises. Impairment occurs when there is objective evidence that the Group may not receive all outstanding amounts due under the terms of the contract and the amount of such impairment may be measured reliably. Impairment loss is recognized in profit or loss.

Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders.

The Group also assumes reinsurance risks in the course of its operating activities. Premiums on assumed reinsurance are recognized as income in the same manner as the recognition of income from direct insurance, taking into account the classification of products involved in the reinsurance. Amounts due to reinsurers are estimated in a manner consistent with the relevant reinsurance policy and in accordance with the related reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Deferred acquisition costs

All direct and indirect costs incurred during the reporting period that arise from signing new insurance contracts or renewing current contracts but relate to future financial periods are capitalized to the extent that these costs are recoverable out of future premiums. The deferred costs include fees paid to agents, brokers and other intermediaries, consideration to sellers, advertising expenses related to direct insurance, pre-insurance survey, accountable forms, underwriting costs, use of information technologies provided by third-party organizations for sale of insurance products. All other acquisition costs are recognized as expenses when incurred.

Deferred acquisition costs are amortized on a straight-line basis over the life of the contract. Amortization is recognized as an expense in profit or loss.

Following an impairment testing that is performed at each reporting date, the carrying amount of deferred acquisition costs is written down to their recoverable amount. Deferred acquisition costs are also considered in the liability adequacy test performed at each reporting period.

Deferred acquisition costs are derecognized when the related contracts are either settled or expire.

Provision for unused vacations

The Group calculates the provision for unused vacations based on actual number of unused vacation days as at the reporting date and the assumption on the average wage and the rate of social insurance contributions.

Property and equipment

The Group recognizes property and equipment in accordance with IAS 16 *Property, Plant and Equipment.* All property and equipment is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing and installing equipment when the cost is incurred and if the criteria for capitalization are met.

Impairment reviews are performed when there are indicators that the carrying amount may not be recoverable.

Construction in progress is not depreciated until the asset is available for use. Depreciation of property and equipment is calculated using the straight-line method over their respective useful lives.

Useful lives by type of property and equipment are presented below:

	Years
Buildings	30-50
Furniture and fixtures	2-5
Computers and office equipment	3-10
Motor vehicles	5-10
Others	2-5

Leasehold improvements are amortized over a period of 5 years in accordance with the term of the lease agreement. At each financial year-end, the recoverable amount of assets, useful lives and methods are revised and adjusted, if necessary.

3. Summary of accounting policies (continued)

Property and equipment (continued)

Expenses associated with repairs and modernization are expensed as incurred and are included in administrative and operating expenses, unless they are subject to capitalization.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year when the asset is derecognized.

Intangible assets

The Group recognizes intangible assets in accordance with IAS 38 *Intangible Assets.* Acquired intangible assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the useful lives of intangible assets.

Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These capitalized costs are amortized on a straight-line basis over their estimated useful lives.

Software development and maintenance costs are expensed when incurred. Development costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recorded as intangible assets (capitalized). Such costs include the software development expenses, employee costs and an appropriate portion of relevant overheads.

Capitalized software development costs are amortized over the estimated useful lives of such software.

Investment property

The Group recognizes land, buildings or their parts, owned by the Group (including those received in course of chartered activities) as investment property, when the following conditions are simultaneously met:

- Property item (or part of the property) is intended to receive lease payments and is not used by the Group as a labor tool when providing services, for administrative or management purposes, to ensure safety, environmental protection, and in cases stipulated by sanitary, operational and other special technical guidelines and requirements.
- Property item is not planned for sale within 12 months from the date of the investment property designation.
- Property item is capable of generating economic benefits for the Group in the future.
- The value of investment property can be reliably measured.

Investment property is recorded at fair value. Gains or losses from change in fair value of investment property are recorded in profit or loss in the period in which they arise.

Fair value of investment property is the price that would be received for the sale of the property in an arm's length transaction at the evaluation date. The fair value of investment property should reflect market conditions at the end of the reporting period. Inter alia, the fair value of investment property reflects lease income from the existing lease agreements, and reasonable and acceptable assumptions of aware and willing parties on lease income from future lease agreements in the light of current circumstances. When determining the fair value, the Group does not deduct costs related to the transaction, which may arise due to the sale or other disposal of the asset.

Goodwill

Goodwill is carried at cost less accumulated impairment losses if any. Goodwill represents the excess of the fair value of net identifiable assets of the acquired entity at the date of acquisition over the consideration paid. Goodwill is tested for impairment at least annually or if there is any indication that it may be impaired.

Impairment is tested by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. The recoverable amounts are determined based on the cash flow projections calculated based on contractual relations existing at the end of the reporting period. If the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Borrowings

The Group accounts for borrowings and borrowing costs in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

Borrowings include amounts due to credit institutions, debt securities issued and other borrowed funds. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when interest expense are accrued, the liabilities are derecognized, or amortization charged.

3. Summary of accounting policies (continued)

Leases

Group as a lessee

Initial measurement

At the commencement date, the Group measures *a right-of-use asset* at the initial cost.

The initial cost of a right-of-use asset includes:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Initial direct costs made by the Group, and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date of the lease, the Group measures *lease liability* at the present value of future lease payments (VAT included) to be paid as at that date. Lease payments made by the Group to the lessor at or before the lease inception date are not included in the initial estimate of the lease liability.

Guarantee payments (VAT included) not made as at the commencement date are included in the assessment of the lease liability, if under the agreement the guarantee payment is offset against the Group's fulfillment of obligations under the lease or it is possible that the guarantee payment will be offset rather than returned to the lessee. If the guarantee payment is paid at or before the commencement date, it is not included in assessment of the lease liability, but it increases the initial cost of the right-of-use asset.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the rate of return of the bonded loan placed in the Moscow Exchange. If, at the commencement date, there are no outstanding bonds issued, the Group uses the rate on similar instruments. For the purpose of this article, the Group recognizes as similar instruments bonds traded on the Moscow Exchange issued by the companies, holding the same rating category as the Group assigned by one of the rating agencies. If there are several issues of such outstanding bonds, the rate of the issue, the placement date of which is the closest to the commencement date, is used as the discount rate. If under the lease agreement lease payments are made on a straight-line basis over the lease term in equal amounts, the discount rate is determined as modified by maturity on the basis of the zero coupon yield g-curve calculated by the Moscow Exchange.

If there are no companies holding the same rating category, the Group applies the incremental borrowing rate corresponding to the lease term using the information published on the website of the Bank of Russia: Weighted Average Interest Rates on RUB-denominated Loans Provided by Credit Institutions to Non-financial Organizations (30 Major Banks), or the key interest rate of the Bank of Russia effective at the date of initial recognition. If the Bank of Russia does not publish the information on the weighted average interest rates for the month corresponding to the commencement date, the latest published rate is used for calculation purposes.

Subsequent measurement

- After the commencement date, the Group measures *a right-of-use asset* at the initial cost;
- Less accumulated depreciation and impairment;
- Adjusted for revaluation of the lease liability.

When the right-of-use asset is depreciated, the Group applies the depreciation requirements stipulated by IAS 16 *Property, Plant and Equipment.*

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent to initial recognition, the *lease liability* is measured at amortized cost using the effective interest rate method.

Interest expense accrued for the previous month or for the period from the date of previous lease payment is recognized not later than the last day of the month and at the dates of lease payments under the lease agreement.

Variable lease payments not included in the measurement of lease liabilities are included in expense in the period on which the event or condition that triggers the payment occurs.

3. Summary of accounting policies (continued)

Leases (continued)

Short-term leases and leases of low-value assets

The Group does not apply the general accounting for leases with respect to:

- Short-term leases (leases that have a lease term of 12 months or less from the commencement date; leases containing a purchase option are not considered short-term).
- Leases of low-value assets (below the ruble equivalent of USD 5 000 at the exchange rate at the date of lease agreement).

Regarding short-term leases, the decision on the application of the exemption is taken with respect to all types of underlying assets leased by the Group.

Regarding leases of low-value assets, the decision on the application of the recognition exemption is taken with respect to each lease separately.

The Group measures the value of an underlying asset based on the asset's value, as if it were new, regardless of the age of the asset at the moment of lease.

If the Group subleases the asset, or it is expected that it will sublease the asset, the main lease agreement cannot be classified as the lease of low-value asset.

If the lease is considered a short-term lease or a lease of low-value assets, lease payments under such leases are recognized as lease expenses on a straight-line basis over the term of the lease.

Significant judgment in determining the lease term of contracts with renewal options

The lease term commences at the lease commencement date and includes periods without lease payments, granted by the lessor to the lessee.

The Group determines the lease term as non-cancellable term of lease, together with:

- any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the Group; and
- any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised by the Group.

In determining the lease term and analyzing the duration of the non-cancellable term of lease, the Group determines the period, during which the lease is secured. The lease is no longer secured, if both the lessee and the lessor have the right to terminate the lease without the other party's consent with subsequent payment of insignificant fines.

If only the lessee has the right to terminate lease, this right is considered to be the lessee's option to terminate the lease, which is taken into account by the Group when determining the lease term.

Options to terminate the lease, exercised by the lessor only are not taken into account when determining the lease term. At the commencement date, the Group analyzes the existence of reasonable assurance that it will exercise the option to extend the lease or to buy the underlying asset or it will not exercise the option to terminate the lease.

Group as a lessor

Operating lease

A lease is classified as an *operating lease* if it does not imply the transfer of substantially all the risks and rewards incidental to ownership of the underlying asset.

The Group presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group recognizes costs, including depreciation, incurred in receiving lease income, as expenses.

The underlying asset is depreciated in accordance with the method established for similar assets in the accounting policies.

The Group classifies a modified operating lease as a new lease from the date the modification becomes effective, with all related prepaid or accrued lease payments considered as part of lease payments under the new lease.

3. Summary of accounting policies (continued)

Leases (continued)

Finance lease

A lease is classified as a *finance lease* if it implies transfer of substantially all the risks and rewards incidental to ownership of the financial asset.

At the commencement date, the underlying assets leased out are recognized by the Group as receivables (net of VAT) in the amount equal to the net investment in leases.

Net investment in finance lease is the gross investment in lease discounted using the interest rate stated in the lease agreement.

Regarding the *sublease*, if the interest rate specified by the lease agreement cannot be determined, to measure the net investment in the sublease the discount rate, specified in the initial lease agreement, is used (adjusted for the initial direct costs related to the sublease).

The gross investment in leases comprises the following undiscounted amounts:

- Lease payments receivable by the lessor under the finance lease
- Unguaranteed residual value due to the lessor.

Initial direct costs are included by the Group in the initial measurement of net investment in leases and reduce the amount of income recognized over the lease term.

The interest rate specified in the lease agreement is determined to include initial direct costs in the net investment in leases.

From the commencement date of the finance lease, the Group derecognizes the underlying asset leased out.

The interest income is recognized by the Group over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in leases.

The derecognition and impairment of receivables under lease agreements is determined by the Group in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

The Group records the modified finance lease as a separate lease, if both of the following conditions are met:

- This modification extends the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration stipulated by the lease is increased by the amount equal to the price of a separate transaction to provide the specified right and by relevant adjustments to this price that reflect circumstances of a relevant lease agreement.

If both conditions are met, the modification gives rise to two separate lease agreements - an unmodified initial financial lease agreement and a separate lease agreement.

The Group records a separate lease agreement in the same manner as other new lease agreements. If only one condition is met, the modification does not result in a separate lease agreement.

In case of modification of the finance lease agreement that was not recorded as a separate lease agreement, the Group records the modification as follows:

- If a lease is classified as an operating lease provided that the modification becomes effective at the commencement date, the Group:
  - records such modification as a new lease from the effective date of the modification; and
  - measures the carrying amount of an underlying asset in the amount of net investment in leases immediately before the modification of a lease agreement becomes effective.

Insurance contract liabilities

The Group’s accounting for insurance contract liabilities is based on IFRS 4 *Insurance Contracts.*

Claims reserve

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claim settlement expenses and less the amounts expected to be recovered from subrogations and from the sale of property transferred to the insurer. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include adjustments for the risk of adverse deviation. The liabilities are not discounted and are derecognized when the obligation to pay a claim is discharged or is canceled.

3. Summary of accounting policies (continued)

Insurance contract liabilities (continued)

The amounts expected to be recovered from subrogations and salvages are calculated on the basis of the previous experience adjusted for current trends and any other factors with the purpose to recognize the expected income of the Group related to the insured events occurred.

Unearned premium reserve

The portion of insurance premiums relating to future periods is recognized as the unearned premium. A change in the unearned premium reserve is taken to the statement of profit or loss so that the revenue is recognized pro rata to the expired risk period.

Liability adequacy testing

At each reporting date, the liability adequacy testing is performed to determine, whether the expected losses and deferred acquisition costs in aggregate exceed the amount of unearned insurance premiums. In performing this testing, the current best estimates of future contractual cash flows, claims handling and acquisition costs, and investment income from assets backing such liabilities are used. Liability adequacy testing is performed in aggregate for the whole insurance portfolio. Any inconsistency is immediately recorded in profit or loss, by writing off deferred acquisition costs and, if that is not enough, by establishing an unexpired risk provision.

Life insurance contract liabilities

The reserve for life insurance contracts (except certain components of the insurance bonus reserve) is calculated, where possible, based on a prospective actuarial valuation method based on actuarial assumptions (see below).

Insurance contracts with and without discretionary participation features (DPF)

The Group has a program of investment income participation among clients keeping long-term endowment policies. The Group may accrue extra investment income to policyholders if the actual return on the portfolio of the related policies exceeds the minimum estimated rate of return. The Group decides on a regular basis upon the actual amount of extra income and the amount to be allocated among policyholders. The Group does not have any contractual obligations to allocate extra investment income according to the contracts' general terms and conditions.

Investment income participation is only valid for long-term policies that have endowment coverage. Thus, policies with a discretionary participation feature are mainly traditional long-term life insurance products that constitute a significant part of the Group's portfolio.

Insurance contracts with guaranteed benefits

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administrative expenses that are directly related to the contract, less the expected discounted value of estimated net premiums that would be required to meet the benefits and policy administration expenses, based on the valuation assumptions used. The liability is based on assumptions as to mortality, disability, morbidity, persistence, investment income and maintenance expenses. Obligations on discretionary participation features are reflected in the bonuses reserve.

Actuarial reserve on life insurance

Actuarial reserve is an estimate of the Group's liabilities arising under insurance contracts which covers expected insurance events and policy surrenders.

Pension liabilities

To ensure the sustainable fulfillment of obligations towards the participants of the non-state pension agreements, a reserve for pension liabilities is made, it includes a guaranteed component and an additional benefit with an investment component. The guaranteed component of agreements with investment component giving discretionary participation features is recognized as liability. An additional benefit according to IFRS 4 can be recognized as capital component or liability, or can be distributed between these two categories. According to the Group's accounting policy, an additional benefit on undistributed income is recognized as a liability.

In addition, the Fund made an insurance reserve in the part attributable to individual accounts to ensure fulfillment of obligations to the participants.

3. Summary of accounting policies (continued)

Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate this amount are those that are enacted or substantively enacted at the reporting date.

The current income tax expense is calculated in accordance with the Russian legislation.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are recognized for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied in the year when the asset will be realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items not recognized in profit or loss, but directly in equity, is not recognized in profit or loss.

The Group is subject to various operating taxes under Russian legislation. These taxes are accounted to in administrative expenses.

Share capital

Equity

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional capital.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date, or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Foreign currency transactions

The financial statements are presented in Russian rubles, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recognized in the functional currency converted at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

As at 31 December 2020, the official CBR exchange rate was RUB 73.88 for USD1 and RUB 90.68 for EURO1 (31 December 2019: RUB 61.91 for USD1 and RUB 69.34 for EURO1; 31 December 2018: RUB 69.47 and RUB 79.46 for USD1and EURO1, correspondingly).

Recognition of revenue

Premiums

Insurance premiums accrued comprise total premiums net of terminations and cancellations receivable for the whole period of cover provided by contracts entered into during the reporting period. Premiums under insurance contracts, where the period of cover exceeds 1 year, are recognized annually, if this breakdown by periods is specified in the respective insurance contract; otherwise, premiums are recognized in full.

The Group estimates the potential amount of liability for premium refunds on early termination of credit life insurance contracts based on statistical values of early loan repayments provided by Equifax credit bureau and applicable to the target sample contracts. This estimate is reflected as a decrease in credit life insurance premiums. The corresponding liability is recognized in the statement of financial position in other insurance liabilities.

Reinsurance premiums

Reinsurance premiums accrued comprise the total of premiums receivable for the whole period of cover provided by contracts entered into effect during the reporting period. Premiums comprise all adjustments made in the reporting period with regard to the reinsurance contracts entered into in the previous reporting periods.

3. Summary of accounting policies (continued)

Recognition of revenue (continued)

Investment income

Interest income is recognized in the statement of comprehensive income as it accrues and is calculated using the effective interest rate method.

Investment income also includes dividends recognized at the date when the Group's right to receive them is established.

Non-state pension contributions

Non-state pension contributions are recognized as income when initial pension contributions are received from depositors. Subsequent contributions are recognized as income when paid by depositors in accordance with the terms of contracts. Additional benefits in the form of income from placement of pension reserves are reflected as part of pension operations.

Commission income

A number of non-state pension agreements provide for additional target contributions to the Fund's own equity. Such contributions are subject to the terms of the contract and are recognized in profit or loss when received. Commission income also includes penalties for the termination of non-state pension agreements.

Recognition of income and expense

Claims incurred on insurance contracts

Claims incurred in insurance contracts comprise claims occurring during the year, whether reported or not, including the related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claim settlement expenses include internal and external costs incurred in connection with the settlement of claims. Internal costs include direct expenses of the claims department and any part of general administrative costs directly attributable to the claims function.

Interest expense

Interest is recognized in profit or loss as it accrues and is calculated using the effective interest rate method. Interest accrued are included in the carrying amount of the interest financial liability.

Non-state pension payments

Pension payments are recognized in the consolidated statement of comprehensive income as compensation is paid to depositors or third parties. Payments are made when the following conditions are met: occurrence of the event stipulated in the agreement and availability of participant's application for the assignment of a non-state pension. To account for pension payments, the Fund simultaneously reduces the corresponding liability by the amount of payment and reflects expense in the consolidated statement of comprehensive income. Redemption amounts under non-state pension agreements are recognized as expenses and reduce liabilities as payments as of the date of actual payment.

Standards issued but not applied by the Group

The standards and interpretations that are issued, but not yet applied by the Group at the date of issuance of the Group's consolidated financial statements are disclosed below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortized cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortized cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the consolidated statement of comprehensive income. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

3. Summary of accounting policies (continued)

Standards issued but not applied by the Group (continued)

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not carried at fair value through profit or loss, as well as for loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months, unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group uses the temporary exemption from applying IFRS 9, as described below. Retrospective application is required, but restatement of comparative information is not compulsory; the effect on the transition date should be recorded in retained earnings.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts − Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until 1 January 2021 at the latest. The overlay approach requires that the additional volatility that may arise if IFRS 9 is applied with IFRS 4 to remove from profit or loss.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The Group decided to use the deferred application option of IFRS due to the fact that it complied with all necessary requirements, such as (i) its insurance liabilities exceeded 80% of the total amount of liabilities as at 31 December 2015 and (ii) there were no subsequent significant changes in the Group's operations. The Group will continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.* From the moment of decision to use the deferred application option and the assessment of compliance with criteria, there were no significant changes in the Group's operations.

The Group considered whether the financial instruments not measured at fair value through profit or loss comply with the SPPI criterion. On the basis of the analysis, the SPPI criterion is satisfied for all debt financial assets not measured at fair value through profit or loss. The Group did not assess the business models used to manage these financial assets.

		31 December 2020
	Assets, which are not solely payments of principal and interest (non-SPPI)*	**Assets, which are solely payments of principal and interest (SPPI)****
Cash and cash equivalents	-	13 851 983
Amounts due from credit institutions	-	19 124 447
Loans and other receivables	-	36 775
Available-for-sale financial assets	281 116	1 783 614
Financial assets held to maturity	-	566 078
Total financial assets not measured at fair value through profit or loss	**281 116**	**35 362 897**

		31 December 2019
	Assets, which are not solely payments of principal and interest (non-SPPI)*	**Assets, which are solely payments of principal and interest (SPPI)****
Cash and cash equivalents	-	10 612 901
Amounts due from credit institutions	-	18 986 182
Loans and other receivables	-	9 395
Available-for-sale financial assets	410 778	1 859 776
Financial assets held to maturity	-	553 338
Total financial assets not measured at fair value through profit or loss	**410 778**	**32 021 592**

* These are assets that do not comply with "solely payment of principal and interest" criterion (SPPI), or assets held for trading, or assets managed on a fair value basis.

** These are assets that comply with "solely payment of principal and interest" criterion (SPPI), except for assets held for trading, or assets managed on a fair value basis.

The analysis of the credit quality of financial assets not measured at fair value through profit or loss is disclosed in *Note 37*.

3. Summary of accounting policies (continued)

Standards issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group will assess the potential effect of IFRS 17 on its consolidated financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

As part of its 2018-2020 Annual Improvements to IFRS standards process, the IASB issued an amendment to IFRS 9. The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

The amendment is effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The Group will apply the amendments to consolidated financial liabilities that are modified or exchanged on or after the beginning of the annual period in which it will first apply the amendment and does not expect this will result in a material impact on its consolidated financial statements.

Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4 and IFRS 16

In August 2020 the IASB issued Interest Rate Benchmark Reform - Phase 2 Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, (IBOR reform Phase 2) to address the accounting issues which arise upon the replacement of an IBOR with a RFR.

IBOR reform Phase 2 includes a number of reliefs and additional disclosures. The reliefs apply upon the transition of a financial instrument from an IBOR to a risk-free-rate (RFR).

Changes to the basis for determining contractual cash flows as a result of interest rate benchmark reform are required as a practical expedient to be treated as changes to a floating interest rate, provided that, for the financial instrument, the transition from the IBOR benchmark rate to RFR takes place on an economically equivalent basis.

The Group will apply IBOR reform Phase 2 from 1 January 2021.

Subsequent events

The financial statements were amended to reflect events after the reporting date, but prior to the approval of the financial statements provided these amendments indicate the conditions existing at the end of the reporting period. Non-adjusting events are events arising after the reporting date but prior to the approval of the financial statements and indicative of conditions arising after the reporting date, and do not result in the adjustment of financial statements, however, are reflected in the notes to the financial statements if such events are material and non-disclosure could influence the economic decisions that are made on the basis of the financial statements.

4. Significant accounting judgments and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of life insurance contract liabilities

For life insurance contracts, estimates are made as to the expected number of deaths, terminations and other events for each future year in which the Group is exposed to insurance risk. The Group bases these estimates on special mortality tables that reflect expected mortality rates. The mortality tables data may be adjusted to reflect unique risk exposure for the portfolio or certain insurance contracts and will be factored into the reserve calculation. For longevity risk contracts, reserve can be made for expected future mortality improvements.

Estimation of non-life insurance contract liabilities

The estimation of non-life insurance contract liabilities has a large degree of uncertainty. The detailed description of sources of uncertainty and assumptions with respect to the calculation of reserves for non-life insurance claims is disclosed in *Note 3*7.

Estimation of asset impairment allowances

Estimation of allowance for impairment of insurance receivables is based on aging analysis and the judgment that insurance receivables will not be repaid in future.

The allowance for impairment of financial assets is determined on the basis of the financial position of issuers of financial instruments.

The general approach to impairment assessment for non-insurance assets is to identify signs of impairment that can influence the future cash flows of the Group.

Recoverability of deferred acquisition costs

Deferred acquisition costs are recognized to the extent that they are expected to be recovered out of insurance revenue. The Group performs liability adequacy tests on a yearly basis with account of the deferred acquisition costs. At the reporting date, no deficit in liabilities was identified, and the Group estimates that deferred acquisition costs can be recovered out of future revenue.

Estimation of provisions for bonuses

Management estimates provisions for bonuses based on the information available at the reporting date and the approved employee incentive system.

Estimation of fair values of assets

Where the fair values of financial assets recorded in the consolidated statement of financial position cannot be derived from the prices on active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, and where this is not, a degree of judgment is required in establishing fair values.

In estimating fair values of investment property, the Group uses the income approach that takes account of future cash flows from rentals that the Group expects to receive.

Recoverability of deferred tax assets

In accordance with IAS 12 *Income Taxes*, the Group analyzes the recoverability of the deferred tax assets annually. The recoverable value of the deferred tax asset is measured on the basis of professional judgment, including the assumptions in respect of future performance of the Group and future cash flows.

Goodwill

Assumptions in respect of goodwill are disclosed in *Note 16*.

5. Cash and cash equivalents

	31 December 2020	*31 December 2019*
Cash on hand	301	629
Current accounts	7 655 524	1 783 131
Short-term deposits and overnight placements	6 196 158	8 829 141
Total cash and cash equivalents	**13 851 983**	**10 612 901**

As at 31 December 2020, 95% of total cash and cash equivalents were placed on accounts with four Russian banks (31 December 2019: 83% of total cash and cash equivalents were placed on accounts with five Russian banks).

As at 31 December 2020, 100% of total short-term deposits and overnight placements were placed with five Russian banks (31 December 2019: 89% of total short-term deposits and overnight placements were placed with three Russian banks).

As at 31 December 2020, 100% of short-term deposits were denominated in Russian rubles (31 December 2019: 93% of short-term deposits were denominated in Russian rubles, 7% of short-term deposits were denominated in US dollars).

6. Amounts due from credit institutions

Amounts due from credit institutions were represented by medium-term (more than 90 days) and long-term (more than a year) placements with Russian and foreign banks.

As at 31 December 2020 100% deposits were placed in Russian rubles (31 December 2019: deposits were placed in Russian rubles (99% of the total amount) and US dollars (1% of the total amount)). As at 31 December 2020, the effective interest rate on RUB-denominated deposits was from 0% to 7.25% (31 December 2019: from 0% to 9.75%) and USD-denominated deposits – not applicable (31 December 2019: from 1.15% to 1.22%).

As at 31 December 2020, 89% of deposits were placed with six Russian banks (31 December 2019: 81% of deposits were placed with seven Russian banks).

As at 31 December 2020, the Group had agreements with financial institutions, relating to accounts intended for direct loss refund under Motor Third Party Liability Insurance totaling RUB 613 000 thousand (31 December 2019: RUB 611 000 thousand), the use of which was restricted to settlements under obligatory types of insurance.

7. Financial assets at fair value through profit or loss

The Group estimates fair values of financial instruments reported in the statement of financial position using the following fair value hierarchy that reflects the materiality of the inputs used in making the estimates:

- *Level 1:* quoted (unadjusted) prices in an active market for an identical financial instrument.
- *Level 2:* valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar market instruments that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- *Level 3:* valuation techniques using significant unobservable inputs. This category includes instruments measured using inputs not based on observable market data while the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect differences between the instruments.

7. Financial assets at fair value through profit or loss (continued)

Financial assets at fair value through profit or loss comprise the following:

				31 December 2020
	Level 1	*Level 2*	*Level 3*	**Total**
Corporate shares	14 087 901	-	-	**14 087 901**
Corporate bonds	40 933 525	2 105 421	38 282	**43 077 228**
State and municipal bonds	37 651 562	532 523	-	**38 184 085**
Other financial assets	537 741	341 831	-	**879 572**
Total financial assets at fair value through profit or loss	**93 210 729**	**2 979 775**	**38 282**	**96 228 786**

				31 December 2019
	Level 1	*Level 2*	*Level 3*	**Total**
Corporate shares	8 287 850	-	-	**8 287 850**
Corporate bonds	27 748 732	2 340 886	1 070 041	**31 159 659**
State and municipal bonds	25 488 518	964 785	496 376	**26 949 679**
Other financial assets	362 486	135 334	-	**497 820**
Total financial assets at fair value through profit or loss	**61 887 586**	**3 441 005**	**1 566 417**	**66 895 008**

As of 31 December 2020 and 31 December 2019 the Group's corporate shares consisted of Russian blue chips by 63% and 58% respectively

State and municipal bonds were represented by RUB-denominated securities.

Corporate bonds include structured credit notes by BrokerCreditService Structured Products plc, purchased by the Group in October 2020 for USD 15 000 thousand (RUB 1 159 283 thousand) with maturity in January 2024. The underlying asset of these structured credit notes are liabilities of a related party without a credit rating assigned. In accordance with IAS 39 *Financial Instruments: Recognition and Measurement* the structured credit notes are classified as financial assets at fair value through profit or loss upon initial recognition. As at 31 December 2020 the structured credit notes by BrokerCreditService Structured Products plc amounted to USD 15 985 thousand (RUB 1 180 976 thousand).

8. Loans and other receivables

	31 December 2020	***31 December 2019***
Loans	27 166	18
Other receivables	9 609	9 377
Total loans and other receivables	**36 775**	**9 395**

As of 31 December 2020 loans include RUB-denominated and USD-denominated loans. RUB-denominated loans as at 31 December 2020 amounted to RUB 1 601 thousand maturing in December 2021 (31 December 2019: RUB-denominated loans, repaid in 2020). USD-denominated loans as at 31 December 2020 amounted to RUB 25 565 thousand maturing in March 2021.

As at 31 December 2020 and 31 December 2019, other receivables were mainly represented by security deposits under finance lease agreements.

9. Available-for-sale financial assets

	31 December 2020	*31 December 2019*
Corporate bonds	1 783 614	1 859 776
Other financial assets available for sale	281 116	410 778
Total available-for-sale financial assets	**2 064 730**	**2 270 554**

Yield to maturity and maturities of the corporate bonds are presented below:

	31 December 2020		*31 December 2019*	
	Yield to maturity, %	*Maturity*	*Yield to maturity, %*	*Maturity*
Corporate bonds	5,81%	2021	1.42%-10.20%	2020-2023

As at 31 December 2020 and 31 December 2019, other financial assets available for sale are represented by investments in funds (investments in the global fund of funds and in the international venture investment fund). The fair value of the investments is determined based on the funds' reports, where the value of the funds' assets is defined as mark-to-market measurement. In 2020 loss on investments in funds amounted to RUB 136 193 thousand (*Note 35*).

10. Financial assets held to maturity

	31 December 2020	*31 December 2019*
State and municipal bonds	505 538	506 608
Corporate bonds	60 540	46 730
Total financial assets held to maturity	**566 078**	**553 338**

Yield to maturity and maturities of financial assets held to maturity are as follows:

	31 December 2020		*31 December 2019*	
	Yield to maturity, %	*Maturity*	*Yield to maturity, %*	*Maturity*
State and municipal bonds	6.60%-8.68%	2024-2036	6.60%-8.68%	2024-2036
Corporate bonds	2.20%-2.50%	2026-2027	2.20%-2.51%	2026-2027

11. Insurance and reinsurance receivables

	31 December 2020	*31 December 2019*
Receivables on insurance contracts	5 414 779	5 391 007
Receivables on reinsurance contracts	277 846	110 423
Subrogation receivables	445 158	481 770
Direct loss refund under Motor Third Party Liability Insurance	479 348	383 082
	6 617 131	**6 366 282**
Less allowance for impairment (*Note 18*)	(505 363)	(503 882)
Total insurance and reinsurance receivables	**6 111 768**	**5 862 400**

12. Taxation

The main components of income tax expense for the years ended 31 December are as follows:

(a) Current tax for the year:

	2020	*2019*
Current income tax	(856 499)	(630 450)
Deferred tax expense	(202 327)	(446 822)
Total income tax expense	**(1 058 826)**	**(1 077 272)**

(b) Reconciliation of taxes assessed:

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2020	*2019*
Profit before tax	**5 738 385**	**5 224 165**
Theoretical tax expense at the effective tax rates (20%, 0%)	**(1 141 181)**	**(1 040 198)**
Non-deductible expenses	(43 034)	(99 770)
Provisions for tax risks	(56 493)	(150 000)
Effect of application of reduced tax rates of 9% and 15%	165 712	113 321
Non-taxable income	16 170	99 375
Total income tax expense	**(1 058 826)**	**(1 077 272)**

(c) Net deferred tax position:

	2020	*2019*
At 1 January	**725 015**	**274 394**
Changes in deferred tax related to temporary differences	202 327	446 822
Changes in deferred tax related to revaluation of available-for-sale financial assets	2 732	3 799
At 31 December	**930 074**	**725 015**

12. Taxation (continued)

(d) Deferred tax asset (DTA) and deferred tax liabilities (DTL):

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	31 December 2018	*In the statement of comprehen-sive income*	*In other comprehen-sive income*	***31 December 2019***	*In the statement of comprehen-sive income*	*In other comprehen-sive income*	***31 December 2020***
Accumulated tax loss	733 884	123 571	-	857 455	(233 701)	-	623 754
Financial assets at fair value through profit or loss	3 804	(3 804)	-	-	-	-	-
Loans and other receivables	208	3 186	-	3 394	15 251	-	18 645
Insurance and reinsurance receivables	27 344	(27 344)	-	-	-	-	-
Reinsurers' share of insurance contract liabilities	12 326	(10 402)	-	1 924	(1 924)	-	-
Leases	-	-	-	-	3 761	-	3 761
Other assets	52 663	(14 202)	-	38 461	(20 129)	-	18 332
Other insurance liabilities	213 477	104 670	-	318 147	193 777	-	511 924
Deferred commission income on ceded reinsurance	3 336	3 771	-	7 107	(153)	-	6 954
Other liabilities	291 048	(43 235)	-	247 813	24 069	-	271 882
Deferred tax assets	**1 338 090**	**136 211**	**-**	**1 474 301**	**(19 049)**	**-**	**1 455 252**
Financial assets at fair value through profit or loss	-	294 925	-	294 925	133 426	-	428 351
Available-for-sale financial assets	472	-	3 799	4 271	-	2 732	7 003
Financial assets held to maturity	-	-	-	-	1 746	-	1 746
Insurance and reinsurance receivables	-	68 613	-	68 613	(42 744)	-	25 869
Reinsurers' share of insurance contract liabilities	-	-	-	-	552	-	552
Deferred acquisition costs	1 283 586	296 689	-	1 580 275	28 355	-	1 608 630
Property and equipment	74 611	5 882	-	80 493	6 868	-	87 361
Leases	-	3 460	-	3 460	(3 460)	-	-
Other liabilities	1 155	(1 155)	-	-	-	-	-
Intangible assets	105 100	1 755	-	106 855	(12 647)	-	94 208
Insurance contract liabilities	147 560	(87 136)	-	60 424	71 182	-	131 606
Deferred tax liabilities	**1 612 484**	**583 033**	**3 799**	**2 199 316**	**183 278**	**2 732**	**2 385 326**
Net deferred tax liability	**(274 394)**	**(446 822)**	**(3 799)**	**(725 015)**	**(202 327)**	**(2 732)**	**(930 074)**

The Group evaluated the possibility to realize losses carried forward and believes that their realization is probable within 3 years from the reporting date. As at 31 December 2020, the Group did not recognize a deferred tax liability of RUB 3 486 725 thousand (31 December 2019: RUB 2 788 874 thousand) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

13. Deferred acquisition costs and deferred commission income on ceded reinsurance

Deferred acquisition costs comprised the following:

			2020			***2019***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Deferred expenses for commissions to agents, brokers and other intermediaries	4 322 228	2 465 325	**6 787 553**	4 849 826	2 255 868	**7 105 694**
Deferred expenses associated with use of information technologies to enter into insurance contracts	168 849	-	**168 849**	191 997	-	**191 997**
Deferred expenses for the sellers' payroll	558 542	-	**558 542**	579 967	-	**579 967**
Deferred expenses for direct insurance advertising	163 297	-	**163 297**	184 238	-	**184 238**
Other deferred acquisition costs	961 910	-	**961 910**	1 104 183	-	**1 104 183**
Total deferred acquisition costs	**6 174 826**	**2 465 325**	**8 640 151**	**6 910 211**	**2 255 868**	**9 166 079**

			2020			***2019***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
At 1 January	**6 910 211**	**2 255 868**	**9 166 079**	**7 275 512**	**1 685 766**	**8 961 278**
Acquisition costs for the year (*Note 33*)	11 852 991	17 644 013	**29 497 004**	12 632 643	12 710 499	**25 343 142**
Change in deferred acquisition costs	(12 588 376)	(17 434 556)	**(30 022 932)**	(12 997 944)	(12 140 397)	**(25 138 341)**
At 31 December	**6 174 826**	**2 465 325**	**8 640 151**	**6 910 211**	**2 255 868**	**9 166 079**

Deferred commission income on ceded reinsurance comprised the following:

			2020			***2019***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
At 1 January	**35 537**	**-**	**35 537**	**18 434**	**-**	**18 434**
Commission income on ceded reinsurance for the year (*Note 33*)	115 245	194 388	309 633	130 274	223 357	**353 631**
Change in deferred commission income	(116 010)	(194 388)	(310 398)	(113 171)	(223 357)	**(336 528)**
At 31 December	**34 772**	**-**	**34 772**	**35 537**	**-**	**35 537**

14. Property and equipment

	Office premises	*Computers and equipment*	*Furniture and fixtures*	*Motor vehicles*	*Work in progress*	*Right-of-use assets*	*Other*	***Total***
Cost								
31 December 2018	**150 763**	**833 841**	**20 444**	**47 509**	**3 543**	**-**	**91 582**	**1 147 682**
Transfer between categories	-	56 385	-	-	(40 897)	-	(15 488)	-
Initial recognition of right-of-use assets	-	-	-	-	-	310 414	-	310 414
Purchase of property and equipment	-	91 670	4 245	-	40 897	1 032 936	12 719	1 182 467
Disposals	-	(28 690)	(240)	-	-	(102 344)	(3 505)	(134 779)
31 December 2019	**150 763**	**953 206**	**24 449**	**47 509**	**3 543**	**1 241 006**	**85 308**	**2 505 784**
Transfer between categories	-	12 998	-	-	(13 103)	-	105	-
Purchase of property and equipment	-	177 836	1 549	29 500	13 428	559 158	2 790	784 261
Disposals	-	(43 813)	(1 940)	(12 603)	-	(720 456)	(11 600)	(790 412)
31 December 2020	**150 763**	**1 100 227**	**24 058**	**64 406**	**3 868**	**1 079 708**	**76 603**	**2 499 633**
Accumulated depreciation								
31 December 2018	**57 924**	**589 708**	**16 283**	**27 505**	**-**	**-**	**62 330**	**753 750**
Transfer between categories	-	14 505	-	-	-	-	(14 505)	-
Depreciation	5 022	141 322	4 964	6 179	-	203 986	10 879	372 352
Disposals	-	(25 302)	(240)	-	-	(3 026)	(2 899)	(31 467)
31 December 2019	**62 946**	**720 233**	**21 007**	**33 684**	**-**	**200 960**	**55 805**	**1 094 635**
Transfer between categories	-	-	-	-	-	-	-	-
Depreciation	5 036	156 166	2 198	7 831	-	368 821	8 946	548 998
Disposals	-	(41 592)	(2 196)	(11 360)	-	(203 991)	(6 030)	(265 169)
31 December 2020	**67 982**	**834 807**	**21 009**	**30 155**	**-**	**365 790**	**58 721**	**1 378 464**
Carrying amount:								
31 December 2019	**87 817**	**232 973**	**3 442**	**13 825**	**3 543**	**1 040 046**	**29 503**	**1 411 149**
31 December 2020	**82 781**	**265 420**	**3 049**	**34 251**	**3 868**	**713 918**	**17 882**	**1 121 169**

The movements in right-of-use assets were as follows:

	Office premises	*Computers and equipment*	*Motor vehicles*	*Other*	***Total***
As at 1 January 2020	**1 037 711**	**174**	**1 503**	**658**	**1 040 046**
Additions	539 730	9	10 500	2 491	**552 730**
Security deposits and prepayments	6 428	-	-	-	**6 428**
Depreciation expense	(366 090)	(183)	(1 759)	(789)	**(368 821)**
Disposals	(516 465)	-	-	-	**(516 465)**
As at 31 December 2020	**701 314**	**-**	**10 244**	**2 360**	**713 918**

	Office premises	*Computers and equipment*	*Motor vehicles*	*Other*	***Total***
As at 1 January 2019	**306 433**	**418**	**2 254**	**1 309**	**310 414**
Additions	1 002 635	-	-	-	**1 002 635**
Security deposits and prepayments	30 301	-	-	-	**30 301**
Depreciation expense	(202 340)	(244)	(751)	(651)	**(203 986)**
Disposals	(99 318)	-	-	-	**(99 318)**
As at 31 December 2019	**1 037 711**	**174**	**1 503**	**658**	**1 040 046**

Office premises include office facilities located at Derbenevskaya nab. 11, Moscow, Russia.

15. Intangible assets

	Software	*Licenses*	*Website*	*Work in progress*	*Other*	***Total***
Cost						
31 December 2018	**1 657 178**	**187 095**	**42 933**	**120 471**	**13 889**	**2 021 566**
Transfer between categories	189 412	9 499	100	(201 464)	2 453	**-**
Purchase of intangible assets	61 801	4 334	8 265	99 802	-	**174 202**
Disposal of intangible assets	(62 709)	(26 865)	-	(690)	-	**(90 264)**
31 December 2019	**1 845 682**	**174 063**	**51 298**	**18 119**	**16 342**	**2 105 504**
Transfer between categories	34 137	11 000	-	(45 337)	200	-
Purchase of intangible assets	24 532	147 594	9 094	422 228	3 863	607 311
Disposal of intangible assets	(31 773)	(2 096)	-	-	-	(33 869)
31 December 2020	**1 872 578**	**330 561**	**60 392**	**395 010**	**20 405**	**2 678 946**
Accumulated amortization						
31 December 2018	**801 145**	**45 221**	**14 737**	**-**	**3 811**	**864 914**
Disposal of intangible assets	(56 844)	(13 936)	-	-	-	**(70 780)**
Amortization	189 200	28 466	16 946	-	4 518	**239 130**
31 December 2019	**933 501**	**59 751**	**31 683**	**-**	**8 329**	**1 033 264**
Disposal of intangible assets	(31 671)	(2 078)	-	-	-	(33 749)
Amortization	207 518	25 537	17 445	-	5 663	256 163
31 December 2020	**1 109 348**	**83 210**	**49 128**	**-**	**13 992**	**1 255 678**
Carrying amount:						
31 December 2019	**912 181**	**114 312**	**19 615**	**18 119**	**8 013**	**1 072 240**
31 December 2020	**763 230**	**247 351**	**11 264**	**395 010**	**6 413**	**1 423 268**

Work in progress is represented by investments in licenses, development of software and a website.

16. Goodwill

	31 December 2020	*31 December 2019*
Renaissance Life Ltd.	8 087 612	8 087 612
MEDCORP LLC	122 409	222 861
JSC NSPF Renaissance pensions	124 998	124 998
Total goodwill	**8 335 019**	**8 435 471**

As at 31 December 2020 and 31 December 2019, goodwill is represented by excess of consideration paid over the fair value of net identifiable assets of Renaissance Life Ltd., MEDCORP LLC and JSC NSPF Renaissance pensions at the date of acquiring control.

Cash-generating units, to which this goodwill is allocated, are consistent with the companies acquired.

As at 31 December 2020, the impairment testing of goodwill arising at acquisition of Renaissance Life Ltd. was performed. The fair value of the entity was estimated using inputs of Level 3 of the fair value hierarchy and the discounted cash flow method based on the rate of 18.7%, calculated using SARM model on the basis of market data. The period of cash flow forecasts is 18 years (from 2021 through 2038). Forecast average annual growth rate of insurance premiums (gross) is 19% in 2021-2023, 7% in 2024-2028, 4% in 2029-2038.The terminal value was determined using the Gordon model on the basis of cash flows of the last forecast period and long-term growth rates in the post-forecast period – growth of cash flows in the post-forecast period is not expected. According to the result of testing, goodwill was not impaired. Based on the results of testing, the recoverable value is equal to the carrying amount of cash-generating units, including goodwill.

As at 31 December 2020, the impairment testing of goodwill arising at acquisition of MEDCORP LLC was performed. The fair value of the entity was estimated using inputs of Level 3 of the fair value hierarchy and the discounted cash flow method based on the discount rate of 19.0%, calculated using SARM model on the basis of market data. The period of cash flow forecasts is 6 years (from 2021 through 2026); the terminal value was determined using the Gordon model on the basis of cash flows of the last forecast period and long-term growth rates in the post-forecast period, equal to 4.0%. According to the result of testing, the impairment of goodwill in amount of RUB100 452 was recognized.

The recoverable value of JSC NSPF Renaissance pensions was determined by calculating the value in use based on cash flow projections for a thirty-year period calculated on the basis of contractual relations existing at the end of the reporting period. The zero-coupon yield curve rate was applied to discount projected cash flows. According to the result of testing, goodwill was not impaired.

17. Other assets

	31 December 2020	*31 December 2019*
Prepayments to medical institutions	400 558	486 506
Prepaid commission	290 677	332 250
Trade receivables	87 428	25 263
Prepayments for software	73 736	57 721
Inventory	45 864	7 338
Amounts transferred in excess	38 008	50 312
Settlements with social funds	34 706	22 224
Prepayments for licenses	33 628	2 687
Prepaid lease	33 321	8 581
Prepayments for marketing and advertising	25 682	42 073
Settlements with assistance companies	17 091	16 126
Settlements with employees	15 354	12 748
Amounts received through litigation	13 874	15 269
Prepayments for office and transport maintenance	9 129	8 807
Personnel training and recruitment	6 738	6 153
Settlements on franchise	5 606	3 408
Prepayments to insurance intermediaries	5 490	976
Prepayments for communications	2 339	2 463
Settlements with budget	1 287	31 136
Other prepayments and receivables	81 024	127 054
	1 221 540	**1 259 095**
Less allowance for impairment (*Note 18*)	(52 851)	(53 114)
Total other assets	**1 168 689**	**1 205 981**

18. Allowances for impairment

	Note	*Insurance and reinsurance receivables*	*Other assets*	***Total***
		11	*17, 34*	
31 December 2018		**499 834**	**65 193**	**565 027**
Charge for the year		192 337	5 077	**197 414**
Write-off against allowance		(188 289)	(17 156)	**(205 445)**
31 December 2019		**503 882**	**53 114**	**556 996**
Charge for the year		123 402	1 440	**124 842**
Write-off against allowance		(121 921)	(1 703)	**(123 624)**
31 December 2020		**505 363**	**52 851**	**558 214**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

19. Insurance contract liabilities

	Life insurance contracts	*Non-life insurance contracts*	***Total liabilities***
31 December 2020			
Insurance contract liabilities	74 053 356	23 303 088	**97 356 444**
Reinsurers' share of insurance contract liabilities	(1 149 303)	(1 217 981)	**(2 367 284)**
Liabilities, net of reinsurance	**72 904 053**	**22 085 107**	**94 989 160**
31 December 2019			
Insurance contract liabilities	50 808 827	23 555 511	**74 364 338**
Reinsurers' share of insurance contract liabilities	(960 074)	(962 490)	**(1 922 564)**
Liabilities, net of reinsurance	**49 848 753**	**22 593 021**	**72 441 774**

Life insurance contract liabilities can be analyzed as follows:

			2020			***2019***
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Actuarial reserve	71 572 173	(810 291)	**70 761 882**	49 216 842	(648 130)	**48 568 712**
Claims reserve	2 223 040	(302 339)	**1 920 701**	1 305 175	(211 984)	**1 093 191**
Unearned premium reserve	258 143	(36 673)	**221 470**	286 810	(99 960)	**186 850**
Total liabilities	**74 053 356**	**(1 149 303)**	**72 904 053**	**50 808 827**	**(960 074)**	**49 848 753**

			2020			***2019***
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Actuarial reserve at 1 January	49 216 842	(648 130)	**48 568 712**	32 539 125	(585 063)	**31 954 062**
Increase in reserve due to policies written in the current period	24 807 292	(399 448)	**24 407 844**	18 220 250	(260 827)	**17 959 423**
Increase in reserve due to policies written in prior periods	5 435 611	106 864	**5 542 475**	3 718 296	63 499	**3 781 795**
Use of reserve	(7 887 572)	130 423	**(7 757 149)**	(5 260 829)	134 261	**(5 126 568)**
Actuarial reserve at 31 December	**71 572 173**	**(810 291)**	**70 761 882**	**49 216 842**	**(648 130)**	**48 568 712**

19. Insurance contract liabilities (continued)

	Total 2020	*Reinsurers' share of liabilities* 2020	***Net of reinsurance*** 2020	*Total* 2019	*Reinsurers' share of liabilities* 2019	***Net of reinsurance*** 2019
Claims reserve at 1 January	1 305 175	(211 984)	**1 093 191**	879 056	(188 085)	**690 971**
Claims incurred in the reporting year	7 605 922	(194 638)	**7 411 284**	5 369 216	(158 296)	**5 210 920**
Adjustment to claims incurred in prior years	(191 745)	(62 795)	**(254 540)**	(250 626)	(20 637)	**(271 263)**
Claims paid during the reporting year (*Note 32*)	(6 496 312)	167 078	**(6 329 234)**	(4 692 471)	155 034	**(4 537 437)**
Claims reserve at 31 December	**2 223 040**	**(302 339)**	**1 920 701**	**1 305 175**	**(211 984)**	**1 093 191**

	Total 2020	*Reinsurers' share of liabilities* 2020	***Net of reinsurance*** 2020	*Total* 2019	*Reinsurers' share of liabilities* 2019	***Net of reinsurance*** 2019
Unearned premium reserve at 1 January	286 810	(99 960)	**186 850**	228 135	(69 301)	**158 834**
Premiums written for the year (*Note 31*)	45 660 805	(620 964)	**45 039 841**	33 698 420	(578 167)	**33 120 253**
Premiums earned for the year (*Note 31*)	(45 689 472)	684 251	**(45 005 221)**	(33 639 745)	547 508	**(33 092 237)**
Unearned premium reserve at 31 December	**258 143**	**(36 673)**	**221 470**	**286 810**	**(99 960)**	**186 850**

Non-life insurance contract liabilities can be analyzed as follows:

	Total 2020	*Reinsurers' share of liabilities* 2020	***Net of reinsurance*** 2020	*Total* 2019	*Reinsurers' share of liabilities* 2019	***Net of reinsurance*** 2019
Claims reserve	6 672 723	(440 321)	**6 232 402**	6 474 077	(311 329)	**6 162 748**
Expected amounts to be recovered from subrogations	(842 566)	19 911	**(822 655)**	(818 935)	23 445	**(795 490)**
Expected gains on sale of property transferred to the insurer	(363 462)	3 291	**(360 171)**	(273 212)	3 376	**(269 836)**
Unearned premium reserve	17 836 393	(800 862)	**17 035 531**	18 173 581	(677 982)	**17 495 599**
Total liabilities	**23 303 088**	**(1 217 981)**	**22 085 107**	**23 555 511**	**(962 490)**	**22 593 021**

Claims reserve can be analyzed as follows:

	Total 2020	*Reinsurers' share of liabilities* 2020	***Net of reinsurance*** 2020	*Total* 2019	*Reinsurers' share of liabilities* 2019	***Net of reinsurance*** 2019
At 1 January	6 474 077	(311 329)	**6 162 748**	6 657 467	(604 700)	**6 052 767**
Claims incurred in the reporting year	19 190 689	(571 556)	**18 619 133**	19 732 481	(542 853)	**19 189 628**
Adjustment to claims incurred in prior years	368 450	(48 604)	**319 846**	55 650	45 754	**101 404**
Claims paid during the year	(19 360 493)	491 168	**(18 869 325)**	(19 971 521)	790 470	**(19 181 051)**
At 31 December	**6 672 723**	**(440 321)**	**6 232 402**	**6 474 077**	**(311 329)**	**6 162 748**

19. Insurance contract liabilities (continued)

Subrogation reserve can be analyzed as follows:

	2020			2019		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	(818 935)	23 445	**(795 490)**	(524 826)	11 424	**(513 402)**
Subrogations on claims incurred in the reporting year	(1 207 482)	24 307	**(1 183 175)**	(1 221 909)	33 540	**(1 188 369)**
Adjustment to claims incurred in prior years	(96 371)	(1 364)	**(97 735)**	(321 685)	3 599	**(318 086)**
Subrogation income of the current year *(Note 32)*	1 280 222	(26 477)	**1 253 745**	1 249 485	(25 118)	**1 224 367**
At 31 December	**(842 566)**	**19 911**	**(822 655)**	**(818 935)**	**23 445**	**(795 490)**

Reserves for gains on salvages can be analyzed as follows:

	2020			2019		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	(273 212)	3 376	**(269 836)**	(166 474)	1 488	**(164 986)**
Salvages incurred in the reporting year	(743 270)	7 770	**(735 500)**	(791 899)	17 059	**(774 840)**
Adjustments to estimates of prior periods	(251 756)	2 592	**(249 164)**	(92 615)	(6 421)	**(99 036)**
Salvage received during the year (*Note 32*)	904 776	(10 447)	**894 329**	777 776	(8 750)	**769 026**
At 31 December	**(363 462)**	**3 291**	**(360 171)**	**(273 212)**	**3 376**	**(269 836)**

Unearned premium reserve can be analyzed as follows:

	2020			2019		
	Total	*Reinsurers' share of liabilities*	*Net of reinsurance*	*Total*	*Reinsurers' share of liabilities*	*Net of reinsurance*
At 1 January	18 173 581	(677 982)	**17 495 599**	18 043 885	(443 877)	**17 600 008**
Premiums written for the year (*Note 31*)	37 105 119	(2 078 299)	**35 026 820**	37 992 617	(1 925 290)	**36 067 327**
Premiums earned for the year (*Note 31*)	(37 442 307)	1 955 419	**(35 486 888)**	(37 862 921)	1 691 185	**(36 171 736)**
At 31 December	**17 836 393**	**(800 862)**	**17 035 531**	**18 173 581**	**(677 982)**	**17 495 599**

19. Insurance contract liabilities (continued)

Claims development table

The table below represents the estimate of ultimate cost of claims, which include reported claims, claims incurred but not reported, claim settlement expenses for each insurance year at each reporting date. The line "Current estimate of surplus/(deficiency)" reflects the difference between the initial amount of reserve and the current estimate for each insurance year.

The gross reserve for outstanding claims under non-life insurance contracts is as follows:

	At 31 December					
Year of the loss event	***Earlier***	***2016***	***2017***	***2018***	***2019***	***2020***
At the end of reporting year		**4 783 403**	**6 896 615**	**6 657 467**	**6 474 077**	**6 672 723**
Cumulative payments:		**5 175 204**	**6 690 000**	**6 727 895**	**6 196 008**	
One year later		4 216 186	5 536 472	6 206 335	6 196 008	
Two years later		4 660 917	6 549 271	6 727 895	-	
Three years later		5 142 139	6 690 000	-	-	
Four years later		5 175 204	-	-	-	
Current estimate of the ultimate cost of outstanding claims:	**13 132**	**25 866**	**45 742**	**143 003**	**634 240**	
One year later		812 257	1 152 208	510 375	634 240	
Two years later		543 020	185 712	143 003	-	
Three years later		60 723	45 742	-	-	
Four years later		25 866	-	-	-	
Current estimate of surplus/(deficiency)		**(417 667)**	**160 873**	**(213 431)**	**(356 171)**	
% of surplus/(deficiency) compared to the previous estimate		-9%	2%	-3%	-6%	

The net reserve for outstanding claims under non-life insurance contracts is as follows:

	At 31 December					
Year of the loss event	***Earlier***	***2016***	***2017***	***2018***	***2019***	***2020***
At the end of reporting year		**4 694 090**	**6 160 975**	**6 052 767**	**6 162 748**	**6 232 402**
Cumulative payments:		**4 792 952**	**5 853 978**	**6 167 554**	**5 970 067**	
One year later		4 148 498	5 079 243	5 679 029	5 970 067	
Two years later		4 577 427	5 725 631	6 167 554	-	
Three years later		4 759 896	5 853 978	-	-	
Four years later		4 792 952	-	-	-	
Current estimate of the ultimate cost of outstanding claims:	**12 807**	**13 295**	**38 644**	**120 860**	**502 073**	
One year later		556 921	733 249	484 370	502 073	
Two years later		210 701	180 231	120 860	-	
Three years later		59 796	38 644	-	-	
Four years later		13 295	-	-	-	
Current estimate of surplus/(deficiency)		**(112 157)**	**268 353**	**(235 647)**	**(309 392)**	
% of surplus/(deficiency) compared to the previous estimate		-2%	4%	-4%	-5%	

20. Pension liabilities

Movements in pension liabilities are as follows:

	2020	2019
Pension liabilities at 1 January	**19 586 615**	**16 341 891**
Change in pension liabilities	2 991 553	3 244 724
Pension liabilities at 31 December	**22 578 168**	**19 586 615**

Result of pension operations:

	2020	2019
Pension contributions	3 256 779	3 189 114
Income allocated to funds of depositors	1 274 295	1 559 304
Total pension contributions (including income allocated to funds of depositors)	**4 531 074**	**4 748 418**
Pension payments	**(1 423 649)**	**(1 386 548)**
Change in pension liabilities	(2 991 553)	(3 244 724)
Commission income on pension insurance contracts	89 812	88 536
Total pension income	**205 684**	**205 682**

Income allocated to funds of depositors includes:

	2020	2019
Gains from financial assets at fair value through profit or loss, net	1 260 256	1 448 650
Interest income from deposits (more than 90 days)	56 574	143 028
Interest income on banking accounts (including short-term deposits)	4 657	11 020
Commissions	(45 865)	(37 893)
Other expenses	(1 327)	(5 501)
Total income allocated to funds of depositors	**1 274 295**	**1 559 304**

Major part of the Fund's agreements is classified as investment contracts, as they do not contain significant insurance risk. Liabilities under investment agreements with discretionary participation features comprise balances on individual pension accounts of the participants at the reporting date and represent the amount of accumulated contributions and income on placements of pension reserve funds, less total amount of payments made at the reporting date.

21. Segment analysis

Under the requirements of IFRS 8 *Operating Segments*, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)

- the results of which operating activities are analyzed by operating decision makers of the entity to decide on the resource allocation among segments and assess its performance; and

- for which discrete financial information is available.

The Group's segment reporting is based on the following operating segments: non-life insurance, life insurance, pension operations and other activities. Other activities include asset management and other service-entities results.

Management monitors the results of performance of each operating segment separately.

Transactions not allocated by the Group to any segments and intersegment eliminations are reported as “Intersegment and non-allocated transactions”.

21. Segment analysis (continued)

Disclosure of reporting segments for the year ended 31 December 2020 is presented in the table below:

	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Gross insurance premiums	37 125 344	45 660 805	-	-	(20 225)	**82 765 924**
Gross change in unearned premium reserve	335 415	28 667	-	-	1 773	**365 855**
Premiums ceded	(2 078 299)	(620 964)	-	-	-	**(2 699 263)**
Change in reinsurers' share of unearned premium reserve	122 880	(63 287)	-	-	-	**59 593**
Net premium earned	**35 505 340**	**45 005 221**	**-**	**-**	**(18 452)**	**80 492 109**
Insurance benefits and claims paid	(17 328 850)	(6 496 312)	-	-	153 355	**(23 671 807)**
Reinsurers' share of insurance benefits and claims paid	455 255	167 078	-	-	(1 011)	**621 322**
Gross change in claims reserve	(67 320)	(23 273 196)	-	-	(17 445)	**(23 357 961)**
Change in reinsurers' share of claims reserve	129 319	252 516	-	-	3 292	**385 127**
Net claims incurred	**(16 811 596)**	**(29 349 914)**	**-**	**-**	**138 191**	**(46 023 319)**
Net acquisition costs	(12 472 367)	(17 240 167)	-	-	-	**(29 712 534)**
Allowance for impairment of insurance and reinsurance receivables	(114 155)	(9 247)	-	-	-	**(123 402)**
Amortization of value of business in force	-	-	-	-	(43 708)	**(43 708)**
Result of insurance operations	**6 107 222**	**(1 594 107)**	**-**	**-**	**76 031**	**4 589 146**
Pension contributions (including income allocated to funds of depositors)	-	-	4 531 074	-	-	**4 531 074**
Pension payments	-	-	(1 423 649)	-	-	**(1 423 649)**
Change in pension liabilities	-	-	(2 991 553)	-	-	**(2 991 553)**
Commission income for pension insurance contracts	-	-	89 812	-	-	**89 812**
Result of pension operations	**-**	**-**	**205 684**	**-**	**-**	**205 684**
Administrative expenses	(4 641 448)	(1 695 795)	(202 420)	(323 155)	13 221	**(6 849 597)**
Net income from investing activities	2 096 052	6 007 622	267 384	125 914	(318 453)	**8 178 519**
Interest expense	(337 728)	(31 281)	(798)	(2 660)	5 926	**(366 541)**
Foreign exchange (losses)/gains	144 776	463 267	(42)	159 631	-	**767 632**
Other operating income	258 005	61 837	(35)	162 363	(129 063)	**353 107**
Other operating expense	(975 384)	(381 917)	(5 865)	(22 539)	246 140	**(1 139 565)**
Other income/(expenses)	**(3 455 727)**	**4 423 733**	**58 224**	**99 554**	**(182 229)**	**943 555**
Profit before tax	**2 651 495**	**2 829 626**	**263 908**	**99 554**	**(106 198)**	**5 738 385**
Income tax expense	(573 072)	(432 238)	(30 307)	(25 263)	2 054	**(1 058 826)**
Net profit	**2 078 423**	**2 397 388**	**233 601**	**74 291**	**(104 144)**	**4 679 559**

31 December 2020	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Segment assets	62 869 606	87 536 240	24 597 927	20 532 915	(31 862 850)	**163 673 838**
Segment liabilities	34 025 014	78 521 774	22 661 712	957 696	(2 736 011)	**133 430 185**

21. Segment analysis (continued)

Disclosure of reporting segments for the year ended 31 December 2019 is presented in the table below:

	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Gross insurance premiums	38 009 747	33 698 420	-	-	(17 130)	**71 691 037**
Gross change in unearned premium reserve	(136 956)	(58 675)	-	-	7 260	**(188 371)**
Premiums ceded	(1 925 290)	(578 167)	-	-	-	**(2 503 457)**
Change in reinsurers' share of unearned premium reserve	234 105	30 659	-	-	-	**264 764**
Net premium earned	**36 181 606**	**33 092 237**	**-**	**-**	**(9 870)**	**69 263 973**
Insurance benefits and claims paid	(18 113 702)	(4 692 471)	-	-	169 442	**(22 636 731)**
Reinsurers' share of insurance benefits and claims paid	758 824	155 034	-	-	(2 222)	**911 636**
Gross change in claims reserve	596 064	(17 103 836)	-	-	(11 827)	**(16 519 599)**
Change in reinsurers' share of claims reserve	(302 495)	86 966	-	-	(4 785)	**(220 314)**
Net claims incurred	**(17 061 309)**	**(21 554 307)**	**-**	**-**	**150 608**	**(38 465 008)**
Net acquisition costs	(12 884 773)	(11 917 040)	-	-	-	**(24 801 813)**
Allowance for impairment of insurance and reinsurance receivables	(176 933)	(15 404)	-	-	-	**(192 337)**
Amortization of value of business in force	-	-	-	-	(222 456)	**(222 456)**
Result of insurance operations	**6 058 591**	**(394 514)**	**-**	**-**	**(81 718)**	**5 582 359**
Pension contributions (including income allocated to funds of depositors)	-	-	4 748 418	-	-	**4 748 418**
Pension payments	-	-	(1 386 548)	-	-	**(1 386 548)**
Change in pension liabilities	-	-	(3 244 724)	-	-	**(3 244 724)**
Commission income for pension insurance contracts	-	-	88 536	-	-	**88 536**
Result of pension operations	**-**	**-**	**205 682**	**-**	**-**	**205 682**
Administrative expenses	(4 622 470)	(1 534 080)	(138 842)	(283 110)	63 872	**(6 514 630)**
Net income from investing activities	2 459 612	4 678 380	327 886	225 309	(273 606)	**7 417 581**
Interest expense	(326 535)	(13 559)	(540)	(21 503)	24 819	**(337 318)**
Foreign exchange (losses)/gains	(40 546)	(179 849)	(6)	36	-	**(220 365)**
Other operating income	437 829	2 430	-	219 346	(187 944)	**471 661**
Other operating expense	(1 401 095)	(136 010)	(14 038)	(41 621)	211 959	**(1 380 805)**
Other income/(expenses)	**(3 493 205)**	**2 817 312**	**174 460**	**98 457**	**(160 900)**	**(563 876)**
Profit before tax	**2 565 386**	**2 422 798**	**380 142**	**98 457**	**(242 618)**	**5 224 165**
Income tax expense	(558 161)	(443 822)	(50 546)	(28 532)	3 789	**(1 077 272)**
Net profit	**2 007 225**	**1 978 976**	**329 596**	**69 925**	**(238 829)**	**4 146 893**

31 December 2019	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Segment assets	58 804 110	59 479 161	21 387 727	15 119 686	(23 132 369)	**131 658 315**
Segment liabilities	33 418 600	53 469 478	19 685 113	996 028	(1 483 153)	**106 086 066**

22. Other insurance liabilities

	31 December 2020	*31 December 2019*
Payables to agents and brokers	2 055 899	1 807 628
Insurance liabilities	1 946 126	1 243 919
Reinsurance payables	1 007 737	744 366
Outstanding insurance and reinsurance settlements	725 449	620 577
Direct loss refund under Motor Third Party Liability Insurance	91 960	164 340
Payables on deposits of premiums and claims	109 128	72 384
Total other insurance liabilities	**5 936 299**	**4 653 214**

Insurance liabilities include an estimated liability for credit life insurance in the amount of RUB 508 550 thousand.

23. Debt securities issued

As at 31 December 2020 and 31 December 2019, the Group issued debt securities with a nominal value of RUB 3 billion with offer date in October 2021, maturing in 2022 and bearing the interest rate of 9%. Funds received from the issue of debt securities were used to repay credit lines opened with the Credit Bank of Moscow PJSC (*Note 24*).

In 2020, the amount of accrued interest expenses was RUB 276 776 thousand including amortized transaction costs in the amount of RUB 1 507 thousand (2019: RUB 61 238 thousand including amortized transaction costs in the amount of RUB 1 328 thousand).

24. Borrowings and other payables

	31 December 2020	*31 December 2019*
Borrowings	-	-
Other payables, including:		
Other	5 600	5 600
Lease liabilities	733 885	1 003 132
Borrowings and other payables	**739 485**	**1 008 732**

In March 2020, the Group received a loan from a related party in the amount of USD 11 000 thousand, maturing in September 2020. In April 2020 the Group partially repaid its borrowings in the amount of USD 5 506 thousand including accrued interest amounting to USD 6 thousand. In July 2020 the Group fully repaid its borrowings in the amount of USD 5 641 thousand including accrued interest amounting to USD 141 thousand

A new credit line with the Credit Bank of Moscow PJSC with a drawdown limit of RUB 700 million, maturing in October 2019 was opened in January 2019. In October 2019, all credit lines with the Credit Bank of Moscow PJSC were fully repaid by the funds raised by the Group as a result of debt securities issue (*Note 23*).

Interest expense on borrowings and other payables includes interest and other payments:

	2020	*2019*
Credit Bank of Moscow PJSC	-	224 428
Lease liabilities	79 301	51 652
Other related parties	10 464	-
Total interest expense on borrowings and other payables	**89 765**	**276 080**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	2020	*2019*
As at 1 January	1 003 132	307 115
Additions	552 730	1 002 635
Disposals	(526 754)	(103 191)
Accretion of interest	79 301	51 652
Foreign currency translation	2 611	-
Payments	(377 135)	(255 079)
As at 31 December	**733 885**	**1 003 132**

24. Borrowings and other payables (continued)

The recognition of right-of-use assets and the respective lease liabilities in the amount of RUB 552 730 thousand in the consolidated statement of financial position is a non-monetary transaction and is not included in the consolidated statement of cash flows (2019: RUB 1 309 750 thousand including recognition at the date of adoption of IFRS 16 *Leases* in the amount of RUB 307 115 thousand).

Liabilities under lease agreements as at 31 December 2020 are presented as follows:

	Less than 1 year	*Later than 1 year but not later than 5 years*	*More than 5 years*	***Total***
Minimum lease payments	346 272	484 215	49 677	**880 164**
Future finance costs	(49 014)	(53 672)	(43 593)	**(146 279)**
Net liabilities under finance lease agreements	**297 258**	**430 543**	**6 084**	**733 885**

Liabilities under lease agreements as at 31 December 2019 are presented as follows:

	Less than 1 year	*Later than 1 year but not later than 5 years*	*More than 5 years*	***Total***
Minimum lease payments	425 191	710 566	49 984	**1 185 741**
Future finance costs	(77 033)	(69 340)	(36 236)	**(182 609)**
Net liabilities under finance lease agreements	**348 158**	**641 226**	**13 748**	**1 003 132**

25. Changes in liabilities arising from financing activities

	Bonds issued	**Borrowings and other payables**	**Total liabilities arising from financing activities**
Carrying amount at 31 December 2018	**-**	**2 508 121**	**2 508 121**
Proceeds from issue	3 000 000	705 600	**3 705 600**
Repayment	-	(3 675 228)	**(3 675 228)**
Non-cash transactions	-	1 206 559	**1 206 559**
Other	43 349	263 680	**307 029**
Carrying amount at 31 December 2019	**3 043 349**	**1 008 732**	**4 052 081**
Proceeds from issue	-	855 058	**855 058**
Repayment	(43 349)	(1 098 590)	**(1 141 939)**
Foreign currency translation	-	(51 691)	**(51 691)**
Non-cash transactions	-	25 976	**25 976**
Other	50 844	-	**50 844**
Carrying amount at 31 December 2020	**3 050 844**	**739 485**	**3 790 329**

Non-cash transactions represent recognition and disposal of the respective lease liabilities on the basis of IFRS 16 *Leases.*

Other transactions include the effect of accrued but not paid interest on bonds issued, borrowings and other payables. The Group classifies interest paid as cash flows used in operating activities.

26. Other liabilities

	31 December 2020	31 December 2019
Provision for bonuses to employees	672 354	376 157
Settlements with service providers	394 295	371 291
Provision for unused vacations	234 888	183 793
Settlements on securities	174 482	31 188
Settlements with social funds	106 045	88 462
Provisions for non-credit-related commitments	92 876	298 300
Settlements under abandonment	57 925	52 152
Settlements with budget	38 837	46 280
Outstanding settlements	28 778	36 375
Settlements with employees	12 404	70 425
Settlements on audit	9 655	10 310
Settlements on litigation	3 794	6 350
Settlements with medical institutions	1 736	1 326
Settlements with agents under the Green Card Program	365	1 577
Other settlements	128 615	121 611
Total other liabilities	**1 957 049**	**1 695 597**

Movements in provisions for bonuses and unused vacations are as follows:

	2020		*2019*	
	Provision for bonuses	*Provision for unused vacations*	*Provision for bonuses*	*Provision for unused vacations*
At 1 January	**376 157**	**183 793**	**604 502**	**185 234**
Use of provision	(159 694)	(101 730)	(579 593)	(431 810)
Charge during the year	455 891	152 825	351 248	430 369
At 31 December	**672 354**	**234 888**	**376 157**	**183 793**

27. Share capital

As at 31 December 2020 and 31 December 2019, nominal value of the share capital was RUB 4 047 639 thousand. Prior to 2002, the Russian economy was marked by a relatively high level of inflation and was considered hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. When the economy ceased to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, non-monetary items originating prior to 1 January 2003, including the share capital of the Company, were restated. As at 31 December 2019, the restatement amounted to RUB 303 701 thousand.

Share capital of the Company was registered and fully paid. Participants are entitled to vote at general meetings of shareholders in proportion to their interest in the share capital.

28. Additional capital

Additional paid-in capital comprises contributions of shareholders received in excess of the nominal value of shares in the share capital.

29. Insurance reserve of NSPF

The insurance reserve of NSPF is a regulatory reserve, which has the purpose of guaranteeing the discharge of obligations to the NSPF customers. Insurance reserve is not to be distributed to the participants and should be accounted for separately. Therefore, it is recorded as a separate component of equity.

30. Commitments and contingencies

Litigations and regulatory requirements

In the course of its ordinary activities, the Group is subject to legal claims. The claims are related to the nature of the Group's operations (settlement of claims under insurance contracts and recovery of counter claims as part of recourse and subrogation). Management believes that legal proceedings will not result in significant non-recorded losses. As at 31 December 2020, the Group made a provision of RUB 3 794 thousand for litigations that are not related to insurance, coinsurance and reinsurance (31 December 2019: RUB 6 350 thousand).

Taxation

The Group operates in the Russian Federation. Certain provisions in the existing Russian tax, currency and customs legislation are not clear and unambiguous enough, which often results in their varying interpretation (that may be applied retroactively), selective and inconsistent application, as well as frequent and often highly unpredictable changes. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities.

Recent trends in the application and interpretation of certain provisions of the Russian tax legislation indicate that the tax authorities may take a tougher stance in interpreting and applying certain tax regulations and conducting tax audits. The tax authorities may thus challenge the Group's transactions, operations and accounting methods that they had never challenged before. As a result, significant taxes, penalties and interest may be assessed by the relevant authorities. It is not possible to determine the amounts of constructive claims or evaluate the probability of a negative outcome. Tax audits of the accuracy of tax calculation and payment conducted by the tax authorities may cover three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. In certain circumstances, they may also cover earlier periods.

The tax legislation contains provisions prohibiting taxpayers to reduce the tax base as a result of distortion of facts with regard to business operations and taxable activities or due to operations and other actions with a primary objective of non-payment or underpayment of taxes. As there is no well-established practice for applying the above rules, there is uncertainty regarding the procedure for their application and possible interpretation by the Russian tax authorities. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and/or courts to their interpretation and enforcement, additional taxes and related fines and penalties may be assessed, which could have a negative impact on the Company's financial position. The details of such contingent liabilities are not disclosed in these financial statements due to the uncertainty of interpretation of tax law by tax authorities.

The Russian transfer pricing legislation allows the Russian tax authorities to apply tax base adjustments and impose additional income tax and value added tax liabilities, fines and penalties in respect of the controlled transactions if the transaction price differs from the market price and unless the Group is able to demonstrate the use of market prices with respect to the controlled transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation. Management believes that the Group fully complies with transfer pricing rules, and "controlled" transaction prices are consistent with market prices.

As at 31 December 2020, Management believes that its interpretation of the relevant Russian tax legislation is appropriate and that the Group's tax, currency and customs positions will be sustained by tax authorities and courts.

Short-term leases

The Group enters into a large number of short-term lease agreements in Russia. The term of these agreements does not exceed 12 months or the underlying asset is of low value. Lease payments for such leases are recognized as an expense on a straight-line basis over the lease term. If the lease terms have changed – for example, the Group has taken an option that was not expected with certainty to be taken before that – or the terms of the lease have been modified, the Group accounts for the lease as a new lease.

Sureties

As at 31 December 2020 and 31 December 2019, the Group had no sureties issued.

31. Net premium earned

	2020			2019		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Gross written premiums, *including*:	**37 105 119**	**45 660 805**	**82 765 924**	**37 992 617**	**33 698 420**	**71 691 037**
Premiums on direct insurance	36 797 812	45 660 805	**82 458 617**	37 641 936	33 698 420	**71 340 356**
Premiums on assumed reinsurance	307 307	-	**307 307**	350 681	-	**350 681**
Gross change in unearned premium reserve	337 188	28 667	**365 855**	(129 696)	(58 675)	**(188 371)**
Gross premium earned	**37 442 307**	**45 689 472**	**83 131 779**	**37 862 921**	**33 639 745**	**71 502 666**
Reinsurers' share of the written premium	(2 078 299)	(620 964)	**(2 699 263)**	(1 925 290)	(578 167)	**(2 503 457)**
Change in reinsurers' share of reserve	122 880	(63 287)	**59 593**	234 105	30 659	**264 764**
Reinsurers' share of earned premium	**(1 955 419)**	**(684 251)**	**(2 639 670)**	**(1 691 185)**	**(547 508)**	**(2 238 693)**
Premiums earned, net of reinsurance	**35 486 888**	**45 005 221**	**80 492 109**	**36 171 736**	**33 092 237**	**69 263 973**

32. Net claims incurred

	2020			2019		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Insurance benefits and claims paid:						
Direct insurance	18 490 212	6 465 414	24 955 626	18 958 444	4 636 388	**23 594 832**
Assumed reinsurance	54 634	-	54 634	43 520	-	**43 520**
Claim settlement expenses	815 647	30 898	846 545	969 557	56 083	**1 025 640**
Income from subrogation	(1 280 222)	-	(1 280 222)	(1 249 485)	-	**(1 249 485)**
Income from salvages	(904 776)	-	(904 776)	(777 776)	-	**(777 776)**
Total insurance claims paid	**17 175 495**	**6 496 312**	**23 671 807**	**17 944 260**	**4 692 471**	**22 636 731**
Reinsurers' share of insurance benefits and claims paid	(454 244)	(167 078)	**(621 322)**	(756 602)	(155 034)	**(911 636)**
Change in claims reserve	198 646	-	**198 646**	(183 390)	-	**(183 390)**
Change in subrogation reserve	(23 631)	-	**(23 631)**	(294 109)	-	**(294 109)**
Changes in salvages reserve	(90 250)	-	**(90 250)**	(106 738)	-	**(106 738)**
Change in long-term life insurance reserve	-	23 273 196	23 273 196	-	17 103 836	**17 103 836**
Gross change in claims reserve and other reserves	**84 765**	**23 273 196**	**23 357 961**	**(584 237)**	**17 103 836**	**16 519 599**
Reinsurers' share of change in claims reserve	**(132 611)**	**(252 516)**	**(385 127)**	**307 280**	**(86 966)**	**220 314**
Total net claims incurred	**16 673 405**	**29 349 914**	**46 023 319**	**16 910 701**	**21 554 307**	**38 465 008**

33. Acquisition costs

			2020			2019
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Agents, brokers and other intermediaries	5 641 595	17 479 406	**23 121 001**	6 269 009	12 560 497	**18 829 506**
Expenses associated with use of information technologies to enter into insurance contracts	2 715 527	-	**2 715 527**	2 533 919	-	**2 533 919**
Sellers' payroll	1 277 820	120 020	**1 397 840**	1 332 291	113 789	**1 446 080**
Direct insurance advertising costs	353 110	-	**353 110**	359 093	-	**359 093**
Other acquisition costs	1 864 940	44 586	**1 909 526**	2 138 332	36 212	**2 174 544**
Total acquisition costs *(Note 13)*	**11 852 992**	**17 644 012**	**29 497 004**	**12 632 644**	**12 710 498**	**25 343 142**
Commission income on ceded reinsurance (*Note 13*)	(115 245)	(194 388)	**(309 633)**	(130 274)	(223 357)	**(353 631)**
Change in deferred expenses for commissions to agents, brokers and other intermediaries	527 598	(209 457)	**318 141**	621 913	(570 101)	**51 812**
Change in deferred expenses associated with use of information technologies to enter into insurance contracts	23 148	-	**23 148**	53 999	-	**53 999**
Change in deferred expenses for the sellers' payroll	21 425	-	**21 425**	(4 297)	-	**(4 297)**
Change in deferred expenses for direct insurance advertising	20 941	-	**20 941**	(107 713)	-	**(107 713)**
Change in other deferred acquisition costs	142 273	-	**142 273**	(198 602)	-	**(198 602)**
Change in deferred reinsurance commission income	(765)	-	**(765)**	17 103	-	**17 103**
Total current acquisition costs, net of reinsurance	**12 472 367**	**17 240 167**	**29 712 534**	**12 884 773**	**11 917 040**	**24 801 813**

34. Administrative expenses

	2020	2019
Payroll and other personnel benefits	3 609 129	3 047 901
Depreciation and amortization	784 917	591 293
Contributions to social funds	762 366	689 296
Information technologies	372 574	604 754
Legal and advisory services	216 043	349 997
Advertising	147 579	144 859
Maintenance of property and equipment	137 734	125 511
Business travel	132 761	109 196
Communications	127 540	102 917
Bank fees	117 830	104 161
Rent of premises	115 445	279 175
Audit	42 617	49 365
Office expenses	33 883	35 806
Security	22 020	22 582
Office supplies	21 437	26 230
Maintenance of motor vehicles	16 779	19 283
Taxes other than income tax	14 161	9 799
Recruitment services	9 774	8 141
Business development	9 539	17 178
Staff training	2 265	5 718
Subscriptions	2 039	6 375
Other expenses	151 165	165 093
Total administrative expenses	**6 849 597**	**6 514 630**

For 2020, the Group recognized expenses from short-term leases, leases of low-value assets and variable lease payments in amount of RUB 115 445 thousand (2019: RUB 279 175 thousand).

35. Net income from investing activities

	2020	2019
Financial assets at fair value through profit or loss:		
Gains from sale, net	577 378	197 963
Interest income	2 989 908	2 963 065
Change in fair value of financial instruments	1 981 436	1 862 366
Gains from financial assets at fair value through profit or loss, net	**5 548 722**	**5 023 394**
Other gains from investing activities:		
Interest income		
Deposits (more than 90 days)	1 100 120	1 015 465
Corporate securities	218 343	248 442
Banking accounts (including short-term deposits)	431 608	311 740
Borrowings	25 960	1 685
	1 776 031	**1 577 332**
Other investment income		
Dividends accrued	647 461	379 424
Commission expense	(23 566)	(15 850)
Gains less losses from investment property	211 087	173 323
Rental income	*207 289*	*192 701*
Maintenance	*(4 230)*	*(11 830)*
Revaluation	*8 028*	*(7 548)*
Part of investment income of the Fund used to ensure its statutory activity	224 643	277 374
Loss on available-for-sale financial assets	(136 193)	-
Impairments of goodwill	(100 452)	-
Other investment income	30 786	2 584
	853 766	**816 855**
Other income from investing activities, net	**2 629 797**	**2 394 187**
Total net income from investing activities	**8 178 519**	**7 417 581**

35. Net income from investing activities (continued)

The amount of investment income of the Fund used to ensure its statutory activity is determined by the decision of the Fund's Council. At the same time, the amount of deductions should not exceed 15% of income received from the placement of pension reserves after deduction of remuneration to the management company, specialized depository and taxes paid.

For 2020 the investment income of the Fund used to ensure its statutory activity includes gains less losses from financial assets at fair value through profit or loss in the amount of RUB 221 270 thousand (2019: RUB 257 847 thousand), as well as other income and expenses related to pension operations in the amount of RUB 3 571 thousand (2019: RUB 19 527 thousand).

For 2020 foreign exchange gains related to debt financial assets at fair value through profit or loss amounted to RUB 353 599 thousand (for 2019 foreign exchange loss: RUB 38 959 thousand) and is included in “Foreign exchange gains/ (losses)” in consolidated statement of comprehensive income.

36. Other operating income and expense

	2020	***2019***
Other operating income:		
Write-off of commission to agents and brokers	139 600	208 142
Penalties received	55 407	11 677
Medical services	37 158	58 908
Gains from write-off of accounts payable	22 687	68 159
Lease and sublease income	14 046	4 154
Other income	84 209	120 621
Total other operating income	**353 107**	**471 661**
Other operating expense:		
Trustee fees	(339 835)	(116 728)
Direct loss refund expenses	(266 221)	(747 052)
Contributions to guarantee funds	(213 349)	(199 903)
Membership fees	(135 677)	(102 253)
Participation in an international pool	(50 919)	(46 447)
Contributions to reserve of current compensation payments	(1 684)	(2 464)
Allowance for impairment of other assets	(1 440)	(5 077)
Other expenses	(130 440)	(160 881)
Total other operating expense	**(1 139 565)**	**(1 380 805)**

37. Risk management

Financial risk management is an essential element of the Group’s operations. The main financial risks the Group is exposed to are insurance risk, credit risk, liquidity risk and market risks related to fluctuations of market prices, interest rates and foreign exchange rates.

Risk management policy is focused on the identification, analysis and management of risks the Group is exposed to, the establishment of risk limits and respective controls, and the continued measurement of risks and compliance with the set limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions, insurance products and services offered and emerging best practices.

The Board of Directors is responsible for proper operation of the risk management framework, approval of risk management policies and procedures, as well as approval of major transactions.

Management is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

37. Risk management (continued)

Capital management policy

The Group seeks to improve the structure and sources of capital to ensure continuous increase of income attributable to the shareholders.

The Group is subject to requirements of the Russian regulators. Such requirements do not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy requirement) to mitigate a risk of default and insolvency of insurance companies to meet unforeseen liabilities as they arise. For regulatory purposes, the Group uses a solvency margin concept, prescribed by the Bank of Russia. As at 31 December 2020 and 31 December 2019, insurance companies of the Group complied with all requirements to the solvency margin. Compliance of the Company's operations with requirements to the minimal solvency margin is as follows:

	31 December 2020	*31 December 2019*
Statutory solvency margin	5 655 078	5 485 844
Actual solvency margin	24 649 607	20 435 836
Difference between actual and statutory solvency margins	18 994 529	14 949 992
Difference between actual and statutory solvency margins, %	335,88%	272.52%

Insurance risks

The Group is exposed to insurance risk, which results from the fact that the ultimate payment under insurance contracts or time of their execution may significantly differ from the Group's estimates due to various reasons: frequency of claims, amounts of claims, development of claims with lengthy handling period. The main objective of the Group is to ensure that insurance reserves are sufficient to discharge its obligations under the insurance contracts.

The Group maintains control over the insurance risk through diversifying its portfolio, underwriting procedures to control the insurance loss by the type of business, as well as reinsurance to decrease the risk of loss in the amounts exceeding those that the Group is ready to accept.

The main types of insurance contracts entered by the Group are the following: motor insurance, life insurance, health insurance and property insurance. In 2020, the respective shares of motor insurance, life insurance, health insurance and property and other insurance in the total premiums earned were 25.4%, 55.0%, 7.7% and 11.9%, with the reinsurers' share of 3.5%, 1.5%, 0.9% and 11.7%, respectively. In 2019, the respective shares of motor insurance, life insurance, health insurance and property and other insurance in the total premiums earned were 28.9%, 47.0%, 9.2% and 14.9%, with the reinsurers' share of 2.5%, 1.6%, 0.8% and 10.6%, respectively. The distribution reflects concentration of the insurance risks of the Group.

Ceeded reinsurance contracts may have different terms (quota share, excess of loss, surplus, stop loss), own retention limits that vary depending on the location and business line.

1) Life insurance contracts

The Group mainly writes the following types of life insurance contracts: (1) life insurance where the life of the policyholder is insured against death or permanent disability, usually for a pre-determined amount, and (2) annuity products.

The Group's underwriting strategy is designed to ensure that insurance risk is diversified. The diversification effect is largely achieved through diversification across industry sectors and geography.

To efficiently manage insurance risk, the Group relies on the results of medical history to ensure that the pricing is based on the relevant health data of the insured, regular review of actual claims experience and product pricing, as well as detailed claims handling procedures. Underwriting limits are in place to enforce appropriate risk selection criteria.

For contracts where death or permanent disability are insured, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more frequent exposure to unpredictable developments.

The Group's own retention limit amounts to RUB 1 365 000 on any group life and accident insurance contracts, RUB 1 000 000 on any single mortgager/borrower life and accident insurance contracts, RUB 400 000 on any individual life and accident insurance contracts. Any amount in excess of these limits must be fully reinsured with major reinsurance companies that were assigned a high credit rating by top international rating agencies, i.e. at least AA (Standard & Poor's), Aa3 (Moody's) or A+ (Fitch Ratings).

All new products issued by the Group are subject to profit-testing procedures and are authorized by Management.

37. Risk management (continued)

Insurance risks (continued)

Key assumptions

Assumptions in use are based on past experience, current internal data, benchmarks which reflect current observable market prices, and other published information. Assumptions are determined as appropriate and prudent estimates at the date of valuation.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on national mortality tables as at 1997, adjusted to the type of contract, for which risks are assumed, and the territory where the insured person resides, reflecting recent historical mortality data. They are adjusted where appropriate to reflect the Group's own experiences. For contracts that are related to the risk of longevity, an appropriate assumption is made with respect to expected future improvement of longevity. Assumptions are differentiated by sex, age of the insured person, underwriting class and contract type.

For credit life insurance contracts, the Group developed certain underwriting ratios for each bank to align reserving and pricing based on differences in mortality assumptions.

An increase in mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

Investment income

The weighted average rate of return is derived from the model portfolio that is assumed to secure liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market rates, as well as expectations about future economic and financial developments.

A decrease in investment return would lead to a reduction in income and decreasing profits for the shareholders.

Expenses

Assumptions related to operating expenses reflect the projected costs of maintaining and servicing of current policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base.

An increase in the level of expenses would result in an increase in expenditure, thus reducing profits for the shareholders.

Sensitivity

The table below indicates the impact of various reasonable changes in key actuarial assumptions on the Group's estimation of reserves.

The table demonstrates the effect of change in individual assumptions with all other assumptions held constant. The correlation of assumptions has a significant effect on the procedure for determining the ultimate insurance claim liabilities. However, in order to demonstrate the impact of changes in key assumptions on insurance claim liabilities, these changes should be introduced on an individual basis.

37. Risk management (continued)

Insurance risks (continued)

The effect of change in key assumptions on the actuarial reserve as at 31 December 2020 is as follows:

Key life insurance business lines	*Increase in discount rate by 300 basis points*		*Increase in early termination rate by 25%*		*Increase in mortality rate by 10%*	
Endowment business	(1 417 495)	-11,63%	(364 520)	-3,08%	28 577	0,23%
Investment insurance	(3 296 060)	-5,84%	(8 145)	-0,01%	(4 668)	-0,01%
Credit life insurance	(23 548)	-4,71%	-	0,00%	(24 476)	-4,90%
Pension and other insurance	(70 644)	-9,55%	(5 784)	-0,79%	-	0,00%

Key life insurance business lines	*Decrease in discount rate by 300 basis points*		*Decrease in early termination rate by 25%*		*Decrease in mortality rate by 10%*	
Endowment business	1 986 693	16,30%	393 798	3,23%	(28 394)	-0,23%
Investment insurance	3 715 130	6,58%	7 557	0,01%	4 648	0,01%
Credit life insurance	26 112	5,23%	-	0,00%	24 458	4,89%
Pension and other insurance	123 778	16,74%	8 259	1,12%	-	0,00%

The effect of change in key assumptions on the actuarial reserve as at 31 December 2019 is as follows:

Key life insurance business lines	*Increase in discount rate by 300 basis points*		*Increase in early termination rate by 25%*		*Increase in mortality rate by 10%*	
Endowment business	(1 338 577)	-16,67%	(456 745)	-6,03%	9 504	0,12%
Investment insurance	(2 209 500)	-5,66%	(18 176)	-0,05%	(2 130)	-0,01%
Credit life insurance	(18 659)	-4,21%	(3)	0,00%	(20 782)	-4,69%
Pension and other insurance	(48 742)	-7,73%	(5 422)	-0,87%	-	0,00%

Key life insurance business lines	*Decrease in discount rate by 300 basis points*		*Decrease in early termination rate by 25%*		*Decrease in mortality rate by 10%*	
Endowment business	1 922 437	23,94%	504 704	6,28%	(23 583)	-0,29%
Investment insurance	2 456 919	6,30%	19 609	0,05%	2 671	0,01%
Credit life insurance	20 536	4,64%	3	0,00%	20 767	4,69%
Pension and other insurance	77 591	12,30%	7 552	1,20%	-	0,00%

2) Non-life insurance contracts

Key assumptions

The amount of claims reserve is determined by estimate of future cash flows related to unsettled liabilities, including estimate of cash inflows from subrogation, auto salvage recoveries and cash outflows for handling claims, as well as by estimate of the reinsurers’ share of such cash flows.

37. Risk management (continued)

Insurance risks (continued)

The amount of outstanding claims reserve is derived based on all information available as at the reporting date, including outstanding loss notifications, experience with similar claims and court practice. The Group applies a number of statistical methods to estimate the ultimate amount of claims, including a stochastic simulation of possible scenarios to estimate liabilities not discharged as at the reporting date. This helps to determine the confidence interval in which potential amount of claims reserve is located. The most common techniques include Chain Ladder and Bornhuetter-Ferguson methods. Depending on the observable development of claims, the Group can apply different methods or combination of methods for different types of insurance.

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of claims costs, inflationary pressure, and caution in estimating the claims. Judgment is used to assess the extent to which external factors, such as judicial decisions and changes in legislation, affect the estimates.

Claims reserves are analyzed separately for each type of insurance. Major claims are mostly estimated on an individual basis and are calculated on a case-by-case basis or are forecast individually to foresee how the development and occurrence of those major claims can be potentially distorted.

Sensitivity

Non-life insurance claims reserves are sensitive to the above key assumptions. Due to delays in occurrence, subsequent notification and final settlement, there is no certainty in the amount of outstanding claims reserve as at the reporting date.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. Since the number of claims and the average claim amount are multipliers of the marginal loss and have similar impact on claims reserve, the Group estimates the change in number of claims only. It should be noted that changes in the assumptions are non-linear.

				2020
	Before changes	*After changes*	*Effect on profit before tax*	*Effect on equity*
Change in the number of motor insurance claims occurred in the last quarter of the reporting period:				
10% increase	3 672 237	3 936 891	(264 654)	(211 723)
10% decrease	3 672 237	3 411 524	260 713	208 570

				2019
	Before changes	*After changes*	*Effect on profit before tax*	*Effect on equity*
Change in the number of motor insurance claims occurred in the last quarter of the reporting period:				
10% increase	3 485 982	3 748 983	(263 001)	(210 401)
10% decrease	3 485 982	3 223 586	262 396	209 917

37. Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument (a counterparty) will fail to discharge an obligation and cause the other party (the Group) to incur a financial loss. The Group sets limits on net risk exposure for each counterparty or a group of counterparties. Limits on the level of credit risk by counterparty are approved (revised) and monitored by the Board of Directors on a regular basis.

The Group regularly monitors insurance receivables and reinsurance assets. An allowance for impairment is recognized in the financial statements (*Note 18*).

Reinsurance

The Group limits its exposure to risk by means of reinsurance arrangements, both obligatory and facultative with Russian and foreign reinsurers. Insurance risk is ceded to reinsurance on different terms (quota share, excess of loss, surplus, stop loss) with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with insurance contract liabilities and are presented in the statement of financial position as *reinsurer's share of insurance contract liabilities*.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements.

The Group is neither dependent on a single reinsurer nor a single reinsurance contract. The Group evaluates financial position of its reinsurers and monitors concentration of credit risks to minimize its exposure to significant losses from certain reinsurers' insolvencies.

Investments

The Group follows a number of principles in its investment policies: it invests only in instruments with an appropriate return and ensures that its investments offer a high degree of reliability. Sufficient liquidity is also important at all times and a targeted diversification in terms of type of investment is applied. Russian insurance companies are regulated by the Bank of Russia and do not act as professional participants in the securities' market. For this reason, the Group performs its investing activities through trust managers or brokers.

Credit exposure by credit rating

The Group measures credit risk exposure of financial assets based on credit rating of counterparties and other available market information to measure the counterparty risk.

Financial assets are rated as follows:

- *High credit quality* – financial assets characterized by remote possibility of credit loss:
  - Assets with high credit rating (BB+ or higher under Standard & Poor's international scale or similar ratings assigned by other foreign rating agencies; B+ or higher under A.M. Best international scale, AA-(RU) or higher under AKRA national scale or similar ratings assigned by national rating agencies)
  - Cash on hand except for cash in transit

37. Risk management (continued)

Credit risk (continued)

- *Standard credit quality* – financial assets characterized by normal creditworthiness:
  - Assets with standard credit rating (B or higher under Standard & Poor's international scale or similar ratings assigned by other foreign rating agencies; B or higher under A.M. Best international scale, BB+(RU) or higher under AKRA national scale or similar ratings assigned by national rating agencies)
  - Cash in transit
  - Insurance and reinsurance receivables - receivables not past due, except those listed in high credit quality, which are not expected to become past due in the future based on statistics
  - Other assets − trade and other receivables excluding those reserved
- *Substandard credit quality* − financial assets characterized by low creditworthiness:
  - Assets with substandard credit rating (B- or lower under Standard & Poor's international scale or similar ratings assigned by other foreign rating agencies; C++ or lower under A.M. Best international scale, BB(RU) or lower under AKRA national scale or similar ratings assigned by national rating agencies) or without any rating
  - Insurance and reinsurance receivables – receivables not past due, which are not expected to become past due in the future based on statistics
- *Past due but not impaired* – insurance and reinsurance receivables that are past due but have no indicators of impairment. This category of assets arises in the course of the Group's ordinary activities and results from deferring payments from intermediaries and delays in identification and referencing of payments to certain insurance and reinsurance contracts.

37. Risk management (continued)

Credit risk (continued)

31 December 2020	*Neither past due nor impaired* High	*Standard*	*Substandard*	*Past due but not impaired*	*Impaired*	***Total***
Cash and cash equivalents	7 894 131	5 896 861	60 991	-	-	**13 851 983**
Amounts due from credit institutions	2 412 904	16 510 870	200 673	-	-	**19 124 447**
Financial assets at fair value through profit or loss	64 404 390	29 229 464	2 576 812	-	-	**96 210 666**
Loans and other receivables	838	-	35 937	-	-	**36 775**
Available-for-sale financial assets	-	2 064 730	-	-	-	**2 064 730**
Financial assets held to maturity	566 078	-	-	-	-	**566 078**
Insurance and reinsurance receivables	269 673	4 161 147	747 640	933 308	505 363	**6 617 131**
Reinsurers' share of insurance contract liabilities	2 350 823	5 039	11 422	-	-	**2 367 284**
Other financial assets	-	72 461	-	-	52 851	**125 312**
Total financial assets	**77 898 837**	**57 940 572**	**3 633 475**	**933 308**	**558 214**	**140 964 406**

31 December 2019	*Neither past due nor impaired* High	*Standard*	*Substandard*	*Past due but not impaired*	*Impaired*	***Total***
Cash and cash equivalents	10 076 054	530 337	6 510	-	-	**10 612 901**
Amounts due from credit institutions	7 961 102	11 025 080	-	-	-	**18 986 182**
Financial assets at fair value through profit or loss	50 044 373	16 478 193	333 507	-	-	**66 856 073**
Loans and other receivables	530	18	8 847	-	-	**9 395**
Available-for-sale financial assets	32 035	2 238 519	-	-	-	**2 270 554**
Financial assets held to maturity	553 338	-	-	-	-	**553 338**
Insurance and reinsurance receivables	22 035	4 095 469	792 729	952 167	503 882	**6 366 282**
Reinsurers' share of insurance contract liabilities	1 905 842	5 277	11 445	-	-	**1 922 564**
Other financial assets	-	103 856	-	-	53 114	**156 970**
Total financial assets	**70 595 309**	**34 476 749**	**1 153 038**	**952 167**	**556 996**	**107 734 259**

37. Risk management (continued)

Credit risk (continued)

Information on assets past due but not impaired is as follows:

31 December 2020	*Less than 30 days*	*31-90 days*	*91-180 days*	*More than 180 days*	*Total past due but not impaired*
Insurance and reinsurance receivables	702 468	120 739	48 797	61 304	**933 308**
Total	**702 468**	**120 739**	**48 797**	**61 304**	**933 308**

31 December 2019	*Less than 30 days*	*31-90 days*	*91-180 days*	*More than 180 days*	*Total past due but not impaired*
Insurance and reinsurance receivables	637 558	189 638	68 577	56 394	**952 167**
Total	**637 558**	**189 638**	**68 577**	**56 394**	**952 167**

The geographical concentration of the Group's financial assets and liabilities is set out below:

	2020			***2019***		
	Russia	***Other countries***	***Total***	***Russia***	***Other countries***	***Total***
Financial assets						
Cash and cash equivalents	13 293 079	558 904	**13 851 983**	10 164 278	448 623	**10 612 901**
Amounts due from credit institutions	19 124 447	-	**19 124 447**	18 986 182	-	**18 986 182**
Financial assets at fair value through profit or loss	90 776 082	5 452 704	**96 228 786**	64 228 629	2 666 379	**66 895 008**
Loans and other receivables	11 210	25 565	**36 775**	9 395	-	**9 395**
Financial assets held to maturity	505 538	60 540	**566 078**	174 012	379 326	**553 338**
Available-for-sale financial assets	1 783 614	281 116	**2 064 730**	1 795 070	475 484	**2 270 554**
Insurance and reinsurance receivables	5 850 368	261 400	**6 111 768**	5 794 468	67 932	**5 862 400**
Reinsurers' share of insurance contract liabilities	144 379	1 408 573	**1 552 952**	124 691	1 046 753	**1 171 444**
Other financial assets	187 117	-	**187 117**	103 856	-	**103 856**
Total financial assets	**131 675 834**	**8 048 802**	**139 724 636**	**101 380 581**	**5 084 497**	**106 465 078**
Financial liabilities						
Insurance contract liabilities	80 396 035	31 641	**80 427 676**	56 905 291	60 294	**56 965 585**
Pension liabilities	22 578 168	-	**22 578 168**	19 586 615	-	**19 586 615**
Other insurance liabilities	3 521 299	468 874	**3 990 173**	2 778 276	631 019	**3 409 295**
Debt securities issued	3 050 844	-	**3 050 844**	3 043 349	-	**3 043 349**
Borrowings and other payables	685 680	53 805	**739 485**	1 008 732	-	**1 008 732**
Other financial liabilities	1 782 426	963	**1 783 389**	1 519 780	4 700	**1 524 480**
Total financial liabilities	**112 014 452**	**555 283**	**112 569 735**	**84 842 043**	**696 013**	**85 538 056**
Net position	**19 661 382**	**7 493 519**	**27 154 901**	**16 538 538**	**4 388 484**	**20 927 022**

37. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its commitments. Liquidity risk occurs where the maturities of assets and liabilities do not match.

Liquidity risk primarily depends on fulfillment of obligations under insurance and investment contracts Liquidity risk is controlled by the Group on a centralized basis regularly. Detailed planning ensures timely repayment of term claims even in case of significant amounts to be repaid under insurance contracts.

The table below analyzes assets and liabilities of the Group by their relevant maturity group based on the remaining period at the reporting date to their expected maturities.

					31 December 2020
	Less than 1 year	*1-3 years*	*More than 3 years*	*Indefinite period*	***Total***
Financial assets					
Cash and cash equivalents	13 851 983	-	-	-	**13 851 983**
Amounts due from credit institutions	18 410 524	100 923	-	613 000	**19 124 447**
Financial assets at fair value through profit or loss	95 051 426	-	1 177 360	-	**96 228 786**
Loans and other receivables	28 384	6 149	2 242	-	**36 775**
Financial assets held to maturity	-	-	566 078	-	**566 078**
Available-for-sale financial assets	1 427 552	356 063	-	281 115	**2 064 730**
Insurance and reinsurance receivables	5 712 223	399 208	337	-	**6 111 768**
Reinsurers' share of insurance contract liabilities	926 474	384 424	242 054	-	**1 552 952**
Other financial assets	182 814	4 303	-	-	**187 117**
Total financial assets	**135 591 380**	**1 251 070**	**1 988 071**	**894 115**	**139 724 636**
Financial liabilities					
Insurance contract liabilities	26 582 679	28 480 681	25 364 316	-	**80 427 676**
Pension liabilities	1 792 660	3 591 862	17 193 646	-	**22 578 168**
Other insurance liabilities	3 328 547	661 620	6	-	**3 990 173**
Debt securities issued	3 050 844	-	-	-	**3 050 844**
Borrowings and other payables	303 969	319 011	116 505	-	**739 485**
Other financial liabilities	1 774 457	8 932	-	-	**1 783 389**
Total financial liabilities	**36 833 156**	**33 062 106**	**42 674 473**	**-**	**112 569 735**
Net position	**98 758 224**	**(31 811 036)**	**(40 686 402)**	**894 115**	**27 154 901**

37. Risk management (continued)

Liquidity risk (continued)

					31 December 2019
	Less than 1 year	*1-3 years*	*More than 3 years*	*Indefinite period*	***Total***
Financial assets					
Cash and cash equivalents	10 612 901	-	-	-	**10 612 901**
Amounts due from credit institutions	18 375 182	-	-	611 000	**18 986 182**
Financial assets at fair value through profit or loss	66 895 008	-	-	-	**66 895 008**
Loans and other receivables	4 128	2 209	3 058	-	**9 395**
Financial assets held to maturity	-	-	553 338	-	**553 338**
Available-for-sale financial assets	49 125	1 810 651	-	410 778	**2 270 554**
Insurance and reinsurance receivables	5 540 471	297 336	4 019	20 574	**5 862 400**
Reinsurers' share of insurance contract liabilities	702 840	314 010	154 594	-	**1 171 444**
Other financial assets	103 856	-	-	-	**103 856**
Total financial assets	**102 283 511**	**2 424 206**	**715 009**	**1 042 352**	**106 465 078**
Financial liabilities					
Insurance contract liabilities	13 903 070	33 509 550	9 552 965	-	**56 965 585**
Pension liabilities	1 471 730	3 120 572	14 994 313	-	**19 586 615**
Other insurance liabilities	2 715 543	600 128	93 624	-	**3 409 295**
Debt securities issued	59 910	2 983 439	-	-	**3 043 349**
Borrowings and other payables	412 306	430 368	166 058	-	**1 008 732**
Other financial liabilities	1 524 475	5	-	-	**1 524 480**
Total financial liabilities	**20 087 034**	**40 644 062**	**24 806 960**	**-**	**85 538 056**
Net position	**82 196 477**	**(38 219 856)**	**(24 091 951)**	**1 042 352**	**20 927 022**

Financial assets at fair value through profit or loss are included in the “Less than 1 year” category due to their high liquidity.

Analysis of financial liabilities by remaining contractual maturity

Terms and amounts of undiscounted contractual obligations approximate the expected terms and amounts provided below, except for securities issued and borrowings. The table below presents undiscounted contractual flows on securities issued:

			31 December 2020
	Less than 1 year	*1-3 years*	**Total**
Debt securities issued	3 538 550	-	**3 538 550**

			31 December 2019
	Less than 1 year	*1-3 years*	**Total**
Debt securities issued	269 280	3 538 560	**3 807 840**

37. Risk management (continued)

Market risk

Market risk is the risk that the fair value of a financial instrument or future cash flows of this financial instrument will fluctuate because of changes in market prices, interest rates and foreign exchange rates. Market risk includes three types of risk: currency risk, interest rate risk and market price risk. The Group manages market risk through periodic estimation of potential losses that could arise from changes in market prices, interest rates and foreign exchange rate, and by maintaining appropriate stop-loss limits.

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the actual or forecasted liabilities in that currency. The table below shows an analysis of assets and liabilities by main currency:

					31 December 2020
	RUB	*USD*	*EUR*	*Other*	***Total***
Financial assets					
Cash and cash equivalents	12 234 135	1 539 807	77 456	585	**13 851 983**
Amounts due from credit institutions	19 124 447	-	-	-	**19 124 447**
Financial assets at fair value through profit or loss	91 209 932	4 667 221	158 657	192 976	**96 228 786**
Loans and other receivables	11 210	25 565	-	-	**36 775**
Financial assets held to maturity	505 538	-	60 540	-	**566 078**
Available-for-sale financial assets	1 783 614	281 116	-	-	**2 064 730**
Insurance and reinsurance receivables	6 062 119	32 238	17 411	-	**6 111 768**
Reinsurers' share of insurance contract liabilities	1 419 870	30 555	102 076	451	**1 552 952**
Other financial assets	182 506	1 971	2 640	-	**187 117**
Total financial assets	**132 533 371**	**6 578 473**	**418 780**	**194 012**	**139 724 636**
Financial liabilities					
Insurance contract liabilities	77 717 089	2 188 880	468 257	53 450	**80 427 676**
Pension liabilities	22 578 168	-	-	-	**22 578 168**
Other insurance liabilities	3 900 471	26 800	62 902	-	**3 990 173**
Debt securities issued	3 050 844	-	-	-	**3 050 844**
Borrowings and other payables	688 406	51 079	-	-	**739 485**
Other financial liabilities	1 781 757	1 632	-	-	**1 783 389**
Total financial liabilities	**109 716 735**	**2 268 391**	**531 159**	**53 450**	**112 569 735**
Net position	**22 816 636**	**4 310 082**	**(112 379)**	**140 562**	**27 154 901**

37. Risk management (continued)

Market risk (continued)

Currency risk (continued)

					31 December 2019
	RUB	*USD*	*EUR*	*Other*	***Total***
Financial assets					
Cash and cash equivalents	9 154 080	1 408 938	49 229	654	**10 612 901**
Amounts due from credit institutions	18 800 332	185 850	-	-	**18 986 182**
Financial assets at fair value through profit or loss	64 996 097	1 684 831	214 080	-	**66 895 008**
Loans and other receivables	9 395	-	-	-	**9 395**
Financial assets held to maturity	506 608	-	46 730	-	**553 338**
Available-for-sale financial assets	1 763 035	507 519	-	-	**2 270 554**
Insurance and reinsurance receivables	5 803 162	45 613	13 535	90	**5 862 400**
Reinsurers' share of insurance contract liabilities	1 088 623	11 761	67 452	3 608	**1 171 444**
Other financial assets	103 856	-	-	-	**103 856**
Total financial assets	**102 225 188**	**3 844 512**	**391 026**	**4 352**	**106 465 078**
Financial liabilities					
Insurance contract liabilities	55 340 280	1 208 070	354 540	62 695	**56 965 585**
Pension liabilities	19 586 615	-	-	-	**19 586 615**
Other insurance liabilities	3 364 387	23 325	21 583	-	**3 409 295**
Debt securities issued	3 043 349	-	-	-	**3 043 349**
Borrowings and other payables	1 008 732	-	-	-	**1 008 732**
Other financial liabilities	1 524 057	423	-	-	**1 524 480**
Total financial liabilities	**83 867 420**	**1 231 818**	**376 123**	**62 695**	**85 538 056**
Net position	**18 357 768**	**2 612 694**	**14 903**	**(58 343)**	**20 927 022**

The following table demonstrates sensitivity of the Group's net profit and equity to changes in the US dollar and euro exchange rates.

		31 December 2020			***31 December 2019***	
Currency	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
USD	17,02%	733 417	586 734	13,00%	342 271	273 817
USD	-17,02%	(733 417)	(586 734)	-11,00%	(289 614)	(231 691)
EUR	17,23%	(19 362)	(15 490)	13,00%	(19 263)	(15 411)
EUR	-17,23%	19 362	15 490	-11,00%	16 300	13 040

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of portfolio of financial instruments. The Group monitors interest rates and performs periodic estimation of potential losses that could arise from adverse changes in interest rates to mitigate the risk of significant decrease in cash flows.

The Group has not calculated the sensitivity of the change in value of the underlying assets for which options were created to the factors affecting the change in value of the option. The risk of changes in value of such assets is entirely borne by the insured, which is reflected in the insurance documentation.

37. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

The table below analyzes the effect of changes in interest rates on the Group's key indicators:

		31 December 2020			*31 December 2019*	
Variables	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
Financial assets at fair value through profit or loss						
Parallel shift of the interest rate curve, RUB	+270 basis points	(3 292 929)	(2 634 343)	+125 basis points	(943 929)	(755 143)
Parallel shift of the interest rate curve, RUB	-270 basis points	3 292 929	2 634 343	-125 basis points	943 929	755 143
Parallel shift of the interest rate curve, USD	+95 basis points	(119 625)	(95 700)	+100 basis points	(3 463)	(2 771)
Parallel shift of the interest rate curve, USD	-95 basis points	119 625	95 700	-100 basis points	3 463	2 771
Parallel shift of the interest rate curve, EUR	+48 basis points	(2 307)	(1 846)	+50 basis points	(65)	(52)
Parallel shift of the interest rate curve, EUR	-48 basis points	2 307	1 846	-50 basis points	65	52
Available-for-sale financial assets						
Parallel shift of the interest rate curve, RUB	+270 basis points	-	(39 039)	+125 basis points	-	(34 035)
Parallel shift of the interest rate curve, RUB	-270 basis points	-	39 039	-125 basis points	-	34 035
Parallel shift of the interest rate curve, USD	+95 basis points	-	-	+100 basis points	-	(248)
Parallel shift of the interest rate curve, USD	-95 basis points	-	-	-100 basis points	-	248

Market price risk

The Group’s market price risk exposure relates to equity instruments whose fair values will fluctuate as a result of changes in market prices.

These changes may result from the factors inherent to certain financial instruments or its issuer, as well as the factors that impact all similar financial instruments traded in the market.

The Group manages market price risk by setting objectives and constraints on investments, investment diversification, periodic assessment of potential losses that can be incurred due to adverse changes in market prices.

		31 December 2020			*31 December 2019*	
Market indices	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
IMOEX	26,01%	2 633 859	2 107 087	16.23%	521 965	417 572
IMOEX	-26,01%	(2 633 859)	(2 107 087)	-16.23%	(521 965)	(417 572)

38. Fair value measurement

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value is best evidenced by the financial instrument's quoted price in the active market.

The estimated fair value of financial instruments is determined by the Group based on the available market information (if any) and appropriate valuation techniques. Management uses its own judgment in allocating financial assets to a particular level of the fair value hierarchy.

Assets for which carrying amount approximates fair value

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than 90 days) it is assumed that their fair values approximate their carrying amounts. This assumption is also applied to amounts due from credit institutions and loans, which are carried at amortized cost using the discounted cash flow method using a fixed interest rate that is consistent with market levels.

Fixed rate financial instruments

The estimated fair value of unquoted debt financial instruments is based on discounting future cash flows using prevailing levels of interest rates for debt instruments having similar credit risk and remaining maturities.

The Group estimates fair values of financial instruments stated on the statement of financial position using fair value hierarchy, set out in *Note 7,* that reflects the materiality of the inputs used in estimation.

Derivatives

Other financial assets at fair value through profit or loss include derivative financial instruments represented by structured notes. The underlying asset for such instruments is a basket of mutual fund units, each of a certain weight. The market value of the basket is used to calculate an index indicating an increase in the basket's value on a certain date. The index is adjusted for the realized volatility of the basket's value and movements in EURIBOR 3M rates. Payments on the notes depend on the maximum value of the adjusted index during a certain period. Where the maximum value of the adjusted index is under 100% (relative to the date on which the index was first calculated), no payments are made. Contracts may contain a quanta currency component.

Available-for-sale financial assets

Available-for-sale financial assets measured using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. Such assets are valued using models incorporating either only observable data or both observable and unobservable data. The unobservable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Investment property

The Group uses discounted cash flow method ("DCF") for valuation of its investment property. Fair value is estimated using assumptions regarding the benefits and obligations associated with ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The return on investment is usually determined separately and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-leasing, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real estate. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent fees and commissions and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

38. Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of assets as at 31 December 2020 are as follows:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain/(loss)*	***Carrying amount***
Assets measured at fair value					
Financial assets at fair value through profit or loss	93 210 729	2 979 775	38 282	-	**96 228 786**
Available-for-sale financial assets	-	1 783 614	281 116	-	**2 064 730**
Investment property	-	-	1 858 073	-	**1 858 073**
Total assets measured at fair value	**93 210 729**	**4 763 389**	**2 177 471**	**-**	**100 151 589**
Assets for which fair values are disclosed					
Cash and cash equivalents	13 851 983	-	-	-	**13 851 983**
Amounts due from credit institutions	-	19 124 447	-	-	**19 124 447**
Loans and other receivables	-	-	36 775	-	**36 775**
Financial assets held to maturity	599 047	-	-	32 969	**566 078**
Other assets	-	-	187 117	-	**187 117**
Total assets for which fair values are disclosed	**14 451 030**	**19 124 447**	**223 892**	**32 969**	**33 766 400**
Liabilities for which fair values are disclosed					
Debt securities issued	3 106 710	-	-	(55 866)	**3 050 844**
Borrowings and other payables	-	733 885	5 600	-	**739 485**
Other liabilities	-	-	1 783 389	-	**1 783 389**
Total liabilities for which fair values are disclosed	**3 106 710**	**733 885**	**1 788 989**	**(55 866)**	**5 573 718**

In the reporting period, financial assets at fair value through profit or loss in amount of RUB 449 220 thousand and RUB 2 593 747 thousand were transferred from Level 1 to Level 2 and from Level 2 to Level 1 of the fair value hierarchy, respectively. Financial assets at fair value through profit or loss in amount of RUB 1 215 727 thousand and RUB 3 664 thousand were transferred from Level 3 to Level 1 and to Level 2 of the fair value hierarchy, respectively.

The reason for the transfers to Level 1 was that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market in respect of identical financial instruments. The reason for the transfers to Level 2 is that the market for some securities has become inactive, and since the transfer, these instruments have been valued using quoted prices of NSMA Pricing Center estimated by the index extrapolation based on the observable market data.

38. Fair value measurement (continued)

Financial assets at fair value through profit or loss of RUB 34 033 thousand were transferred from Level 2 to Level 3 of the fair value hierarchy. The reason for the transfers to Level 3 is that the market for some securities has become inactive, which has led to a change in the method used to determine fair value. From the moment of transfer, these financial instruments have been valued using quoted prices of NSMA Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data.

Quantitative disclosures of the fair value measurement hierarchy of assets as at 31 December 2019 are as follows:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain/(loss)*	***Carrying amount***
Assets measured at fair value					
Financial assets at fair value through profit or loss	61 887 586	3 441 005	1 566 417	-	**66 895 008**
Available-for-sale financial assets	96 741	1 763 035	410 778	-	**2 270 554**
Investment property	-	-	1 850 045	-	**1 850 045**
Total assets measured at fair value	**61 984 327**	**5 204 040**	**3 827 240**	**-**	**71 015 607**
Assets for which fair values are disclosed					
Cash and cash equivalents	10 612 901	-	-	-	**10 612 901**
Amounts due from credit institutions	-	18 986 182	-	-	**18 986 182**
Loans and other receivables	-	-	9 395	-	**9 395**
Financial assets held to maturity	574 518	-	-	21 180	**553 338**
Other assets	-	-	443 444	-	**443 444**
Total assets for which fair values are disclosed	**11 187 419**	**18 986 182**	**452 839**	**21 180**	**30 605 260**
Liabilities for which fair values are disclosed					
Debt securities issued	3 107 910	-	-	(64 561)	**3 043 349**
Borrowings and other payables	-	1 003 132	5 600	-	**1 008 732**
Other liabilities	-	-	1 695 597	-	**1 695 597**
Total liabilities for which fair values are disclosed	**3 107 910**	**1 003 132**	**1 701 197**	**(64 561)**	**5 747 678**

In 2019, financial assets at fair value through profit or loss of RUB 1 652 784 thousand and RUB 1 490 996 thousand were transferred from Level 1 to Level 2 and from Level 2 to Level 1 of the fair value hierarchy, respectively. The reason for the transfers to Level 1 is that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market in respect of identical financial instruments. The reason for the transfers to Level 2 is that the market for some securities has become inactive, and since the transfer, these instruments have been valued using quoted prices of NSMA Pricing Center estimated by the index extrapolation based on the observable market data.

Financial assets at fair value through profit or loss of RUB 838 137 thousand and RUB 586 120 thousand were transferred from Level 1 and Level 2 to Level 3 of the fair value hierarchy, respectively. The reason for the transfers to Level 3 is that the market for some securities has become inactive, which has led to a change in the method used to determine fair value. From the moment of transfer, these financial instruments have been valued using quoted prices of NSMA Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data.

There have been no transfers from Level 3 of the fair value measurement hierarchy in 2019.

38. Fair value measurement (continued)

The following table includes valuation models and inputs used to measure Level 3 fair values, as well as sensitivity of measurement to reasonable possible changes in inputs as at 31 December 2020:

	Carrying amount	***Valuation model***	***Unobservable inputs***	***Range (weighted average value)***	***Reasonable changes***	***Sensitivity of fair value measurements***
Financial assets at fair value through profit or loss	38 282	Quoted price of NSMA Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data	Price, % of par value	100.17% - 101.56% (101.14%)	+/- 1%	372
Available-for-sale financial assets	143 377	Value of net assets	Net assets of the fund	N/a	+/- 1%	1 434
	137 739	Combined model to measure fair value	Carrying amount of the fund's investments, financial performance of the fund's investments	N/a	+/- 1%	1 377
Investment property	1 858 073	Income approach using the discounted cash flow technique	Capitalization rate	11,45%	+/- 1%	(35 036)/ 41 742
			Discount rate	15,45%	+/- 1%	(71 493)/ 83 007
			Rental rate	RUB 17 849,79/ sq. m, net of VAT	+/- 10%	60 078/ (60 078)

38. Fair value measurement (continued)

The following table includes valuation models and inputs used to measure Level 3 fair values, as well as sensitivity of measurement to reasonable possible changes in inputs as at 31 December 2019:

	Carrying amount	*Valuation model*	*Unobservable inputs*	*Range (weighted average value)*	*Reasonable changes*	*Sensitivity of fair value measurements*
Financial assets at fair value through profit or loss	1 566 417	Quoted price of NSMA Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data	Price, % of par value	99.86% - 105.58% (101.95%)	+/- 1%	15 492
Available-for-sale financial assets	163 001	Value of net assets	Net assets of the fund	N/a	+/- 1%	1 630
	247 777	Combined model to measure fair value	Carrying amount of the fund's investments, financial performance of the fund's investments	N/a	+/- 1%	2 478
Investment property	1 850 045	Income approach using the discounted cash flow technique	Capitalization rate	10.00%	+/- 1%	(90 000)/ 120 000
			Discount rate	14.36%	+/- 1%	(70 000)/ 80 000
			Rental rate	RUB 16 000/ sq. m, net of VAT	+/- 10%	140 000/ (130 000)

Movements in Level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets that are recognized at fair value.

	1 January 2020	*Gains (losses) recorded in profit or loss*	*Gains recorded in equity*	*Purchases*	*Sales/ Withdrawals*	*Transfers between levels*	*Currency revaluation*	*31 December 2020*
Financial assets at fair value through profit or loss	1 566 417	47 825	-	30 860	(421 461)	(1 185 359)	-	**38 282**
Available-for-sale financial assets	410 778	(136 193)	(19 082)	-	(40 556)	-	66 169	**281 116**
Investment property	1 850 045	8 028	-	-	-	-	-	**1 858 073**
Total financial assets classified as Level 3 of the fair value hierarchy	**3 827 240**	**(80 340)**	**(19 082)**	**30 860**	**(462 017)**	**(1 185 359)**	**66 169**	**2 177 471**

38. Fair value measurement (continued)

Movements in Level 3 assets at fair value (continued)

	1 January 2019	Gains (losses) recorded in profit or loss	Gains recorded in equity	Purchases	Sales/ Withdrawals	Transfers between levels	Currency revaluation	31 December 2019
Financial assets at fair value through profit or loss	-	9 311	-	138 903	(6 054)	1 424 257	-	**1 566 417**
Available-for-sale financial assets	902 961	-	(102 459)	-	(317 073)	-	(72 651)	**410 778**
Investment property	1 857 593	(7 548)	-	-	-	-	-	**1 850 045**
Total financial assets classified as Level 3 of the fair value hierarchy	**2 760 554**	**1 763**	**(102 459)**	**138 903**	**(323 127)**	**1 424 257**	**(72 651)**	**3 827 240**

39. Related party transactions

					2020
	Shareholders	*Key management personnel*	*Other*	*Total related parties*	*Total category*
Assets and liabilities					
Cash and cash equivalents	15 797	-	-	15 797	**13 851 983**
Amounts due from credit institutions	-	-	2 476 360	2 476 360	**19 124 447**
Insurance and reinsurance receivables	-	-	490	490	**6 111 768**
Loans and other receivables	-	-	25 565	25 565	**36 775**
Deferred acquisition costs	-	-	27 147	27 147	**8 640 151**
Other assets	-	3 899	122	4 021	**1 168 689**
Insurance contract liabilities	555	655	60 307	61 517	**97 356 444**
Other insurance liabilities	-	1	19 919	19 920	**5 936 299**
Other liabilities	2 426	296 460	122	299 008	**1 957 049**
Income and expenses					
Gross insurance premiums	3 193	1 576	116 568	121 337	**82 765 924**
Gross change in unearned premium reserve	(550)	430	22 487	22 367	**365 855**
Insurance benefits and claims paid	-	-	(42 516)	(42 516)	**(23 671 807)**
Gross change in claims reserve	-	-	(5 156)	(5 156)	**(23 357 961)**
Net acquisition costs	-	-	(152 144)	(152 144)	**(29 712 534)**
Pension contributions (including income allocated to depositors)	-	-	38 450	38 450	**4 531 074**
Administrative expenses	(3 245)	(601 553)	(53 460)	(658 258)	**(6 849 597)**
Other income from investing activities, net	-	-	90 252	90 252	**2 629 797**
Interest expense	-	(123)	51 275	51 152	**(366 541)**
Foreign exchange gains/ (losses)	-	-	51 158	51 158	**767 632**
Other operating income	111	-	2 995	3 106	**353 107**
Other operating expense	-	(3 881)	-	(3 881)	**(1 139 565)**

39. Related party transactions (continued)

	Shareholders	*Key management personnel*	*Other*	*Total related parties*	***2019*** *Total category*
Assets and liabilities					
Cash and cash equivalents	29 508	-	24	29 532	**10 612 901**
Amounts due from credit institutions	-	-	2 501 795	2 501 795	**18 986 182**
Available-for-sale financial assets	-	-	-	-	**2 270 554**
Insurance and reinsurance receivables	-	40	2 121	2 161	**5 862 400**
Other assets	-	10 377	3 174	13 551	**1 205 981**
Insurance contract liabilities	4	1 223	59 543	60 770	**74 364 338**
Other insurance liabilities	-	-	11 186	11 186	**4 653 214**
Other liabilities	1 113	125 477	4 288	130 878	**1 695 597**
Income and expenses					
Gross insurance premiums	15	2 626	128 916	131 557	**71 691 037**
Gross change in unearned premium reserve	-	(132)	(21 153)	(21 285)	**(188 371)**
Insurance benefits and claims paid	-	-	-	-	**(22 636 731)**
Net acquisition costs	-	-	(168 723)	(168 723)	**(24 801 813)**
Pension contributions (including income allocated to depositors)	-	-	35 801	35 801	**4 748 418**
Administrative expenses	(72)	(349 534)	(79 569)	(429 175)	**(6 514 630)**
Other income from investing activities, net	-	-	364 677	364 677	**2 394 187**
Interest expense	-	(183)	-	(183)	**(337 318)**
Other operating income	111	450	2 296	2 857	**471 661**
Other operating expense	-	(3 401)	(100)	(3 501)	**(1 380 805)**

Administrative expenses include the total remuneration to the key management personnel, which amounted to RUB 575 294 thousand in 2020 (2019: RUB 344 613 thousand). This includes short-term payments only.

The underlying asset of the structured credit notes by BrokerCreditService Structured Products plc are liabilities of a related party (*Note 7*).

Other related parties were mainly represented by the shareholders' subsidiaries.

One of the Group's shareholders is under control by Russian Federation. In the course of the Group's ordinary activities, the Group enters into transactions on an arm's length basis with government-related entities, including investments in bonds, deposits and insurance operations.

40. Subsequent events

In February 2021, the Group decided not to carry on insurance activities of the Group's company JSIC “Renaissance health” and to transfer its insurance portfolio to Renaissance Insurance Group Joint Stock Company and Renaissance Life Ltd.

Renaissance Insurance Group Joint Stock Company

Consolidated Financial Statements
in accordance with
International Financial Reporting Standards
Year ended 31 December 2019

Together with Independent Auditor's Report

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Independent auditor's report

To the Shareholders and Board of Directors of
Renaissance Insurance Group Joint Stock Company

Opinion

We have audited the consolidated financial statements of Renaissance Insurance Group Joint Stock Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December 2019, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2019, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2019, and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) (including international independence standards) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

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

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

Key audit matter	How our audit addressed the matter
Estimation of insurance contract liabilities	
Estimation of insurance contract liabilities is one of the most important matters for our audit due to the significance of their amount, to complex and subjective nature of the estimates, which are based on assumptions and judgments made by management, and to a substantial variability of the estimation result depending on the assumptions used. Insurance contract liabilities are disclosed in Note 21 to the consolidated financial statements.	Our audit procedures included, in particular, an assessment of the assumptions and the methodology used by management for estimating insurance contract liabilities and liability adequacy testing, performed with the involvement of our actuaries. We analyzed the historical loss development and compared the estimates previously made by management with the actual portfolio movements. We analyzed the data used in the calculation, checked the mathematical accuracy of formulas and whether they are in line with the adopted methodology for estimating the insurance contract liabilities. We also analyzed the information on the estimation of insurance contract liabilities disclosed by the Group, including information on the use of liabilities, significant assumptions and the sensitivity of the amount of liabilities to changes in these assumptions.

Key audit matter	How our audit addressed the matter
Goodwill impairment testing	
The amount of recognized goodwill is significant to the consolidated financial statements, and assumptions on the operating performance of subsidiaries and discount rate underlying the model of goodwill impairment testing are subjective. Therefore, this matter is one of the key matters of the audit of the consolidated financial statements.	Our audit procedures included, in particular, an assessment of the assumptions and the methodology used by management for goodwill impairment testing, performed with the involvement of our valuation specialists. We analyzed data and assumptions used for goodwill impairment testing.
Information on the amount of goodwill and the results of goodwill impairment testing is disclosed in Note 17 to the consolidated financial statements.	We also analyzed the information on goodwill testing disclosed by the Group, including the information on assumptions and methodology used.

Other information included in the annual report of Renaissance Insurance Group Joint Stock Company

Other information consists of information included in the annual report of Renaissance Insurance Group Joint Stock Company, other than the consolidated financial statements and our auditor's report thereon. Management is responsible for other information. The annual report of Renaissance Insurance Group Joint Stock Company is expected to be provided to us after the date of this auditor's report.

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

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

Responsibilities of Management and the Board of Directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a material misstatement resulting from error because fraud may involve collusion, forgery, intentional omissions, misrepresentations, or override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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улучшаем мир

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

The partner in charge of the audit resulting in this independent auditor's report is D.E. Weinstein.

D.E. Weinstein
Partner
Ernst & Young LLC

18 March 2020

Details of the audited entity

Name: Renaissance Insurance Group Joint Stock Company
Record made in the State Register of Legal Entities on 5 September 2018, State Registration Number 1187746794336.
Address: Russia 115114, Moscow, Derbenevskaya nab., 7, bld. 22, floor/office 4/XIII.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(thousands of Russian rubles)

	Notes	As at 31 December 2019	2018
Assets			
Cash and cash equivalents	5	10 612 901	7 831 331
Amounts due from credit institutions	6	18 986 182	11 899 216
Financial assets at fair value through profit or loss	7	66 895 008	51 367 705
Loans and other receivables	8	9 395	212 626
Available-for-sale financial assets	9	2 270 554	3 738 749
Financial assets held to maturity	10	553 338	-
Insurance and reinsurance receivables	11	5 862 400	5 138 858
Reinsurers' share of insurance contract liabilities	21	1 922 564	1 878 114
Current tax assets		470 109	260 689
Deferred tax assets	12	889 669	750 993
Deferred acquisition costs	13	9 166 079	8 961 278
Property and equipment	14	1 411 149	393 932
Investment property		1 851 567	1 859 210
Prepaid expenses	15	762 537	795 438
Intangible assets	16	1 072 240	1 156 652
Goodwill	17	8 435 471	8 435 471
Value of business in force	18	43 708	266 164
Other assets	19	443 444	855 019
Total assets		**131 658 315**	**105 801 445**
Liabilities			
Insurance contract liabilities	21	74 364 338	57 656 368
Pension liabilities	22	19 586 615	16 341 891
Other insurance liabilities	24	4 653 214	4 529 916
Deferred commission income on ceded reinsurance	13	35 537	18 434
Debt securities issued	25	3 043 349	-
Borrowings and other payables	26	1 008 732	2 508 121
Current tax liabilities		84 000	22 313
Deferred tax liabilities	12	1 614 684	1 025 387
Other liabilities	28	1 695 597	2 081 989
Total liabilities		**106 086 066**	**84 184 419**
Equity			
Share capital	29	4 351 340	4 351 340
Additional capital	30	14 652 342	14 652 342
Revaluation reserve for available-for-sale financial assets		19 742	107 007
Translation differences		17 873	122 278
Insurance reserve of NSPF	31	791 267	673 982
Retained earnings		5 739 685	1 710 077
Total equity		**25 572 249**	**21 617 026**
Total equity and liabilities		**131 658 315**	**105 801 445**

These consolidated financial statements were approved for issue on 18 March 2020 and signed by the General Director:

Yu.O. Gadliba
General Director

АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА РЕНЕССАНС СТРАХОВАНИЕ» • МОСКВА •
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The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of Russian rubles)

	Notes	Year ended 31 December 2019	2018 (restated)
Gross insurance premiums		71 691 037	70 274 810
Gross change in unearned premium reserve		(188 371)	(51 685)
Premium ceded		(2 503 457)	(1 970 982)
Change in reinsurers' share of unearned premium reserve		264 764	(64 672)
Net premium earned	33	**69 263 973**	**68 187 471**
Insurance benefits and claims paid		(22 636 731)	(17 746 499)
Reinsurers' share of insurance benefits and claims paid		911 636	831 808
Gross change in claims reserve		(16 519 599)	(14 279 201)
Change in reinsurers' share of claims reserve		(220 314)	43 255
Net claims incurred	34	**(38 465 008)**	**(31 150 637)**
Net acquisition costs	35	(24 801 813)	(29 241 969)
Allowance for impairment of insurance and reinsurance receivables	20	(192 337)	(190 874)
Amortization of value of business in force		(222 456)	(246 486)
Result of insurance operations		**5 582 359**	**7 357 505**
Pension contributions (including income allocated to depositors)		4 748 418	3 545 856
Pension payments		(1 386 548)	(1 175 387)
Change in pension liabilities		(3 244 724)	(2 291 697)
Commission income for pension insurance contracts		88 536	88 609
Result of pension operations	22	**205 682**	**167 381**
Administrative expenses	36	(6 514 630)	(6 330 991)
Gains from financial assets at fair value through profit or loss, net	37	5 023 394	1 870 514
Other income from investing activities, net	37	2 394 187	1 974 218
Interest expense		(337 318)	(333 390)
Foreign exchange (losses)/gains		(220 365)	293 813
Other operating income	38	471 661	376 050
Other operating expense	38	(1 380 805)	(1 186 458)
Other expenses		**(563 876)**	**(3 336 244)**
Profit before tax		**5 224 165**	**4 188 642**
Income tax expense	12	(1 077 272)	(811 041)
Net profit		**4 146 893**	**3 377 601**
Other comprehensive income to be subsequently reclassified to profit or loss when specific conditions are met			
Net change in the fair value of available-for-sale financial assets		(87 265)	89 815
Translation differences		(104 405)	165 545
Other comprehensive (loss)/income for the year, net of tax		**(191 670)**	**255 360**
Total comprehensive income for the year		**3 955 223**	**3 632 961**

Yu.O. Gadliba
General Director

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Russian rubles)

	Share capital	*Additional capital*	*Revaluation reserve for available-for-sale financial assets*	*Translation differences*	*Insurance reserve of NSPF*	*Net assets of NSPF*	*Retained earnings/ (accumulated loss)*	*Total*
1 January 2018	4 351 340	14 652 342	17 192	(43 267)	-	1 162 012	(1 155 554)	18 984 065
Profit for the year	-	-	-	-	-	-	3 377 601	3 377 601
Other comprehensive income net of tax	-	-	89 815	165 545	-	-	-	255 360
Total comprehensive income	-	-	**89 815**	**165 545**	-	-	**3 377 601**	**3 632 961**
Dividends paid	-	-	-	-	-	-	(1 000 000)	**(1 000 000)**
Reorganization of NSPF into a joint-stock company	-	-	-	-	619 682	(1 162 012)	542 330	-
Change in insurance reserve of NSPF	-	-	-	-	54 300	-	(54 300)	-
31 December 2018	**4 351 340**	**14 652 342**	**107 007**	**122 278**	**673 982**	-	**1 710 077**	**21 617 026**
Profit for the year	-	-	-	-	-	-	4 146 893	4 146 893
Other comprehensive loss net of tax	-	-	(87 265)	(104 405)	-	-	-	(191 670)
Total comprehensive income	-	-	**(87 265)**	**(104 405)**	-	-	**4 146 893**	**3 955 223**
Change in insurance reserve of NSPF	-	-	-	-	117 285	-	(117 285)	-
31 December 2019	**4 351 340**	**14 652 342**	**19 742**	**17 873**	**791 267**	-	**5 739 685**	**25 572 249**

Yu.O. Gadliba
General Director

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CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of Russian rubles)

	Year ended 31 December 2019	Year ended 31 December 2018 (reclassified)
Cash flows from operating activities		
Life insurance premiums received	30 036 980	31 175 565
Non-life insurance premiums received	33 121 002	32 590 616
Reinsurance premiums paid	(1 594 777)	(1 433 283)
Life insurance benefits and claims paid	(4 565 314)	(1 878 620)
Non-life insurance benefits and claims paid	(16 175 708)	(13 389 362)
Reinsurers' share of benefits and claims, received	393 554	389 765
Acquisition costs paid	(17 562 254)	(22 249 573)
Claim settlement expenses, paid	(1 075 524)	(1 034 460)
Subrogation and salvages, received	1 128 829	968 336
Direct loss refund under Motor Third Party Liability Insurance, received from insurers	2 932 384	2 690 245
Direct loss refund under Motor Third Party Liability Insurance, paid to insurers	(2 819 237)	(3 153 655)
Direct loss refund under Motor Third Party Liability Insurance, paid to policyholders	(3 555 341)	(3 562 154)
Pension contributions received	3 189 114	2 850 197
Pension payments	(1 387 345)	(1 175 387)
Payments to professional associations of insurers in the form of deductions from premiums stipulated by the Russian legislation	(195 386)	(220 325)
Interest received	5 709 637	4 737 829
Interest paid	(269 606)	(334 036)
Dividends received and other similar payments	379 627	279 277
Purchase, sale and redemption of securities at fair value through profit or loss	(12 945 312)	(21 468 978)
Salaries and other employee benefits	(3 483 995)	(2 893 107)
Other administrative and operating expenses	(2 410 350)	(2 550 675)
Other cash flows from operating activities	778 127	755 851
Income tax paid	(656 164)	(1 056 552)
Net cash flows from operating activities	**8 972 941**	**37 514**
Cash flows from investing activities		
Proceeds from sale of property and equipment and intangible assets	62	1 181
Payments on purchase of property and equipment and intangible assets	(367 439)	(685 064)
Revenue from rental of investment property	208 760	208 392
Placement and withdrawal of deposits	(7 024 223)	(2 942 119)
Sale of available-for-sale financial assets	1 046 151	-
Purchase of securities held to maturity	(549 580)	-
Other cash flows from investing activities	310 923	(443)
Net cash flows used in investing activities	**(6 375 346)**	**(3 418 053)**
Cash flows from financing activities		
Borrowings and other payables, received	705 600	1 200 000
Borrowings and other payables, repaid	(3 200 000)	(1 400 000)
Proceeds from bonds issued	3 000 000	-
Dividends paid to shareholders (net of tax)	-	(993 960)
Finance lease payments	(203 427)	(307)
Other cash flows from financing activities	(30 054)	-
Net cash flows from/(used in) financing activities	**272 119**	**(1 194 267)**
Net increase/(decrease) in cash and cash equivalents	**2 869 714**	**(4 574 806)**
Effect of changes in the exchange rate of foreign currency to the ruble	(88 144)	-
Cash and cash equivalents, beginning	**7 831 331**	**12 406 137**
Cash and cash equivalents, ending	**10 612 901**	**7 831 331**

In 2019 and 2018, the Group had no non-cash flows from investing and financing activities, except for the recognition of right-of-use assets and lease liabilities due to adoption of IFRS 16 *Leases*.

Yu.O. Gadliba
General Director

АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА РЕНЕССАНС СТРАХОВАНИЕ» МОСКВА
Ренессанс страхование

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

1. Corporate information

These consolidated financial statements comprise financial statements of Renaissance Insurance Group Joint Stock Company (the "Company") and its subsidiaries (together referred to as the "Group").

The Company's legal address is Russian Federation 115114, Moscow, Derbenevskaya nab., 7, bld. 22, floor/office 4/XIII.

The Group's principal business activity is the provision of insurance and pension services within the Russian Federation. The Group provides various insurance services, including insurance of motor vehicles, property of legal entities and individuals, freight, different types of civil and professional liability, voluntary health insurance, medical costs insurance for individuals traveling abroad, life insurance, and compulsory motor third party liability insurance. Entities engaged in providing life insurance services offer a wide range of life insurance products such as endowment, including term life, pure endowment with premium refund and accident insurance. The non-state pension fund offers its clients non-state pension insurance services.

As at 31 December 2019 and 31 December 2018, the total number of shares issued is 404 763 892 364, with a nominal value of RUB 0.01 each. The shares are distributed among the shareholders of the entity in proportion to their interests.

As at 31 December 2019 and 31 December 2018, the shareholders of the Company are as follows:
- Renaissance Insurance Holding LLC - 52.12%
- JOINT STOCK COMPANY TRANSFINGROUP ASSET MANAGEMENT, closed-end-mutual investment combined fund TEKHNOLOGICHESKIY - 35.80%
- Notivia Ltd. - 12.08%.

As at 31 December 2019 and 31 December 2018, the Group comprises the following entities:
- Renaissance Insurance Group Joint Stock Company
- Renaissance Life Ltd.
- JSIC "Renaissance health" (JSIC BLAGOSOSTOYANIE prior to 2 October 2018)
- BLAGOSOSTOYANIE GI JSC*
- JSC NSPF Renaissance pensions (NSPF; NSPF "BLAGOSOSTOYANIE MNC" prior to 14 December 2018)
- SPUTNIK ASSET MANAGEMENT JSC
- MEDCORP LLC
- InRos-Med LLC
- Pryor Holdings Ltd.
- Overcombe Holdings Ltd.
- JSC "RenConsult"
- JSC "RenPrime"
- Lenta Center, LLC **
- PKVIT, LLC**
- Polyus Perspective, LLC **
- Welbi Holding LLC
- "RL Partners" JSC

** In November 2019, the Group's entity, BLAGOSOSTOYANIE GI JSC, discontinued its operations as a result of a reorganization in form of a merger with the Company.*

*** In December 2019, Lenta Center, LLC, PKVIT, LLC and Polyus Perspective, LLC discontinued their operations as a result of a reorganization in form of a merger with the Group's entity, JSC "RenPrime".*

There are no ultimate beneficiaries - individuals, directly or indirectly holding more than 25% of shares in the Company.

2. Basis of preparation

Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations issued by the International Financial Reporting Standards Foundation, endorsed in accordance with the procedure established in line with the Russian legislation by the Government Russian Federation as agreed with the Bank of Russia.

2. Basis of preparation (continued)

Basis of preparation of the financial statements (continued)

These consolidated financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest thousand except where otherwise indicated. The functional currency of the Group is the Russian ruble.

Management made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in accordance with IFRS. Actual results could differ from these estimates.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis of assets and liabilities to be recovered or settled within a period of 12 months after the reporting date (current assets/liabilities) or beyond a period of 12 months after the reporting date (non-current assets/liabilities) is provided in respective notes.

Subsidiaries

In accordance with the requirements of IFRS 10 *Consolidated Financial Statements,* subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, or otherwise has power to exercise control over their operations, are consolidated in the financial statements of the Group. Subsidiaries are fully consolidated by the Group from the date of acquisition, being the date on which the Group obtains control over the subsidiary, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies for all companies of the Group.

Subsidiaries acquired in 2015-2017 qualify as entities and businesses under common control. Since IFRS does not address the accounting for acquisition of such entities, the Group applied its own accounting policy, similar to IFRS 3 *Business Combinations*. Subsidiaries acquired as a result of transactions on an arm's length basis are recognized in accordance with IFRS 3 *Business Combinations*.

Going concern

These consolidated financial statements of the Group as at 31 December 2019 and for the year then ended have been prepared based on the going concern assumption.

Changes in accounting policies. Application of standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2019. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and impact of each amendment is described below:

IFRS 16 Leases

IFRS 16 supersedes IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases — Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. Therefore, IFRS 16 did not have an impact on leases where the Group is the lessor.

The Group applied IFRS 16 on 1 January 2019 for the first time, using the modified retrospective approach with the cumulative effect of initial application recognized as the adjustment to the opening balance of retained earnings at the date of initial application. The comparatives are not recalculated.

(thousands of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

The effect of adoption of IFRS 16 as at 1 January 2019 is as follows:

	1 January 2019
Assets	
Property and equipment (right-of-use assets)	310 414
Prepaid expenses	(3 299)
Total assets	**307 115**
Liabilities	
Borrowings and other payables (lease liabilities)	307 115
Total liabilities	**307 115**

(a) *Nature of the effect of adoption of IFRS 16*

The Group has lease contracts for various items of property and equipment. Prior to adopting IFRS 16, the Group classified each lease agreement (in which it was a lessee) at the inception date as either a finance lease or an operating lease. A lease was classified as a finance lease if it transferred substantially all of the risks and rewards incidental to ownership of the leased asset to the Group; otherwise, it was classified as an operating lease. Finance leases were capitalized at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments were apportioned between interest and reduction of the lease liability. In an operating lease, the leased property was not capitalized and the lease payments were recognized as rent expense in profit or loss on a straight-line basis over the lease term. Any advance lease payments and accrued lease payments were recognized in Prepaid expenses and other liabilities, respectively.

Upon adoption of IFRS 16, the Group applied a single recognition and measurement approach to all leases, except for short-term leases and leases of low-value assets. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

Using the modified retrospective approach to leases previously classified as finance leases, the Group recognizes:

- Right-of-use asset - at the carrying amount of the asset recognized under finance leases in accordance with IAS 17, at the date immediately preceding the initial application of IFRS 16.
- Lease liability - at the carrying amount of the lease liability calculated under IAS 17 at the date immediately preceding the initial application of IFRS 16.

Leases previously classified as operating leases

The Group measures the lease liability recognized at the date of initial application at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group recognizes the right-of-use asset with respect to each lease at the date of initial application at an amount equal to the lease liability adjusted by the amount of any prepaid lease payments made before the date of initial application of advance payments.

The Group calculated the value of lease assets and liabilities at the date of initial application using special rules:

- The Group applies a single discount rate to the group of leases with the same features.
- Leases with a lease term of 12 months from the date of initial application are recognized by the Group as short-term leases.
- The Group excludes the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group does not use hindsight, for example, in determining the lease term where the contract contains options to extend or terminate the lease.

(thousands of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

Based on the foregoing, as at 1 January 2019:

- Right-of-use assets of RUB 310 414 thousand were recognized and included in property and equipment. The Group has no assets previously recognized under finance leases.
- Lease liabilities of RUB 307 115 thousand (included in borrowings and other payables) were recognized.
- Prepaid expenses of RUB 3 299 thousand related to previous operating leases were derecognized.

Below is a reconciliation of lease liabilities as at 1 January 2019 with operating lease commitments as at 31 December 2018:

Operating lease commitments at 31 December 2018	**590 490**
Weighted average incremental borrowing rate at 1 January 2019	9.64%
Discounted operating lease commitments at 1 January 2019	**425 472**
Less:	
Commitments relating to short-term leases	(118 357)
Lease liabilities at 1 January 2019	**307 115**

(b) Summary of new accounting policies

Set out below are the new accounting policies of the Group upon adoption of IFRS 16, which have been applied from the date of initial application:

Group as a lessee

Initial measurement

At the commencement date, the Group measures *a right-of-use asset* at the initial cost.

The initial cost of a right-of-use-asset includes:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date, less any lease incentives received
- Initial direct costs made by the Group, and
- An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

At the commencement date of the lease, the Group measures *lease liability* at the present value of lease payments (VAT included) not made as at that date. Lease payments made by the Group to the lessor at or before the lease inception date are not included in the initial estimate of the lease liability.

Guarantee payments (VAT included) not made as at the commencement date are included in the assessment of the lease liability, if under the agreement the guarantee payment is offset against the Group's fulfillment of obligations under the lease or it is possible that the guarantee payment will be offset rather than returned to the lessee. If the guarantee payment is paid at or before the commencement date, it is not included in assessment of the lease liability, but it increases the initial cost of the right-of-use asset.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the rate of return of the bonded loan placed in the Moscow Exchange. If, at the commencement date, there are no outstanding bonds issued, the Group uses the rate on similar instruments. For the purpose of this article, the Group recognizes as similar instruments bonds traded on the Moscow Exchange issued by the companies, holding the same rating category as the Group assigned by one of the rating agencies. If there are several issues of such outstanding bonds, the rate of the issue, the placement date of which is the closest to the commencement date, is used as the discount rate. If under the lease agreement lease payments are made on a straight-line basis over the lease term in equal amounts, the discount rate is determined as modified by maturity on the basis of the zero coupon yield g-curve calculated by the Moscow Exchange.

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

If there are no companies holding the same rating category, the Group applies the incremental borrowing rate corresponding to the lease term using the information published on the website of the Bank of Russia: Weighted Average Interest Rates on RUB-denominated Loans Provided by Credit Institutions to Non-financial Organizations (30 Major Banks), or the key interest rate of the Bank of Russia effective at the date of initial recognition. If the Bank of Russia does not publish the information on the weighted average interest rates for the months corresponding to the commencement date, the latest published rate is used for calculation purposes.

Subsequent measurement

- After the commencement date, the Group measures *a right-of-use asset* at the initial cost;
- Less accumulated depreciation and impairment;
- Adjusted for revaluation of the lease liability.

When the right-of-use asset is depreciated, the Group applies the depreciation requirements stipulated by IAS 16 *Property, Plant and Equipment.*

If the lease transfers ownership of the underlying asset to the Group by the end of the lease term or if the cost of the right-of-use asset reflects that the Group will exercise a purchase option, the right-of-use asset is depreciated from the commencement date to the end of the useful life of the underlying asset. Otherwise, the right-of-use asset is depreciated from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

Subsequent to initial recognition, the *lease liability* is measured at amortized cost using the effective interest rate method.

Interest expense accrued for the previous month or for the period from the date of previous lease payment is recognized not later than the last day of the month and at the dates of lease payments under the lease agreement.

Variable lease payments not included in the measurement of lease liabilities are included in expense in the period on which the event or condition that triggers the payment occurs.

Short-term leases and leases of low-value assets

The Group does not apply the general accounting for leases with respect to:

- Short-term leases (leases that have a lease term of 12 months or less from the commencement date; lease containing a purchase option are not considered short-term).
- Leases of low-value assets (below the ruble equivalent of USD 5 000 at the exchange rate at the date of lease agreement).

Regarding short-term leases, the decision on the application of the exemption is taken with respect to all types of underlying assets leased by the Group.

Regarding leases of low-value assets, the decision on the application of the recognition exemption is taken with respect to each lease separately.

The Group measures the value of an underlying asset based on the asset's value, as if it were new, regardless of the age of the asset at the moment of lease.

If the Group subleases the asset, or it is expected that it will sublease the asset, the main lease agreement cannot be classified as the lease of low-value asset.

If the lease is considered a short-term lease or a lease of low-value assets, lease payments under such leases are recognized as lease expenses on a straight-line basis over the term of the lease.

Significant judgment in determining the lease term of contracts with renewal options

The lease term commences at the commencement date and includes periods without lease payments, granted by the lessor to the lessee.

The Group determines the lease term as the non-cancellable term of the lease, together with:

- any periods covered by an option to extend the lease if it is reasonably certain to be exercised by the Group; and
- any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised by the Group.

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

In determining the lease term and analyzing the duration of the non-cancellable term of the lease, the Group determines the period, during which the lease is secured. The lease is no longer secured, if both the lessee and the lessor have the right to terminate the lease without the other party's consent with subsequent payment of insignificant fines.

If only the lessee has the right to terminate lease, this right is considered to be the lessee's option to terminate the lease, which is taken into account by the Group when determining the lease term.

Options to terminate the lease, exercised by the lessor only are not taken into account when determining the lease term.

At the commencement date, the Group analyzes the existence of reasonable assurance that it will exercise the option to extend the lease or to buy the underlying asset or it will not exercise the option to terminate the lease.

Group as a lessor

Operating lease

A lease is classified as an *operating lease* if it does not imply the transfer of substantially all the risks and rewards incidental to ownership of the underlying asset.

The Group presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

The Group recognizes costs, including depreciation, incurred in receiving lease income, as expenses.

The underlying asset is depreciated in accordance with the method established for similar assets in the accounting policies.

The Group classifies a modified operating lease as a new lease from the date the modification becomes effective, with all related prepaid or accrued lease payments considered as part of lease payments under the new lease.

Finance lease

A lease is classified as a *finance lease* if it implies transfer of substantially all the risks and rewards incidental to ownership of the financial asset.

At the commencement date, the underlying assets leased out are recognized by the Group in accounting records as receivables (net of VAT) in the amount equal to the net investment in leases.

Net investment in finance lease is the gross investment in lease discounted using the interest rate stated in the lease agreement.

Regarding the *sublease*, if the interest rate specified by the lease agreement cannot be determined, to measure the net investment in the sublease the discount rate, specified in the initial lease agreement, is used (adjusted for the initial direct costs related to the sublease).

The gross investment in leases comprises the following undiscounted amounts:

- Lease payments receivable by the lessor under the finance lease
- Unguaranteed residual value due to the lessor.

Initial direct costs are included by the Group in the initial measurement of net investment in leases and reduce the amount of income recognized over the lease term.

The interest rate specified in the lease agreement is determined to include initial direct costs in the net investment in leases.

From the commencement date of the finance lease, the Group derecognizes the underlying asset leased out.

The interest income is recognized by the Group over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment in leases.

The derecognition and impairment of receivables under lease agreements is determined by the Group in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

(thousands of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

The Group records the modified finance lease as a separate lease, if both of the following conditions are met:

- This modification extends the scope of the lease by adding the right to use one or more underlying assets; and
- The consideration stipulated by the lease is increased by the amount equal to the price of a separate transaction to provide the specified right and by relevant adjustments to this price that reflect circumstances of a relevant lease agreement.

If both conditions are met, the modification gives rise to two separate lease agreements - an unmodified initial financial lease agreement and a separate lease agreement.

The Group records a separate lease agreement in the same manner as other new lease agreements. If only one condition is met, the modification does not result in a separate lease agreement.

In case of modification of the finance lease agreement that was not recorded as a separate lease agreement, the Group records the modification as follows:

- If a lease is classified as an operating lease provided that the modification becomes effective at the commencement date, the Group:
  - records such modification as a new lease from the effective date of the modification; and
  - measures the carrying amount of an underlying asset in the amount of net investment in leases immediately before the modification of a lease agreement becomes effective.

Amounts recognized in the consolidated statement of financial position and the consolidated statement of comprehensive income

Set out below are the carrying amounts of the Group's right-of-use assets and lease liabilities, and their movements during the period:

	Right-of-use assets					
	Buildings	***Office equipment***	***Motor vehicles***	***Other***	***Total***	***Lease liabilities***
At 1 January 2019	**306 433**	**418**	**2 254**	**1 309**	**310 414**	**(307 115)**
Additions	1 002 635	-	-	-	**1 002 635**	**(1 002 635)**
Security deposits	30 301	-	-	-	**30 301**	**-**
Depreciation expense	(202 340)	(244)	(751)	(651)	**(203 986)**	**-**
Disposals	(99 318)	-	-	-	**(99 318)**	**103 191**
Interest expense	-	-	-	-	**-**	**(51 652)**
Payments	-	-	-	-	**-**	**255 079**
31 December 2019	**1 037 711**	**174**	**1 503**	**658**	**1 040 046**	**(1 003 132)**

For 2019, the Group recognized expenses from short-term leases, leases of low-value assets and variable lease payments of RUB 279 175 thousand.

The recognition of right-of-use assets and the respective lease liabilities in the amount of RUB 1 309 750 thousand in the consolidated statement of financial position is a non-monetary transaction and is not included in the consolidated statement of cash flows.

Liabilities under lease agreements as at 31 December 2019 are presented as follows:

	Less than 1 year	*Later than 1 year but not later than 5 years*	*More than 5 years*	***Total***
Minimum lease payments	(425 191)	(710 566)	(49 984)	**(1 185 741)**
Future finance costs	77 033	69 340	36 236	**182 609**
Net liabilities under finance lease agreements	**(348 158)**	**(641 226)**	**(13 748)**	**(1 003 132)**

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by tax authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax benefits and tax rates
- How an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments, and applies the approach that better predicts the resolution of the uncertainty.

Upon adoption of the interpretation, the Group considered whether it has any uncertain tax treatments, particularly those relating to transfer pricing. Tax filings of the Group and its subsidiaries in different jurisdictions include transfer pricing deductions; therefore, tax authorities may challenge these tax treatments. The Group determined, based on its tax compliance and transfer pricing study, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. This interpretation did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset). These amendments had no impact on the consolidated financial statements of the Group.

IAS 12 Income Taxes

The amendments clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

An entity must apply these amendments for annual periods beginning on or after 1 January 2019, with earlier application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

(thousands of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

Reclassification of prior periods to ensure comparability of data

In preparing the consolidated statement of comprehensive income for 2019, the Group adjusted its presentation of membership fees to ensure the operations of AMI, ARIA and NULI in the comparative information for 2018 in the amount of RUB 69 389 thousand (from *Administrative expenses* to *Other operating income/(expense), net*).

Consolidated statement of comprehensive income	*Year ended 31 December 2018*	*Reclassified*	*Year ended 31 December 2018 (restated)*
Administrative expenses	(6 400 380)	69 389	(6 330 991)
Other operating expense	(1 117 069)	(69 389)	(1 186 458)

Consolidated statement of cash flows

Prior to 2019, the consolidated statement of cash flows of the Group was prepared under the indirect method. In 2019, the direct method was applied to prepare the statement, as it was technically feasible to collect data. Moreover, the Group transferred the cash flows from financial assets at fair value and interest received from investing activities to operating activities, and the interest paid from financial activities to operating activities as this presentation reflects the Group's business model more accurately. The comparative information of the consolidated statement of cash flows was recalculated accordingly.

The 2018 reclassification amounts are presented below:

Consolidated statement of cash flows	*Year ended 31 December 2018*	*Reclassified*	*Year ended 31 December 2018 (reclassified)*
Net cash flows from operating activities	**18 079 248**	**(18 041 734)**	**37 514**
Cash flows from investing activities			
Interest received	4 478 468	(4 478 468)	-
Dividends received	279 277	(279 277)	-
Proceeds and payments related to purchase and sale of financial assets at fair value through profit or loss	(22 465 443)	22 465 443	-
Net cash flows used in investing activities	**(21 125 751)**	**17 707 698**	**(3 418 053)**
Interest paid	(334 036)	334 036	-
Net cash flows (used in)/from financing activities	**(1 528 303)**	**334 036**	**(1 194 267)**

(thousands of Russian rubles, unless otherwise stated)

3. Summary of accounting policies

Financial reporting in hyperinflationary economies

Prior to 2002, the Russian economy was marked by a relatively high level of inflation and was considered to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. During the reporting period, it does not meet the definition of a hyperinflationary economy provided in IAS 29. The above-mentioned standard requires that the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the end of the reporting period. The corresponding figures for the previous period and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. Application of IAS 29 results in an adjustment reflecting the loss of purchasing power of the Russian ruble that is recorded in profit or loss.

When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements in accordance with IAS 29, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

Subject to the above provisions of IAS 29, the historical cost of non-monetary balance-sheet items was restated based on the change in consumer price indices in the Russian Federation, published by the State Statistics Committee. Conversion factors applicable in the period from 1997 to 2002 are presented below:

Year	***Consumer price index***
1997	1.110
1998	1.844
1999	1.365
2000	1.202
2001	1.186
2002	1.151

Non-monetary items originating prior to 1 January 2003, namely, share capital and property and equipment, were restated.

Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate to the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. According to the standard procedure, the Group determines whether it has significant insurance risk by comparing the consideration paid with the consideration to be paid if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts, which transfer significant financial risk, however they do not transfer significant insurance risk. Financial risk is the risk of possible future changes in one or more certain factors, such as interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other underlying variable.

If the contract has been classified as an insurance contract it remains an insurance contract for the remaining contractual period, even if during this period a significant decline of the insurance risk takes place, except for the cases when all the rights and obligations are redeemed or expired. Investment contracts can be reclassified as insurance contracts after their conclusion, if the insurance risk becomes significant.

Non-state pension agreements. According to such agreements, the participant in the NSPF is an individual eligible to receive non-state pension payments in accordance with the pension agreement terms. A depositor under a pension agreement is an individual or a legal entity who is a party to a pension agreement and pays pension contributions to the NSPF. Pension contributions comprise funds paid by the depositor on behalf of the participant in accordance with the terms of the pension agreement. A participant can be a depositor on its own behalf.

3. Summary of accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash on current accounts, cash under trust management on broker accounts, short-term deposits and deposit certificates maturing in 90 (ninety) days or less from the date of placement without any contractual restriction on use.

Amounts due from credit institutions

In the normal course of business, the Group maintains deposits with credit institutions with various maturities. Amounts due from credit institutions with a fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowances for impairment.

Financial assets and liabilities

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument below. All regular purchases and sales of financial assets are recognized at the date of the transaction, i.e. the date when the Group commits to purchase or sell the financial asset. All other purchases are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, financial assets held to maturity, or available-for-sale financial assets, as appropriate.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

“Day 1” profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a “Day 1” profit) in profit or loss. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of resale in the short run. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in profit or loss.

After the initial recognition, these financial assets are measured at fair value. Fair value adjustments and realized gains and losses are recognized in profit or loss.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Financial assets held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold them to maturity. Financial investments held for an indefinite term are not included in this category. After initial measurement, financial assets held to maturity are measured at amortized cost, using the effective interest rate (EIR) method, less impairment. The EIR amortization is included as investment gains in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available for sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the recognition of changes in amortized cost.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, gains or losses on an available-for-sale financial asset are recognized as other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized. On derecognition, cumulative gains and losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss.

Determination of fair value

The fair value for financial instruments traded in an active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option valuation models and other valuation techniques.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Group establishes an allowance for impairment of financial assets when it is probable that the Group will not be able to collect the principal and interest according to the contractual terms of loans issued, financial assets held to maturity and other financial assets, that are carried at cost and amortized cost. The allowance for impairment of financial assets is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Group expects to realize this financial instrument.

The allowance is based on the Group's historical information on losses and management's assessment of losses, which are likely to be recognized with respect to assets of each credit risk category, depending on possibility of debt servicing and the borrower's credit history. The allowance for impairment of financial assets is determined on the basis of existing economic and political conditions. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Changes in the allowance are recognized in profit or loss for the respective period. When a loan is noncollectable, it is written off against the related allowance for loan impairment. If the amount of the impairment decreases because of an event occurring after the write-off, the recovery is credited to the respective impairment of financial assets in profit or loss.

Available-for-sale financial assets

If there is objective evidence that a financial asset available for sale is impaired, the cumulative loss, being the difference between the acquisition cost and the current fair value (less any impairment loss previously recognized in profit or loss) is reclassified from other comprehensive income to profit or loss.

Reversal of impairment losses with respect to equity instruments classified as available for sale are not recognized in the comprehensive income. Impairment losses in respect of debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognized when liabilities arise and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Allowance for impairment of insurance and reinsurance receivables

The Group assesses whether there is any indication of impairment of insurance and reinsurance assets at the end of each reporting period. If the impairment indicators are identified, the Group makes an allowance for impairment. The amounts of impairment allowances made due to the impairment of assets are recognized as expenses by the Group. The amounts of reversal of impairment allowances due to the repayment of receivables are recognized as income by the Group.

Reinsurers' share of insurance contract liabilities

The Group cedes risks to reinsurance in the course of its operating activities. Reinsurance assets represent balances due from reinsurance companies with respect to insurance liabilities ceded to reinsurance. Amounts recoverable from reinsurers are estimated in accordance with the terms of the related reinsurance contracts in a manner consistent with that used to estimate liabilities under insurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises. Impairment occurs when there is objective evidence that the Group may not receive all outstanding amounts due under the terms of the contract and the amount of such impairment may be measured reliably. Impairment loss is recognized in profit or loss

3. Summary of accounting policies (continued)

Reinsurers' share of insurance contract liabilities (continued)

Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders.

The Group also takes reinsurance risks in the in the course of its operating activities. Premiums on assumed reinsurance are recognized as income in the same manner as the recognition of income from direct insurance, taking into account the classification of products involved in the reinsurance. Amounts due to reinsurers are estimated in a manner consistent with the relevant reinsurance policy and in accordance with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Prepaid expenses

Prepaid expenses include advance payments to providers and suppliers, which are charged to expense in the period when services are provided, or recognized as an asset when goods are received.

Prepaid expenses include amounts recognized at purchase price, which approximates their fair value, as it is expected that they will be expensed during the year from the end of the reporting period.

Deferred acquisition costs

All direct and indirect costs incurred during the reporting period that arise from signing new insurance contracts or renewing current contracts but relate to future financial periods are capitalized to the extent that these costs are recoverable out of future premiums. The deferred costs include fees paid to agents, brokers and other intermediaries, consideration to sellers, advertising expenses related to direct insurance, pre-insurance survey, strict accounting forms, underwriting costs, use of information technologies provided by third-party organizations to sale insurance products. All other acquisition costs are recognized as expenses when incurred.

Deferred acquisition costs are amortized on a straight-line basis over the life of the contract. Amortization is recognized as an expense in profit or loss.

Following an impairment testing that is performed at each reporting date, the carrying amount of deferred acquisition costs is written down to their recoverable amount. Deferred acquisition costs are also considered in the liability adequacy test performed at each reporting period.

Deferred acquisition costs are derecognized when the related contracts are either settled or expire.

Provision for unused vacations

The Group calculates the provision for unused vacations based on actual number of unused vacation days as at the reporting date and the assumption on the average wage and the rate of insurance contributions.

Property and equipment

The Group recognizes property and equipment in accordance with IAS 16 *Property, Plant and Equipment.* All property and equipment is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing and installing equipment when the cost is incurred and if the criteria for capitalization are met.

Impairment reviews are performed when there are indicators that the carrying amount may not be recoverable.

Construction in progress is not depreciated until the asset is available for use. Depreciation of property and equipment is calculated using the straight-line method over their respective useful lives.

3. Summary of accounting policies (continued)

Property and equipment (continued)

Useful lives by type of property and equipment are presented below:

	Years
Buildings	30-50
Furniture and fixtures	2-5
Computers and office equipment	3-10
Motor vehicles	5-10
Others	2-5

Leasehold improvements are amortized over a period of 5 years in accordance with the term of the lease agreement. At each financial year-end, the recoverable amount of assets, useful lives and methods are revised and adjusted, if necessary.

Expenses associated with repairs and modernization are expensed as incurred and are included in administrative and operating expenses, unless they are subject to capitalization.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year when the asset was derecognized.

Intangible assets

The Group recognizes intangible assets in accordance with IAS 38 *Intangible Assets.* Acquired intangible assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the useful lives of intangible assets.

Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These capitalized costs are amortized on a straight-line basis over their estimated useful lives.

Software development and maintenance costs are expensed when incurred. Development costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recorded as intangible assets (capitalized). Such costs include the software development expenses, employee costs and an appropriate portion of relevant overheads.

Capitalized software development costs are amortized over the estimated useful lives of this software.

Investment property

The Group recognizes land, buildings or their parts, owned by the Group (including those received in course of chartered activities) as investment property, when the following conditions are simultaneously met:

- Property item (or part of the property) is intended to receive lease payments and is not used by the Group as a labor tool when providing services, for administrative or management purposes, to ensure safety, environmental protection, and in cases stipulated by sanitary, operational and other special technical guidelines and requirements.
- Property item is not planned for sale within 12 months from the date of the investment property designation.
- Property item is capable of generating economic benefits for the Group in the future.
- The value of investment property can be reliably measured.

Investment property is recorded at fair value. Gains or losses from change in fair value of investment property are recorded in profit or loss in the period in which they arise.

3. Summary of accounting policies (continued)

Fair value of investment property is the price that would be received for the sale of the property in an orderly transaction between market participants at the measurement date. The fair value of investment property should reflect market conditions at the end of the reporting period. Moreover, the fair value of investment property reflects lease income from the existing lease agreements, and reasonable and supportable assumptions of knowledgeable willing parties on lease income from future lease agreements in current circumstances. When determining the fair value, the Group does not deduct costs related to the transaction, which may arise due to the sale or other disposal of an asset.

Goodwill

Goodwill is carried at cost less accumulated impairment losses if any. Goodwill represents the excess of the fair value of net identifiable assets of the acquired entity at the date of acquisition over the consideration paid. Goodwill is tested for impairment at least annually or if there is any indication that it may be impaired.

Impairment is tested by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. The recoverable amounts are determined based on the cash flow projections calculated based on contractual relations existing at the end of the reporting period. If the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Value of business in force

The Group makes assumptions to determine the acceptable level of the insurance reserve, value of deferred acquisition costs and to calculate certain broadly used industry cost parameters, such as value of business in force. These assumptions significantly depend on management's judgments and future assumptions, which are inherently uncertain; in case the assumptions are incorrect, it may affect the Group’s results and/or performance.

The determination of insurance reserves and adequacy testing of life insurance reserves are uncertain processes, involving assumptions related to factors, such as the policyholder’s behavior, court decisions, changes in the legislation and regulations, social, economic and demographic dynamics, inflation, return on investments and other factors; also, assumptions concerning mortality rates and disease patterns are applied to life insurance. The use of various assumptions with respect to these factors can significantly affect the level of insurance reserves and overheads, the value of deferred acquisition costs and the value of business in force. Moreover, some of these assumptions can be variable. Despite the fact that the calculations of the value of business in force are based on the market indicators, changes in assumptions used to determine these indicators can significantly influence the value of the Group’s business in force. For example, the value of business in force is sensitive to the change in the discount rate and, respectively, false assumptions can significantly affect the value of Group’s business in force.

All methods of evaluating the products of business in force include discounted cash flows, taking into account the future profitability of the business in force. These methods are industry valuation methods that are in line with the approach to discounting profit, as the value of business in force is the result of projected allocation of income. The present value of the net assets of shareholders is adjusted for any differences between the projected cash flows used to calculate the value of business in force and IFRS.

The value of business in force is recognized by the Group at the initial cost and is subsequently amortized according to the amortization schedule determined on the basis of the expected life of the insurance contracts.

Borrowings

The Group records borrowings and borrowing costs in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

Such borrowings include amounts due to credit institutions, debt securities issued and other borrowed funds. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

3. Summary of accounting policies (continued)

Insurance contract liabilities

The Group's accounting for insurance contract liabilities is based on IFRS 4 *Insurance Contracts.*

Claims reserve

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claim settlement expenses and less the amounts expected to be recovered from subrogations and from the sale of property transferred to the insurer. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include adjustments for the risk of adverse deviation. The liabilities are not discounted and are derecognized when the obligation to pay a claim is discharged or is canceled.

The amounts expected to be recovered from subrogations and salvages are calculated on the basis of the previous experience adjusted for current trends and any other factors with the purpose to recognize the expected income of the Group related to the insured events occurred.

Unearned premium reserve

The portion of insurance premiums relating to future periods is recognized as the unearned premium. A change in the unearned premium reserve is taken to the statement of profit or loss so that the revenue is recognized pro rata to the expired risk period.

Liability adequacy testing

At each reporting date, the liability adequacy testing is performed to determine, whether the expected losses and deferred acquisition costs in aggregate exceed the amount of unearned insurance premiums. In performing this testing, the current best estimates of future contractual cash flows, claims handling and acquisition costs, and investment income from assets backing such liabilities are used. Liability adequacy testing is performed in aggregate for the whole insurance portfolio. Any inconsistency is immediately recorded in profit or loss, by writing off deferred acquisition costs and, if that is not enough, by establishing an unexpired risk provision.

Life insurance contract liabilities

The reserve for life insurance contracts (except certain components of the insurance bonus reserve) is calculated, where possible, based on a prospective actuarial valuation method based on actuarial assumptions (see below).

Insurance contracts with and without discretionary participation features (DPF)

The Group has a program of investment income participation among clients keeping long-term endowment policies. The Group may accrue extra investment income to policyholders if the actual return on the portfolio of the related policies exceeds the minimum estimated rate of return. The Group decides on a regular basis upon the actual amount of extra income and the amount to be allocated among policyholders. The Group does not have any contractual obligations to allocate extra investment income according to the contracts' general terms and conditions.

Investment income participation is only valid for long-term policies that have endowment coverage. Thus, policies with a discretionary participation feature are mainly traditional long-term life insurance products that constitute a significant part of the Group's portfolio.

3. Summary of accounting policies (continued)

Insurance contract liabilities (continued)

Insurance contracts with guaranteed benefits

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administrative expenses that are directly related to the contract, less the expected discounted value of estimated net premiums that would be required to meet the benefits and policy administration expenses, based on the valuation assumptions used. The liability is based on assumptions as to mortality, disability, morbidity, persistence, investment income and maintenance expenses.

Actuarial reserve on life insurance

Actuarial reserve is an estimate of the Group's liabilities arising under insurance contracts which covers expected insurance events and policy surrenders.

Pension liabilities

To ensure the sustainable fulfillment of obligations to the participants of the non-state pension agreements, a reserve for pension liabilities is made, which includes a guaranteed component and an additional benefit with an investment component. The guaranteed component of an agreement with investment component giving discretionary participation features is recognized as liability. An additional benefit according to IFRS 4 can be recognized as capital component or liability, or can be distributed between these two categories.

Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted at the reporting date.

The current income tax expense is calculated in accordance with the Russian laws.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items recognized outside profit or loss, but directly in equity, is recognized outside profit or loss.

Russia also has various operating taxes that are assessed on the Group's activities. These taxes are accounted in administrative expenses.

3. Summary of accounting policies (continued)

Share capital

Equity

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional capital.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date, proposed, or declared after the reporting date but before the consolidated financial statements are authorized for issue.

Foreign currency transactions

The financial statements are presented in Russian rubles, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency converted at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

As at 31 December 2019, the official CBR exchange rate was RUB61.91 for USD1 (as at 31 December 2018 and 31 December 2017: RUB 69.47 and RUB 57.60 for USD1, correspondingly).

Recognition of revenue

Premiums

Insurance premiums accrued comprise total premiums net of terminations and cancellations receivable for the whole period of cover provided by contracts entered into during the reporting period. Premiums under insurance contracts, where the period of cover exceeds 1 year, are recognized annually, if this breakdown by periods is specified in the respective insurance contract; otherwise, premiums are recognized in full.

Reinsurance premiums

Reinsurance premiums accrued comprise the total premiums receivable for the whole period of cover provided by contracts entered into effect during the reporting period. Premiums comprise all adjustments made in the reporting period with regard to the reinsurance contracts entered into in the previous reporting periods.

Investment income

Interest income is recognized in the statement of comprehensive income as it accrues and is calculated using the effective interest rate method.

Investment income also includes dividends recognized at the date when the Group's right to receive them is established.

3. Summary of accounting policies (continued)

Recognition of income and expense

Claims incurred on insurance contracts

Claims incurred in insurance contracts comprise claims occurring during the year, whether reported or not, including the related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claim settlement expenses include internal and external costs incurred in connection with the settlement of claims. Internal costs include direct expenses of the claims department and any part of general administrative costs directly attributable to the claims function.

Interest expense

Interest is recognized in profit or loss as it accrues and is calculated using the effective interest rate method. Interest accrued are included in the carrying amount of the interest financial liability.

Standards issued but not applied by the Group

The standards and interpretations that are issued, but not yet applied by the Group at the date of issuance of the Group's consolidated financial statements are disclosed below.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments*, which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity’s business model for managing the assets and the instruments’ contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortized cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortized cost or FVOCI instruments as FVPL, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the consolidated statement of comprehensive income. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39’s incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not carried at fair value through profit or loss, as well as for loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months, unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

(thousands of Russian rubles, unless otherwise stated)

3. Summary of accounting policies (continued)

Standards issued but not applied by the Group (continued)

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group uses the temporary exemption from applying IFRS 9, as described below. Retrospective application is required, but restatement of comparative information is not compulsory; the effect on the transition date should be recorded in retained earnings.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts − Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until 1 January 2021 at the latest. The overlay approach requires that the additional volatility that may arise if IFRS 9 is applied with IFRS 4 to remove from profit or loss.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The Group decided to use the deferred application option of IFRS due to the fact that it complied with all necessary requirements, such as (i) its insurance liabilities exceeded 80% of the total amount of liabilities as at 31 December 2015 and (ii) there were no subsequent significant changes in the Group’s operations. The Group will continue to apply IAS 39 *Financial Instruments: Recognition and Measurement.* From the moment of decision to use the deferred application option and the assessment of compliance with criteria, there were no significant changes in the Group’s operations.

The Group considered whether the financial instruments not measured at fair value through profit or loss comply with the SPPI criterion. On the basis of the analysis, the SPPI criterion is satisfied for all debt financial assets not measured at fair value through profit or loss. The Group did not assess the business models used to manage these financial assets.

		31 December 2019
	Assets, which are not solely payments of principal and interest (non-SPPI)*	**Assets, which are solely payments of principal and interest (SPPI)***
Cash and cash equivalents	-	10 612 901
Amounts due from credit institutions	-	18 986 182
Loans and other receivables	-	9 395
Available-for-sale financial assets	410 778	1 859 776
Financial assets held to maturity	-	553 338
Total financial assets not measured at fair value through profit or loss	**410 778**	**32 021 592**

(thousands of Russian rubles, unless otherwise stated)

3. Summary of accounting policies (continued)

Standards issued but not applied by the Group (continued)

		31 December 2018
	Assets, which are not solely payments of principal and interest (non-SPPI)*	**Assets, which are solely payments of principal and interest (SPPI)***
Cash and cash equivalents	-	7 831 331
Amounts due from credit institutions	-	11 899 216
Loans and other receivables	-	212 626
Available-for-sale financial assets	902 961	2 835 788
Financial assets held to maturity	-	-
Total financial assets not measured at fair value through profit or loss	**902 961**	**22 778 961**

* These are assets that do not comply with "solely payment of principal and interest" criterion (SPPI), or assets held for trading, or assets managed on a fair value basis.

** These are assets that comply with "solely payment of principal and interest" criterion (SPPI), except for assets held for trading, or assets managed on a fair value basis.

The analysis of the credit quality of financial assets not measured at fair value through profit or loss is disclosed in *Note 38*.

Standards issued but not yet effective

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance) regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group will assess the potential effect of IFRS 17 on its consolidated financial statements.

3. Summary of accounting policies (continued)

Standards issued but not yet effective (continued)

Amendments to IFRS 3 Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not. They clarify the minimum requirements for a business, remove the assessment of whether market participants are capable of replacing any missing elements, add guidance to help entities assess whether an acquired process is substantive, narrow the definitions of a business and of outputs, and introduce an optional fair value concentration test. New illustrative examples were provided along with the amendments.

Since the amendments apply prospectively to transactions or other events that occur on or after the date of their first application, the Group will not be affected by these amendments on the date of transition.

Amendments to IAS 1 and IAS 8 Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7

The amendments to IFRS 9, IAS 39 and IFRS 7 include a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. As a result of the interest rate benchmark reform, there may be uncertainties about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument during the period before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. This may lead to uncertainty whether a forecast transaction is probable and whether prospectively the hedging relationship is expected to be highly effective.

The amendments come into effect from 1 January 2020, but entities may choose to apply them earlier. The amendments are not expected to have any material impact on the Group's consolidated financial statements.

Subsequent events

The financial statements were amended to reflect events after the reporting date, but prior to the approval of the financial statements provided these amendments indicate the conditions existing at the end of the reporting period. Non-adjusting events are events arising after the reporting date but prior to the approval of the financial statements and indicative of conditions arising after the reporting date, and do not result in the adjustment of financial statements, however, are reflected in the notes to the financial statements if such events are material and non-disclosure could influence the economic decisions that are made on the basis of the financial statements.

4. Significant accounting judgments and estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of life insurance contract liabilities

For life insurance contracts, estimates are made as to the expected number of deaths, terminations and other events for each future year in which the Group is exposed to insurance risk. The Group bases these estimates on special mortality tables that reflect expected mortality rates. The mortality tables data may be adjusted to reflect unique risk exposure for the portfolio or certain insurance contracts and will be factored into the reserve calculation. For longevity risk contracts, reserve can be made for expected future mortality improvements.

Estimation of non-life insurance contract liabilities

The estimation of non-life insurance contract liabilities has a large degree of uncertainty. The detailed description of sources of uncertainty and assumptions with respect to the calculation of reserves for non-life insurance claims is disclosed in Note 39.

Estimation of asset impairment allowances

Estimation of allowance for impairment of insurance receivables is based on aging analysis and the judgment that insurance receivables will not be repaid in future.

The allowance for impairment of financial assets is determined on the basis of the financial position of issuers of financial instruments.

The general approach to impairment assessment for non-insurance assets is to identify signs of impairment that can influence the future cash flows of the Group.

Recoverability of deferred acquisition costs

Deferred acquisition costs are recognized to the extent that they are expected to be recovered out of insurance revenue. The Group performs liability adequacy tests on a daily basis with account of the deferred acquisition costs. At the reporting date, no deficit in liabilities was identified, and the Group estimates that deferred acquisition costs can be recovered out of future revenue.

Estimation of provisions for bonuses

Management estimates provisions for bonuses based on the information available at the reporting date and the approved employee incentive system.

Estimation of fair values of assets

Where the fair values of financial assets recorded in the consolidated statement of financial position cannot be derived from the prices on active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are taken from observable markets where possible, and where this is not, a degree of judgment is required in establishing fair values.

In estimating fair values of investment property, the Group uses the income approach that takes account of future cash flows from rentals that the Group expects to receive.

Recoverability of deferred tax assets

In accordance with IAS 12 *Income Taxes*, the Group analyzes the recoverability of the deferred tax asset annually. The recoverable value of the deferred tax asset is measured on the basis of professional judgment, including the assumptions in respect of future performance of the Group and future cash flows.

Goodwill

Assumptions in respect of goodwill are disclosed in *Note 17*.

(thousands of Russian rubles, unless otherwise stated)

5. Cash and cash equivalents

	31 December 2019	*31 December 2018*
Cash on hand	629	1 627
Current accounts	1 783 131	2 198 234
Short-term deposits and overnight placements	8 829 141	5 631 470
Total cash and cash equivalents	**10 612 901**	**7 831 331**

As at 31 December 2019, 83% of total cash and cash equivalents were placed on accounts with four Russian banks (31 December 2018: 82% of total cash and cash equivalents were placed on accounts with five Russian banks).

As at 31 December 2019, 84% of total short-term deposits and overnight placements were placed with three Russian banks (31 December 2018: 82% of total short-term deposits and overnight placements were placed with five Russian banks).

As at 31 December 2019, 93% of short-term deposits were denominated in Russian rubles, 7% of short-term deposits were denominated in US dollars (31 December 2018: 96% of short-term deposits were denominated in Russian rubles, 4% of short-term deposits were denominated in US dollars).

The carrying amounts disclosed above reasonably approximate the fair values at the reporting date.

6. Amounts due from credit institutions

As at 31 December 2019 and 31 December 2018, Amounts due from credit institutions were presented by medium-term (more than 90 days) and long-term (more than a year) placements with Russian and foreign banks.

As at 31 December 2019 and 31 December 2018, deposits were placed in Russian rubles (99% of the total amount) and US dollars (1% of the total amount). As at 31 December 2019, the effective interest rate on RUB-denominated deposits was from 0% to 9.75% (31 December 2018: from 0% to 9.75%) and USD-denominated deposits – from 1.15% to 1.22% (31 December 2018: from 2.74% to 2.78%).

As at 31 December 2019, 81% of deposits were placed with seven Russian banks (31 December 2018: 82% of deposits were placed with seven Russian banks).

As at 31 December 2019, the Group had agreements with financial institutions, relating to accounts intended for direct loss refund under Motor Third Party Liability Insurance totaling RUB 611 000 thousand (31 December 2018: RUB 480 000 thousand), the use of which was restricted to settlements under obligatory types of insurance.

The carrying amounts disclosed above reasonably approximate the fair values at the reporting date.

7. Financial assets at fair value through profit or loss

The Group estimates fair values of financial instruments recorded in the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the estimates:

- *Level 1:* quoted (unadjusted) prices in an active market for an identical financial instrument.
- *Level 2:* valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(thousands of Russian rubles, unless otherwise stated)

7. Financial assets at fair value through profit or loss (continued)

- *Level 3:* valuation techniques using significant unobservable inputs. This category includes instruments measured using inputs not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect differences between the instruments.

Financial assets at fair value through profit or loss comprise the following:

	31 December 2019				31 December 2018		
	Level 1	*Level 2*	*Level 3*	**Total**	*Level 1*	*Level 2*	**Total**
Corporate shares	8 287 850	-	-	**8 287 850**	8 246 504	-	**8 246 504**
Corporate bonds	27 748 732	2 340 886	1 070 041	**31 159 659**	22 850 425	1 491 808	**24 342 233**
State and municipal bonds	25 488 518	964 785	496 376	**26 949 679**	17 617 484	918 162	**18 535 646**
Other financial assets	362 486	135 334	-	**497 820**	233 275	10 047	**243 322**
Total financial assets at fair value through profit or loss	**61 887 586**	**3 441 005**	**1 566 417**	**66 895 008**	**48 947 688**	**2 420 017**	**51 367 705**

As at 31 December 2019 and 31 December 2018, corporate bonds were represented by quoted bonds of major Russian and foreign companies.

State and municipal bonds were represented by RUB-denominated securities.

As at 31 December 2019 and 31 December 2018, all financial assets at fair value through profit or loss were represented by financial assets held for trading.

8. Loans and other receivables

	31 December 2019	*31 December 2018*
Loans	18	720
Other receivables	9 377	211 906
Total loans and other receivables	**9 395**	**212 626**

Loans as at 31 December 2019 include RUB-denominated loans with an interest rate of 4.33% maturing in 2020 (31 December 2018: RUB-denominated loans with an interest rate of 5.17%, repaid in 2019).

As at 31 December 2019, other receivables were mainly presented by security deposits under finance lease agreements.

As at 31 December 2018, other receivables are represented by outstanding Eurobonds of RUSAL Capital in the amount of RUB 202 046 thousand. As the issuer is included in the sanctions list from April 2018, according to the expert assessment and conclusions of the Group's specialists, these Eurobonds partially lost the characteristics of financial instruments traded in an active stock market. As a result, the Group decided to reclassify two issues of bonds of this issuer from the category "Financial assets at fair value through profit or loss" to "Loans and other receivables". In 2019, the sanctions against this issuer of Eurobonds were removed. The Group sold one of the issues and reclassified the rest of securities in the amount of RUB 58 752 thousand from "Loans and other receivables" to "Available-for sale financial assets".

(thousands of Russian rubles, unless otherwise stated)

9. Available-for-sale financial assets

	31 December 2019	*31 December 2018*
Corporate bonds	1 859 776	2 835 788
Other financial assets available for sale	410 778	902 961
Total available-for-sale financial assets	**2 270 554**	**3 738 749**

Yield to maturity and maturities of the corporate bonds are presented below:

	31 December 2019		*31 December 2018*	
	Yield to maturity, %	*Maturity*	*Yield to maturity, %*	*Maturity*
Corporate bonds	1.42%-10.20%	2020-2023	5.24%-10.90%	2019-2021

As at 31 December 2019 and 31 December 2018, other financial assets available for sale are represented by investments in funds (investments in the global fund of funds and in the international venture investment fund). The fair value of the investments is determined based on the funds' reports, where the value of the funds' assets is defined as mark-to-market measurement.

10. Financial assets held to maturity

	31 December 2019	*31 December 2018*
State and municipal bonds	506 608	-
Corporate bonds	46 730	-
Total financial assets held to maturity	**553 338**	**-**

Yield to maturity and maturities of financial assets held to maturity are as follows:

	31 December 2019		*31 December 2018*	
	Yield to maturity, %	*Maturity*	*Yield to maturity, %*	*Maturity*
State and municipal bonds	6.60%-8.68%	2024-2036	-	-
Corporate bonds	2.20%-2.51%	2026-2027	-	-

11. Insurance and reinsurance receivables

	31 December 2019	*31 December 2018*
Receivables on insurance contracts	5 391 007	4 520 389
Receivables on reinsurance contracts	110 423	218 571
Subrogation receivables	481 770	448 101
Direct loss refund under Motor Third Party Liability Insurance	383 082	451 631
	6 366 282	**5 638 692**
Less allowance for impairment (*Note 20*)	(503 882)	(499 834)
Total insurance and reinsurance receivables	**5 862 400**	**5 138 858**

(thousands of Russian rubles, unless otherwise stated)

12. Taxation

The main components of income tax expense for the years ended 31 December are as follows:

(a) Current tax for the year:

	2019	*2018*
Current income tax	(630 450)	(734 843)
Deferred tax expense	(446 822)	(76 198)
Total income tax expense	**(1 077 272)**	**(811 041)**

(b) Reconciliation of taxes assessed:

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2019	*2018*
Profit before tax	**5 224 165**	**4 188 642**
Theoretical tax expense at the effective tax rates (20%, 0%)	**(1 040 198)**	**(839 921)**
Non-deductible expenses	(99 770)	(164 803)
Expenses recognized for tax purposes only	-	72 618
Provisions for tax risks	(150 000)	-
Effect of application of reduced tax rates of 9% and 15%	113 321	55 970
Non-taxable income	99 375	65 095
Total income tax expense	**(1 077 272)**	**(811 041)**

(c) Net deferred tax position:

	2019	*2018*
At 1 January	**274 394**	**197 560**
Changes in deferred tax related to temporary differences	446 822	76 198
Changes in deferred tax related to revaluation of available-for-sale financial assets	3 799	636
At 31 December	**725 015**	**274 394**

(thousands of Russian rubles, unless otherwise stated)

12. Taxation (continued)

(d) Deferred tax asset (DTA) and deferred tax liabilities (DTL):

		Origination and reversal of temporary differences			*Origination and reversal of temporary differences*		
	31 December 2017	*In the statement of comprehensive income*	*In other comprehensive income*	***31 December 2018***	*In the statement of comprehensive income*	*In other comprehensive income*	***31 December 2019***
Accumulated tax loss	557 671	176 213	-	733 884	123 571	-	857 455
Financial assets at fair value through profit or loss	-	3 804	-	3 804	(3 804)	-	-
Loans and other receivables	6 768	(6 560)	-	208	3 186	-	3 394
Available-for-sale financial assets	164	-	(164)	-	-	-	-
Insurance and reinsurance receivables	159 376	(132 032)	-	27 344	(27 344)	-	-
Reinsurers' share of insurance contract liabilities	-	12 326	-	12 326	(10 402)	-	1 924
Prepaid expenses	638	(638)	-	-	3 871	-	3 871
Other assets	31 618	21 045	-	52 663	(18 073)	-	34 590
Insurance contract liabilities	228 532	(228 532)	-	-	-	-	-
Other insurance liabilities	76 340	137 137	-	213 477	104 670	-	318 147
Deferred commission income on ceded reinsurance	4 959	(1 623)	-	3 336	3 771	-	7 107
Other liabilities	153 356	137 692	-	291 048	(43 235)	-	247 813
Deferred tax assets	**1 219 422**	**118 832**	**(164)**	**1 338 090**	**136 211**	**-**	**1 474 301**
Financial assets at fair value through profit or loss	39 980	(39 980)	-	-	294 925	-	294 925
Available-for-sale financial assets	-	-	472	472	-	3 799	4 271
Insurance and reinsurance receivables	-	-	-	-	68 613	-	68 613
Reinsurers' share of insurance contract liabilities	5 168	(5 168)	-	-	-	-	-
Deferred acquisition costs	1 301 093	(17 507)	-	1 283 586	296 689	-	1 580 275
Property and equipment	1 294	73 317	-	74 611	5 882	-	80 493
Finance lease	-	-	-	-	3 460	-	3 460
Prepaid expenses	-	1 155	-	1 155	(1 155)	-	-
Intangible assets	69 447	35 653	-	105 100	1 755	-	106 855
Insurance contract liabilities	-	147 560	-	147 560	(87 136)	-	60 424
Deferred tax liabilities	**1 416 982**	**195 030**	**472**	**1 612 484**	**583 033**	**3 799**	**2 199 316**
Net deferred tax liability	**(197 560)**	**(76 198)**	**(636)**	**(274 394)**	**(446 822)**	**(3 799)**	**(725 015)**

The Group considered the possibility to realize losses carried forward and believes that their realization is probable within 3 years from the reporting date. As at 31 December 2019, the Group did not recognize a deferred tax liability of RUB 2 788 874 thousand (31 December 2018: RUB 2 591 203 thousand) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

(thousands of Russian rubles, unless otherwise stated)

13. Deferred acquisition costs and deferred commission income on ceded reinsurance

Deferred acquisition costs comprised the following:

	2019			2018		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Deferred expenses for commissions to agents, brokers and other intermediaries	4 849 826	2 255 868	**7 105 694**	5 471 740	1 685 766	**7 157 506**
Deferred expenses associated with use of information technologies to enter into insurance contracts	191 997	-	**191 997**	245 996	-	**245 996**
Deferred expenses for the sellers' payroll	579 967	-	**579 967**	575 670	-	**575 670**
Deferred expenses for direct insurance advertising	184 238	-	**184 238**	76 525	-	**76 525**
Other deferred acquisition costs	1 104 183	-	**1 104 183**	905 581	-	**905 581**
Total deferred acquisition costs	**6 910 211**	**2 255 868**	**9 166 079**	**7 275 512**	**1 685 766**	**8 961 278**

	2019			2018		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
At 1 January	**7 275 512**	**1 685 766**	**8 961 278**	**7 347 250**	**1 477 152**	**8 824 402**
Acquisition costs for the year (*Note 35*)	12 632 643	12 710 499	**25 343 142**	12 555 161	17 081 149	**29 636 310**
Change in deferred acquisition costs	(12 997 944)	(12 140 397)	**(25 138 341)**	(12 626 899)	(16 872 535)	**(29 499 434)**
At 31 December	**6 910 211**	**2 255 868**	**9 166 079**	**7 275 512**	**1 685 766**	**8 961 278**

Deferred commission income on ceded reinsurance comprised the following:

	2019			2018		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
At 1 January	**18 434**	**-**	**18 434**	**25 111**	**-**	**25 111**
Commission income on ceded reinsurance for the year (*Note 35*)	130 274	223 357	**353 631**	96 040	154 748	**250 788**
Change in deferred commission income	(113 171)	(223 357)	**(336 528)**	(102 717)	(154 748)	**(257 465)**
At 31 December	**35 537**	**-**	**35 537**	**18 434**	**-**	**18 434**

(thousands of Russian rubles, unless otherwise stated)

14. Property and equipment

	Office premises	*Computers and equipment*	*Furniture and fixtures*	*Motor vehicles*	*Work in progress*	*Right-of-use assets*	*Other*	***Total***
Cost								
31 December 2017	**150 763**	**671 169**	**44 422**	**34 187**	**12**	**-**	**11 773**	**912 326**
Transfer from other assets	-	46 084	1 517	3 843	3 531	-	3 631	58 606
Transfer between categories	-	(21 246)	(28 456)	-	(23 292)	-	72 994	-
Purchase of property and equipment	-	177 318	14 862	12 294	23 500	-	46 060	274 034
Disposals	-	(39 484)	(11 901)	(2 815)	(208)	-	(42 876)	(97 284)
31 December 2018	**150 763**	**833 841**	**20 444**	**47 509**	**3 543**	**-**	**91 582**	**1 147 682**
Transfer between categories	-	56 385	-	-	(40 897)	-	(15 488)	-
Initial recognition of right-of-use assets	-	-	-	-	-	310 414	-	310 414
Purchase of property and equipment	-	91 670	4 245	-	40 897	1 032 936	12 719	1 182 467
Disposals	-	(28 690)	(240)	-	-	(102 344)	(3 505)	(134 779)
31 December 2019	**150 763**	**953 206**	**24 449**	**47 509**	**3 543**	**1 241 006**	**85 308**	**2 505 784**
Accumulated depreciation								
31 December 2017	**52 902**	**481 743**	**38 743**	**21 462**	**-**	**-**	**8 882**	**603 732**
Transfer from other assets	-	35 725	713	3 010	-	-	3 419	42 867
Transfer between categories	-	(23 825)	(23 571)	-	-	-	47 396	-
Depreciation	5 022	114 951	1 883	5 406	-	-	5 916	133 178
Disposals	-	(18 886)	(1 485)	(2 373)	-	-	(3 283)	(26 027)
31 December 2018	**57 924**	**589 708**	**16 283**	**27 505**	**-**	**-**	**62 330**	**753 750**
Transfer between categories	-	14 505	-	-	-	-	(14 505)	-
Depreciation	5 022	141 322	4 964	6 179	-	203 986	10 879	372 352
Disposals	-	(25 302)	(240)	-	-	(3 026)	(2 899)	(31 467)
31 December 2019	**62 946**	**720 233**	**21 007**	**33 684**	**-**	**200 960**	**55 805**	**1 094 635**
Carrying amount:								
31 December 2018	**92 839**	**244 133**	**4 161**	**20 004**	**3 543**	**-**	**29 252**	**393 932**
31 December 2019	**87 817**	**232 973**	**3 442**	**13 825**	**3 543**	**1 040 046**	**29 503**	**1 411 149**

Office premises include office facilities located at Derbenevskaya nab. 11, Moscow, Russia.

15. Prepaid expenses

	31 December 2019	***31 December 2018***
Prepayments to medical institutions	486 506	427 615
Prepayments for software	57 721	73 078
Prepayments for marketing and advertising	42 073	24 934
Settlements with the budget	31 136	2 175
Settlements with social funds	22 224	19 835
Settlements with assistance companies	16 126	17 209
Prepayments for office and transport maintenance	8 807	27 194
Prepaid lease	8 581	49 751
Personnel training and recruitment	6 153	7 281
Prepayments for licenses	2 687	22 564
Prepayments to communications	2 463	5 556
Prepaid insurance	2 145	1 202
Prepayments to insurance intermediaries	976	2 536
Prepayments for intangible assets and property and equipment	854	46 867
Other prepaid expenses	74 085	67 641
Total prepaid expenses	**762 537**	**795 438**

(thousands of Russian rubles, unless otherwise stated)

16. Intangible assets

	Software	*Licenses*	*Website*	*Work in progress*	*Other*	***Total***
Cost						
31 December 2017	**1 766 785**	**69 166**	**54 531**	**31 551**	**1 077**	**1 923 110**
Transfer between categories	133 472	75 184	574	(222 042)	12 812	**-**
Purchase of intangible assets	56 537	42 745	786	310 962	-	**411 030**
Disposal of intangible assets	(299 616)	-	(12 958)	-	-	**(312 574)**
31 December 2018	**1 657 178**	**187 095**	**42 933**	**120 471**	**13 889**	**2 021 566**
Transfer between categories	189 412	9 499	100	(201 464)	2 453	**-**
Purchase of intangible assets	61 801	4 334	8 265	99 802	-	**174 202**
Disposal of intangible assets	(62 709)	(26 865)	-	(690)	-	**(90 264)**
31 December 2019	**1 845 682**	**174 063**	**51 298**	**18 119**	**16 342**	**2 105 504**
Accumulated amortization						
31 December 2017	**887 586**	**23 884**	**18 593**	**-**	**395**	**930 458**
Disposal of intangible assets	(264 243)	-	(6 279)	-	-	**(270 522)**
Amortization	177 802	21 337	2 423	-	3 416	**204 978**
31 December 2018	**801 145**	**45 221**	**14 737**	**-**	**3 811**	**864 914**
Disposal of intangible assets	(56 844)	(13 936)	-	-	-	**(70 780)**
Amortization	189 200	28 466	16 946	-	4 518	**239 130**
31 December 2019	**933 501**	**59 751**	**31 683**	**-**	**8 329**	**1 033 264**
Carrying amount:						
31 December 2018	**856 033**	**141 874**	**28 196**	**120 471**	**10 078**	**1 156 652**
31 December 2019	**912 181**	**114 312**	**19 615**	**18 119**	**8 013**	**1 072 240**

Work in progress is represented by investments in licenses, development of software and a website.

(thousands of Russian rubles, unless otherwise stated)

17. Goodwill

	31 December 2019	*31 December 2018*
Renaissance Life Ltd.	8 087 612	8 087 612
MEDCORP LLC	222 861	222 861
JSC NSPF Renaissance pensions	124 998	124 998
Total goodwill	**8 435 471**	**8 435 471**

As at 31 December 2019 and 31 December 2018, goodwill is represented by excess of the consideration paid over the fair value of net identifiable assets of Renaissance Life Ltd., MEDCORP LLC and JSC NSPF Renaissance pensions.

Cash-generating units are consistent with the companies acquired.

As at 31 December 2019, the impairment testing of goodwill arising at acquisition of Renaissance Life Ltd. was performed. The fair value of the entity was estimated using the discounted cash flow method based on the rate of 18.1%. The period of cash flow forecasts is 18 years (from 2020 through 2037). The terminal value was determined using the Gordon model on the basis of cash flows of the last forecast period and long-term growth rates in the post-forecast period. According to the result of testing, goodwill was not impaired. Based on the results of testing, the recoverable value is equal to the carrying amount of cash-generating units, including goodwill.

As at 31 December 2019, the impairment testing of goodwill arising at acquisition of MEDCORP LLC was performed. The fair value of the entity was estimated using the discounted cash flow method based on the discount rate of 20.0%. The period of cash flow forecasts is 6 years (from 2020 through 2025); the terminal value was determined using the Gordon model on the basis of cash flows of the last forecast period and long-term growth rates in the post-forecast period. According to the result of testing, goodwill was not impaired.

The recoverable value of JSC NSPF Renaissance pensions was determined by calculating the value in use based on cash flow projections for a thirty-year period calculated on the basis of contractual relations existing at the end of the reporting period. The zero-coupon yield curve rate was applied to discount projected cash flows. According to the result of testing, goodwill was not impaired.

18. Value of business in force

Value of business in force represents an intangible asset which is measured as the present value of future actuarial gain from the life insurance portfolio initially recognized by the Group as at 30 May 2017, the date of acquisition of Renaissance Life Ltd., and subsequently amortized as at 31 December annually.

19. Other assets

	31 December 2019	*31 December 2018*
Prepaid commission	332 250	653 170
Amounts transferred in excess	50 312	174 778
Trade receivables	25 263	19 211
Amounts received through legal action	15 269	13 668
Settlements with employees	12 748	10 521
Inventory	7 338	5 756
Abandonment	5 975	2 101
Franchise settlements	3 408	15 209
Settlement on VAT	531	424
Other receivables	43 464	25 374
	496 558	**920 212**
Less allowance for impairment (*Note 20*)	(53 114)	(65 193)
Total other assets	**443 444**	**855 019**

(thousands of Russian rubles, unless otherwise stated)

20. Allowances for impairment

	Note	*Insurance and reinsurance receivables*	*Other assets*	***Total***
		11	*19, 36*	
31 December 2017		**497 695**	**62 708**	**560 403**
Charge for the year		190 874	10 810	**201 684**
Write-off against allowance		(188 735)	(8 325)	**(197 060)**
31 December 2018		**499 834**	**65 193**	**565 027**
Charge for the year		192 337	5 077	**197 414**
Write-off against allowance		(188 289)	(17 156)	**(205 445)**
31 December 2019		**503 882**	**53 114**	**556 996**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

21. Insurance contract liabilities

	Life insurance contracts	*Non-life insurance contracts*	***Total liabilities***
31 December 2019			
Insurance contract liabilities	50 808 827	23 555 511	74 364 338
Reinsurers' share of insurance contract liabilities	(960 074)	(962 490)	(1 922 564)
Liabilities, net of reinsurance	**49 848 753**	**22 593 021**	**72 441 774**
31 December 2018			
Insurance contract liabilities	33 646 316	24 010 052	57 656 368
Reinsurers' share of insurance contract liabilities	(842 449)	(1 035 665)	(1 878 114)
Liabilities, net of reinsurance	**32 803 867**	**22 974 387**	**55 778 254**

Life insurance contract liabilities can be analyzed as follows:

			2019			***2018***
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Actuarial reserve	49 216 842	(648 130)	**48 568 712**	32 539 125	(585 063)	**31 954 062**
Claims reserve	1 305 175	(211 984)	**1 093 191**	879 056	(188 085)	**690 971**
Unearned premium reserve	286 810	(99 960)	**186 850**	228 135	(69 301)	**158 834**
Total liabilities	**50 808 827**	**(960 074)**	**49 848 753**	**33 646 316**	**(842 449)**	**32 803 867**

			2019			***2018***
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Actuarial reserve at 1 January	32 539 125	(585 063)	**31 954 062**	18 097 466	(422 766)	**17 674 700**
Increase in reserve due to policies written in the current period	18 220 250	(260 827)	**17 959 423**	14 720 101	(371 423)	**14 348 678**
Increase in reserve due to policies written in prior periods	3 718 296	63 499	**3 781 795**	1 956 793	95 709	**2 052 502**
Use of reserve	(5 260 829)	134 261	**(5 126 568)**	(2 235 235)	113 417	**(2 121 818)**
Actuarial reserve at 31 December	**49 216 842**	**(648 130)**	**48 568 712**	**32 539 125**	**(585 063)**	**31 954 062**

(thousands of Russian rubles, unless otherwise stated)

21. Insurance contract liabilities (continued)

	2019			2018		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Claims reserve at 1 January	879 056	(188 085)	**690 971**	768 149	(173 658)	**594 491**
Claims incurred in the reporting year	5 369 216	(158 296)	**5 210 920**	2 226 228	(132 564)	**2 093 664**
Adjustment to claims incurred in prior years	(250 626)	(20 637)	**(271 263)**	(124 081)	(13 244)	**(137 325)**
Claims paid during the reporting year (*Note 34*)	(4 692 471)	155 034	**(4 537 437)**	(1 991 240)	131 381	**(1 859 859)**
Claims reserve at 31 December	**1 305 175**	**(211 984)**	**1 093 191**	**879 056**	**(188 085)**	**690 971**

	2019			2018		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Unearned premium reserve at 1 January	228 135	(69 301)	**158 834**	182 636	(50 397)	**132 239**
Premiums written for the year (*Note 33*)	33 698 420	(578 167)	**33 120 253**	34 215 235	(525 486)	**33 689 749**
Premiums earned for the year (*Note 33*)	(33 639 745)	547 508	**(33 092 237)**	(34 169 736)	506 582	**(33 663 154)**
Unearned premium reserve at 31 December	**286 810**	**(99 960)**	**186 850**	**228 135**	**(69 301)**	**158 834**

Non-life insurance contract liabilities can be analyzed as follows:

	2019			2018		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Claims reserve	6 474 077	(311 329)	**6 162 748**	6 657 467	(604 700)	**6 052 767**
Expected amounts to be recovered from subrogations	(818 935)	23 445	**(795 490)**	(524 826)	11 424	**(513 402)**
Expected gains on sale of property transferred to the insurer	(273 212)	3 376	**(269 836)**	(166 474)	1 488	**(164 986)**
Unearned premium reserve	18 173 581	(677 982)	**17 495 599**	18 043 885	(443 877)	**17 600 008**
Total liabilities	**23 555 511**	**(962 490)**	**22 593 021**	**24 010 052**	**(1 035 665)**	**22 974 387**

Claims reserve can be analyzed as follows:

	2019			2018		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	6 657 467	(604 700)	**6 052 767**	6 896 615	(735 640)	**6 160 975**
Claims incurred in the reporting year	19 732 481	(542 853)	**19 189 628**	17 614 233	(440 267)	**17 173 966**
Adjustment to claims incurred in prior years	55 650	45 754	**101 404**	(434 935)	(152 512)	**(587 447)**
Claims paid during the year	(19 971 521)	790 470	**(19 181 051)**	(17 418 446)	723 719	**(16 694 727)**
At 31 December	**6 474 077**	**(311 329)**	**6 162 748**	**6 657 467**	**(604 700)**	**6 052 767**

(thousands of Russian rubles, unless otherwise stated)

21. Insurance contract liabilities (continued)

Subrogation reserve can be analyzed as follows:

	2019			2018		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	(524 826)	11 424	**(513 402)**	(493 494)	8 722	**(484 772)**
Subrogations on claims incurred in the reporting year	(1 221 909)	33 540	**(1 188 369)**	(901 843)	19 305	**(882 538)**
Adjustment to claims incurred in prior years	(321 685)	3 599	**(318 086)**	(239 977)	(436)	**(240 413)**
Subrogation income of the current year *(Note 34)*	1 249 485	(25 118)	**1 224 367**	1 110 488	(16 167)	**1 094 321**
At 31 December	**(818 935)**	**23 445**	**(795 490)**	**(524 826)**	**11 424**	**(513 402)**

Reserves for gains on salvages can be analyzed as follows:

	2019			2018		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	(166 474)	1 488	**(164 986)**	(163 589)	1 661	**(161 928)**
Salvages incurred in the reporting year	(791 899)	17 059	**(774 840)**	(546 827)	6 853	**(539 974)**
Adjustments to estimates of prior periods	(92 615)	(6 421)	**(99 036)**	(8 757)	99	**(8 658)**
Salvage received during the year (*Note 34*)	777 776	(8 750)	**769 026**	552 699	(7 125)	**545 574**
At 31 December	**(273 212)**	**3 376**	**(269 836)**	**(166 474)**	**1 488**	**(164 986)**

Unearned premium reserve can be analyzed as follows:

	2019			2018		
	Total	*Reinsurers' share of liabilities*	*Net of reinsurance*	*Total*	*Reinsurers' share of liabilities*	*Net of reinsurance*
At 1 January	18 043 885	(443 877)	**17 600 008**	18 037 699	(527 453)	**17 510 246**
Premiums written for the year (*Note 33*)	37 992 617	(1 925 290)	**36 067 327**	36 059 575	(1 445 496)	**34 614 079**
Premiums earned for the year (*Note 33*)	(37 862 921)	1 691 185	**(36 171 736)**	(36 053 389)	1 529 072	**(34 524 317)**
At 31 December	**18 173 581**	**(677 982)**	**17 495 599**	**18 043 885**	**(443 877)**	**17 600 008**

(thousands of Russian rubles, unless otherwise stated)

21. Insurance contract liabilities (continued)

Claims development table

The table below presents the estimate of ultimate cost of claims, which include reported claims, claims incurred but not reported, claim settlement expenses for each insurance year at each reporting date. The line "Current estimate of surplus/(deficiency)" reflects the difference between the initial amount of reserve and the current estimate for each insurance year.

The gross reserve for outstanding claims under non-life insurance contracts is as follows:

	At 31 December					
Year of the loss event	***Earlier***	***2015***	***2016***	***2017***	***2018***	***2019***
At the end of reporting year		**5 399 089**	**4 783 403**	**6 896 615**	**6 657 467**	**6 474 077**
Cumulative payments:		**4 748 344**	**5 142 139**	**6 549 271**	**6 206 335**	
One year later		4 226 519	4 216 186	5 536 472	6 206 335	
Two years later		4 586 137	4 660 917	6 549 271	-	
Three years later		4 678 581	5 142 139	-	-	
Four years later		4 748 344	-	-	-	
Current estimate of the ultimate cost of outstanding claims:	**21 255**	**34 064**	**60 723**	**185 712**	**510 375**	
One year later		461 398	812 257	1 152 208	510 375	
Two years later		184 598	543 020	185 712	-	
Three years later		63 747	60 723	-	-	
Four years later		34 064	-	-	-	
Current estimate of surplus/(deficiency)		**616 681**	**(419 459)**	**161 632**	**(59 243)**	
% of surplus/(deficiency) compared to the previous estimate		11%	-9%	2%	-1%	

The net reserve for outstanding claims under non-life insurance contracts is as follows:

	At 31 December					
Year of the loss event	***Earlier***	***2015***	***2016***	***2017***	***2018***	***2019***
At the end of reporting year		**5 187 112**	**4 694 090**	**6 160 975**	**6 052 767**	**6 162 748**
Cumulative payments:		**4 701 549**	**4 759 896**	**5 725 631**	**5 679 029**	
One year later		4 183 782	4 148 498	5 079 243	5 679 029	
Two years later		4 542 232	4 577 427	5 725 631	-	
Three years later		4 631 785	4 759 896	-	-	
Four years later		4 701 549	-	-	-	
Current estimate of the ultimate cost of outstanding claims:	**20 940**	**33 749**	**59 796**	**180 231**	**484 370**	
One year later		457 362	556 921	733 249	484 370	
Two years later		153 102	210 701	180 231	-	
Three years later		62 724	59 796	-	-	
Four years later		33 749	-	-	-	
Current estimate of surplus/(deficiency)		**451 814**	**(125 602)**	**255 113**	**(110 632)**	
% of surplus/(deficiency) compared to the previous estimate		9%	-3%	4%	-2%	

(thousands of Russian rubles, unless otherwise stated)

22. Pension liabilities

Movements in pension liabilities are as follows:

	2019	*2018*
Pension liabilities at 1 January	**16 341 891**	**14 050 194**
Change in pension liabilities	3 244 724	2 291 697
Pension liabilities at 31 December	**19 586 615**	**16 341 891**

Result of pension operations:

	2019	*2018*
Pension contributions	3 189 114	2 850 982
Income allocated to funds of depositors	1 559 304	694 874
Total pension contributions (including income allocated to funds of depositors)	**4 748 418**	**3 545 856**
Pension payments	**(1 386 548)**	**(1 175 387)**
Change in pension liabilities	(3 244 724)	(2 291 697)
Commission income for pension insurance contracts	88 536	88 609
Total pension income	**205 682**	**167 381**

Liabilities under investment agreements with discretionary participation features comprise balances on individual pension accounts of the participants at the reporting date and represent the amount of accumulated contributions and income on placements of pension reserve funds, less total amount of payments made at the reporting date.

23. Segment analysis

Under the requirements of IFRS 8 *Operating Segments*, an operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity)

- the results of which operating activities are analyzed by operating decision makers of the entity to decide on the resource allocation among segments and assess its performance; and

- for which discrete financial information is available.

The Group's segment reporting is based on the following operating segments:

- non-life insurance

- life insurance

- pension operations

- other activities.

Management monitors the results of performance of each operating segment separately.

Transactions not allocated by the Group to any of segments and intersegment eliminations is recorded in line “Intersegment and non-allocated transactions”.

(thousands of Russian rubles, unless otherwise stated)

23. Segment analysis (continued)

Disclosure of reporting segments for the year ended 31 December 2019 is presented in the table below:

	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Gross insurance premiums	38 009 747	33 698 420	-	-	(17 130)	**71 691 037**
Gross change in unearned premium reserve	(136 956)	(58 675)	-	-	7 260	**(188 371)**
Premiums ceded	(1 925 290)	(578 167)	-	-	-	**(2 503 457)**
Change in reinsurers' share of unearned premium reserve	234 105	30 659	-	-	-	**264 764**
Net premium earned	**36 181 606**	**33 092 237**	**-**	**-**	**(9 870)**	**69 263 973**
Insurance benefits and claims paid	(18 113 702)	(4 692 471)	-	-	169 442	**(22 636 731)**
Reinsurers' share of insurance benefits and claims paid	758 824	155 034	-	-	(2 222)	**911 636**
Gross change in claims reserve	596 064	(17 103 836)	-	-	(11 827)	**(16 519 599)**
Change in reinsurers' share of claims reserve	(302 495)	86 966	-	-	(4 785)	**(220 314)**
Net claims incurred	**(17 061 309)**	**(21 554 307)**	**-**	**-**	**150 608**	**(38 465 008)**
Net acquisition costs	(12 884 773)	(11 917 040)	-	-	-	**(24 801 813)**
Allowance for impairment of insurance and reinsurance receivables	(176 933)	(15 404)	-	-	-	**(192 337)**
Amortization of value of business in force	-	-	-	-	(222 456)	**(222 456)**
Result of insurance operations	**6 058 591**	**(394 514)**	**-**	**-**	**(81 718)**	**5 582 359**
Pension contributions (including income allocated to funds of depositors)	-	-	4 748 418	-	-	**4 748 418**
Pension payments	-	-	(1 386 548)	-	-	**(1 386 548)**
Change in pension liabilities	-	-	(3 244 724)	-	-	**(3 244 724)**
Commission income for pension insurance contracts	-	-	88 536	-	-	**88 536**
Result of pension operations	**-**	**-**	**205 682**	**-**	**-**	**205 682**
Administrative expenses	(4 622 470)	(1 534 080)	(138 842)	(283 110)	63 872	**(6 514 630)**
Net income from investing activities	2 459 612	4 678 380	327 886	225 309	(273 606)	**7 417 581**
Interest expense	(326 535)	(13 559)	(540)	(21 503)	24 819	**(337 318)**
Foreign exchange (losses)/gains	(40 546)	(179 849)	(6)	36	-	**(220 365)**
Other operating income/(expense), net	(963 266)	(133 580)	(14 038)	177 725	24 015	**(909 144)**
Other income/(expenses)	**(3 493 205)**	**2 817 312**	**174 460**	**98 457**	**(160 900)**	**(563 876)**
Profit before tax	**2 565 386**	**2 422 798**	**380 142**	**98 457**	**(242 618)**	**5 224 165**
Income tax expense	(558 161)	(443 822)	(50 546)	(28 532)	3 789	**(1 077 272)**
Net profit	**2 007 225**	**1 978 976**	**329 596**	**69 925**	**(238 829)**	**4 146 893**

31 December 2019	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Segment assets	58 804 110	59 479 161	21 387 727	15 119 686	(23 132 369)	**131 658 315**
Segment liabilities	33 418 600	53 469 478	19 685 113	996 028	(1 483 153)	**106 086 066**

(thousands of Russian rubles, unless otherwise stated)

23. Segment analysis (continued)

Disclosure of reporting segments for the year ended 31 December 2018 is presented in the table below:

	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Gross insurance premiums	36 068 317	34 215 235	-	-	(8 742)	**70 274 810**
Gross change in unearned premium reserve	(4 871)	(39 958)	-	-	(6 856)	**(51 685)**
Premiums ceded	(1 445 496)	(525 486)	-	-	-	**(1 970 982)**
Change in reinsurers' share of unearned premium reserve	(83 576)	18 904	-	-	-	**(64 672)**
Net premium earned	**34 534 374**	**33 668 695**	**-**	**-**	**(15 598)**	**68 187 471**
Insurance benefits and claims paid	(15 908 778)	(1 991 240)	-	-	153 519	**(17 746 499)**
Reinsurers' share of insurance benefits and claims paid	706 391	131 381	-	-	(5 964)	**831 808**
Gross change in claims reserve	297 215	(14 552 566)	-	-	(23 850)	**(14 279 201)**
Change in reinsurers' share of claims reserve	(133 469)	176 724	-	-	-	**43 255**
Net claims incurred	**(15 038 641)**	**(16 235 701)**	**-**	**-**	**123 705**	**(31 150 637)**
Net acquisition costs	(12 524 985)	(16 717 787)	-	-	803	**(29 241 969)**
Allowance for impairment of insurance and reinsurance receivables	(175 470)	(15 404)	-	-	-	**(190 874)**
Amortization of value of business in force	-	-	-	-	(246 486)	**(246 486)**
Result of insurance operations	**6 795 278**	**699 803**	**-**	**-**	**(137 576)**	**7 357 505**
Pension contributions (including income allocated to funds of depositors)	-	-	3 545 856	-	-	3 545 856
Pension payments	-	-	(1 175 387)	-	-	(1 175 387)
Change in pension liabilities	-	-	(2 291 697)	-	-	(2 291 697)
Commission income for pension insurance contracts	-	-	88 609	-	-	88 609
Result of pension operations	**-**	**-**	**167 381**	**-**	**-**	**167 381**
Administrative expenses	(4 614 877)	(1 435 305)	(86 319)	(269 046)	74 556	**(6 330 991)**
Net income from investing activities	2 307 992	2 030 126	164 796	163 955	(822 137)	**3 844 732**
Interest expense	(333 390)	-	-	(17 097)	17 097	**(333 390)**
Foreign exchange (losses)/gains	118 674	175 136	-	3	-	**293 813**
Other operating income/(expense), net	(825 314)	(43 037)	(1 915)	179 891	(120 033)	**(810 408)**
Other income/(expenses)	**(3 346 915)**	**726 920**	**76 562**	**57 706**	**(850 517)**	**(3 336 244)**
Profit before tax	**3 448 363**	**1 426 723**	**243 943**	**57 706**	**(988 093)**	**4 188 642**
Income tax expense	(525 637)	(250 839)	(32 936)	(7 334)	5 705	**(811 041)**
Net profit	**2 922 726**	**1 175 884**	**211 007**	**50 372**	**(982 388)**	**3 377 601**

31 December 2018	Non-life insurance	Life insurance	Pension operations	Other activities	Intersegment and non-allocated transactions	Total
Segment assets	54 754 834	39 722 710	17 749 441	14 395 128	(20 820 668)	**105 801 445**
Segment liabilities	32 115 941	36 075 079	16 376 423	1 542 875	(1 925 899)	**84 184 419**

(thousands of Russian rubles, unless otherwise stated)

24. Other insurance liabilities

	31 December 2019	***31 December 2018***
Payables to agents and brokers	1 807 628	1 966 081
Insurance liabilities	1 243 919	924 563
Reinsurance payables	744 366	745 561
Outstanding insurance and reinsurance settlements	620 577	716 643
Direct loss refund under Motor Third Party Liability Insurance	164 340	103 399
Payables on deposits of premiums and claims	72 384	73 669
Total other insurance liabilities	**4 653 214**	**4 529 916**

25. Debt securities issued

As at 31 December 2019, the Group issued debt securities with a nominal value of RUB 3 billion maturing in 2022 and bearing the interest rate of 9%. Funds received from the issue of debt securities were used to repay credit lines opened with the Credit Bank of Moscow PJSC (*Note 26*).

In 2019, the amount of accrued interest expenses was RUB 61 238 thousand including amortized transaction costs in the amount of RUB 1 328 thousand.

26. Borrowings and other payables

	31 December 2019	***31 December 2018***
Borrowings	-	2 508 121
Other payables, including:		
Other	5 600	-
Lease liabilities	1 003 132	-
Borrowings and other payables	**1 008 732**	**2 508 121**

As at 31 December 2019, other payables are represented by interest-free security deposits from the TRANSKAPITALBANK PJSC.

As at 31 December 2018, borrowings were represented by a credit line opened with the Credit Bank of Moscow PJSC. As at 31 December 2018, the total amount of debt was RUB 2 508 million, including accrued interest in the amount of RUB 8 million.

In January 2019, a new credit line was opened with the Credit Bank of Moscow PJSC with a drawdown limit of RUB 700 million, maturing in October 2019. In October 2019, credit lines opened with the Credit Bank of Moscow PJSC were fully repaid by the funds raised by the Group as a result of issue of the debt securities (*Note 25*).

Interest expense includes interest and other payments under agreements with:

	2019	***2018***
Credit Bank of Moscow PJSC	224 428	333 362
Lease liabilities	51 652	28
Total interest expense	**276 080**	**333 390**

(thousands of Russian rubles, unless otherwise stated)

27. Changes in liabilities arising from financing activities

	Bonds issued	Borrowings and other payables	Total liabilities arising from financing activities
Carrying amount at 31 December 2017	**-**	**2 708 795**	**2 708 795**
Proceeds from issue	-	1 200 000	**1 200 000**
Repayment	-	(1 408 795)	**(1 408 795)**
Other	-	8 121	**8 121**
Carrying amount at 31 December 2018	**-**	**2 508 121**	**2 508 121**
Proceeds from issue	3 000 000	2 015 350	**5 015 350**
Repayment	-	(3 778 419)	**(3 778 419)**
Other	43 349	263 680	**307 029**
Carrying amount at 31 December 2019	**3 043 349**	**1 008 732**	**4 052 081**

The "Other" item includes the effect of accrued but not paid interest on bonds issued, borrowings and other payables. The Group classifies interest paid as cash flows used in operating activities.

28. Other liabilities

	31 December 2019	*31 December 2018*
Provision for bonuses to employees	376 157	604 502
Settlements with service providers	371 291	554 713
Provisions for non-credit-related commitments	298 300	156 492
Provision for unused vacations	183 793	185 234
Settlements with social funds	88 462	93 371
Settlements with employees	70 425	66 946
Settlements under abandonment	52 152	27 729
Settlements with the budget	46 280	42 379
Outstanding settlements	36 375	224 010
Settlements on securities	31 188	340
Settlements on audit	10 310	8 453
Settlements on litigation	6 350	8 071
Settlements on consulting and advertising	2 923	2 801
Settlements with agents under the Green Card Program	1 577	2 145
Settlements with medical institutions	1 326	1 636
Other settlements	118 688	103 167
Total other liabilities	**1 695 597**	**2 081 989**

Movements of provisions for bonuses and unused vacations are as follows:

		2019		*2018*
	Provision for bonuses	*Provision for unused vacations*	*Provision for bonuses*	*Provision for unused vacations*
At 1 January	**604 502**	**185 234**	**605 064**	**219 439**
Use of provision	(579 593)	(431 810)	(488 942)	(444 472)
Charge during the year	351 248	430 369	488 380	410 267
At 31 December	**376 157**	**183 793**	**604 502**	**185 234**

29. Share capital

As at 31 December 2019 and 31 December 2018, nominal value of the share capital was RUB 4 047 639 thousand. Prior to 2002, the Russian economy was marked by a relatively high level of inflation and was considered hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. When the economy ceased to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, non-monetary items originating prior to 1 January 2003, including the share capital of the Company, were restated. As at 31 December 2019, the restatement amounted to RUB 303 701 thousand.

In September 2018, Renaissance Insurance Group Limited was reorganized through transformation into a joint-stock company. As a result of transformation, the Company issued 404 763 892 364 shares, with a nominal value of RUB 0.01 each. The shares were distributed among the shareholders of the Company in proportion to their interests. Share capital of the Company was registered and fully paid. Participants are entitled to vote at general meetings of shareholders in proportion to their interest in the share capital.

The meeting of shareholders, which took place in August 2018, decided to distribute a portion of the Company's net profit generated in 2017 and a portion of net profit generated during the six months ended 30 June 2018 totaling RUB 1 billion.

30. Additional capital

Additional paid-in capital comprises contributions of shareholders received in excess of the nominal value of shares in the share capital.

31. Insurance reserve of NSPF

In December 2018, in accordance with amendments in the Federal Law 410-FZ, NSPF "BLAGOSOSTOYANIE MNC" was reorganized into Joint-stock Company Non-State Pension Fund Renaissance pensions, with shares distributed in proportion to the contributions of founders of the reorganized NSPF. Reorganization of the NSPF into a joint-stock company amended the terms of distribution of the net assets. In accordance with the legislation, they may be distributed among the participants after five years following the date of the state registration. However, the insurance reserve of NSPF is a regulatory reserve, which has the purpose of guaranteeing the discharge of obligations to the NSPF customers. Insurance reserve is not to be distributed to the participants and should be accounted for separately. Therefore, it is recorded as a separate component of equity.

32. Commitments and contingencies

Litigations and regulatory requirements

In the course of its ordinary activities, the Group is subject to legal claims. The claims are related to the nature of the Group's operations (settlement of claims under insurance contracts and recovery of counter claims as part of recourse and subrogation). Management believes that legal proceedings will not result in significant non-recorded losses. As at 31 December 2019, the Group made a provision of RUB 6 350 thousand for litigations that are not related to insurance, coinsurance and reinsurance (31 December 2018: RUB 8 071 thousand).

32. Commitments and contingencies (continued)

Taxation

The Group operates in the Russian Federation. Certain provisions in the existing Russian tax, currency and customs legislation are not clear and unambiguous enough, which often results in their varying interpretation, selective and inconsistent application, as well as frequent and often highly unpredictable changes that may be applied retroactively. Management's interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities at any time in the future, which can result in a heavier administrative and tax burden on the Group.

Recent trends in the application and interpretation of certain provisions of the Russian tax legislation indicate that the tax authorities may take a tougher stance in interpreting and applying certain tax regulations and conducting tax audits. The tax authorities may thus challenge the Group's transactions, operations and accounting methods that they had never challenged before. As a result, significant taxes, penalties and interest may be assessed by the relevant authorities. It is not possible to determine the amounts of constructive claims or evaluate the probability of a negative outcome. Tax audits of the accuracy of tax calculation and payment conducted by the tax authorities may cover three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. In certain circumstances, they may also cover earlier periods.

The tax legislation contains provisions prohibiting taxpayers to reduce the tax base as a result of distortion of facts with regard to business operations and taxable activities or due to operations with a primary objective of non-payment or underpayment of taxes. As there is no well-established practice for applying the above rules, there is uncertainty regarding the procedure for their application and possible interpretation by the Russian tax authorities. It is possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and/or courts to their interpretation and enforcement, additional taxes and related fines and penalties may be assessed, which could have a negative impact on the Company's financial position. The details of such contingent liabilities are not disclosed in these financial statements due to the uncertainty of the potential outcome in case of different interpretation of tax law by tax authorities.

The Russian transfer pricing legislation allows the Russian tax authorities to apply tax base adjustments and impose additional income tax and value added tax liabilities, fines and penalties in respect of the controlled transactions if the transaction price differs from the market price and unless the Group is able to demonstrate the use of market prices with respect to the controlled transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation. Management believes that the Group fully complies with transfer pricing rules, and "controlled" transaction prices are consistent with market prices.

As at 31 December 2019, Management believes that its interpretation of the relevant Russian tax legislation is appropriate and that the Group's tax, currency and customs positions will be sustained by tax authorities and courts.

(thousands of Russian rubles, unless otherwise stated)

33. Net premium earned

	2019			*2018*		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Gross written premiums, *including*:	**37 992 617**	**33 698 420**	**71 691 037**	**36 059 575**	**34 215 235**	**70 274 810**
Premiums on direct insurance	37 641 936	33 698 420	**71 340 356**	35 869 576	34 215 235	**70 084 811**
Premiums on assumed reinsurance	350 681	-	**350 681**	189 999	-	**189 999**
Gross change in unearned premium reserve	(129 696)	(58 675)	**(188 371)**	(6 186)	(45 499)	**(51 685)**
Gross premium earned	**37 862 921**	**33 639 745**	**71 502 666**	**36 053 389**	**34 169 736**	**70 223 125**
Reinsurers' share of the written premium	(1 925 290)	(578 167)	**(2 503 457)**	(1 445 496)	(525 486)	**(1 970 982)**
Change in reinsurers' share of reserve	234 105	30 659	**264 764**	(83 576)	18 904	**(64 672)**
Reinsurers' share of earned premium	**(1 691 185)**	**(547 508)**	**(2 238 693)**	**(1 529 072)**	**(506 582)**	**(2 035 654)**
Premiums earned, net of reinsurance	**36 171 736**	**33 092 237**	**69 263 973**	**34 524 317**	**33 663 154**	**68 187 471**

34. Net claims incurred

	2019			*2018*		
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Insurance benefits and claims paid:						
Direct insurance	18 958 444	4 636 388	**23 594 832**	16 409 031	1 968 076	**18 377 107**
Assumed reinsurance	43 520	-	**43 520**	9 823	-	**9 823**
Claim settlement expenses	969 557	56 083	**1 025 640**	999 592	23 164	**1 022 756**
Income from subrogation	(1 249 485)	-	**(1 249 485)**	(1 110 488)	-	**(1 110 488)**
Income from salvages	(777 776)	-	**(777 776)**	(552 699)	-	**(552 699)**
Total insurance claims paid	**17 944 260**	**4 692 471**	**22 636 731**	**15 755 259**	**1 991 240**	**17 746 499**
Reinsurers' share of insurance benefits and claims paid	(756 602)	(155 034)	**(911 636)**	(700 427)	(131 381)	**(831 808)**
Change in claims reserve	(183 390)	-	**(183 390)**	(239 148)	-	**(239 148)**
Change in subrogation reserve	(294 109)	-	**(294 109)**	(31 332)	-	**(31 332)**
Changes in salvages reserve	(106 738)	-	**(106 738)**	(2 885)	-	**(2 885)**
Change in long-term life insurance reserve	-	17 103 836	**17 103 836**	-	14 552 566	**14 552 566**
Gross change in claims reserve and other reserves	**(584 237)**	**17 103 836**	**16 519 599**	**(273 365)**	**14 552 566**	**14 279 201**
Reinsurers' share of change in claims reserve	**307 280**	**(86 966)**	**220 314**	**133 469**	**(176 724)**	**(43 255)**
Total net claims incurred	**16 910 701**	**21 554 307**	**38 465 008**	**14 914 936**	**16 235 701**	**31 150 637**

(thousands of Russian rubles, unless otherwise stated)

35. Acquisition costs

			2019			2018
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Agents, brokers and other intermediaries	6 269 009	12 560 497	**18 829 506**	8 493 591	16 911 241	**25 404 832**
Expenses associated with use of information technologies to enter into insurance contracts	2 533 919	-	**2 533 919**	868 711	-	**868 711**
Sellers' payroll	1 332 291	113 789	**1 446 080**	1 397 300	135 417	**1 532 717**
Direct insurance advertising costs	359 093	-	**359 093**	172 863	-	**172 863**
Other acquisition costs	2 138 332	36 212	**2 174 544**	1 622 696	34 491	**1 657 187**
Total acquisition costs *(Note 13)*	**12 632 644**	**12 710 498**	**25 343 142**	**12 555 161**	**17 081 149**	**29 636 310**
Commission income on ceded reinsurance (*Note 13*)	(130 274)	(223 357)	**(353 631)**	(96 040)	(154 748)	**(250 788)**
Change in deferred expenses for commissions to agents, brokers and other intermediaries	621 913	(570 101)	**51 812**	247 714	(208 614)	**39 100**
Change in deferred expenses associated with use of information technologies to enter into insurance contracts	53 999	-	**53 999**	(245 996)	-	**(245 996)**
Change in deferred expenses for the sellers' payroll	(4 297)	-	**(4 297)**	299 528	-	**299 528**
Change in deferred expenses for direct insurance advertising	(107 713)	-	**(107 713)**	84 603	-	**84 603**
Change in other deferred acquisition costs	(198 602)	-	**(198 602)**	(314 111)	-	**(314 111)**
Change in deferred reinsurance commission income	17 103	-	**17 103**	(6 677)	-	**(6 677)**
Total current acquisition costs, net of reinsurance	**12 884 773**	**11 917 040**	**24 801 813**	**12 524 182**	**16 717 787**	**29 241 969**

(thousands of Russian rubles, unless otherwise stated)

36. Administrative expenses

	2019	**2018**
Payroll and other personnel benefits	3 047 901	2 874 883
Contributions to social funds	689 296	657 651
Information technologies	604 754	438 785
Depreciation and amortization	591 293	333 067
Legal and advisory services	349 997	306 450
Rent of premises	279 175	515 377
Advertising	144 859	265 903
Maintenance of property and equipment	125 511	122 141
Business travel	109 196	111 932
Bank fees	104 161	93 912
Communications	102 917	117 232
Audit	49 365	59 185
Office expenses	35 806	48 268
Office supplies	26 230	27 719
Security	22 582	23 984
Maintenance of motor vehicles	19 283	21 302
Business development	17 178	9 556
Taxes other than income tax	9 799	14 832
Recruitment services	8 141	18 528
Subscriptions	6 375	1 079
Staff training	5 718	7 924
Other expenses	165 093	261 281
Total administrative expenses	**6 514 630**	**6 330 991**

37. Net income from investing activities

	2019	**2018**
Financial assets at fair value through profit or loss:		
Gains from sale, net	197 963	77 598
Interest income	2 963 065	1 870 289
Change in fair value of financial instruments	1 862 366	(77 373)
Gains from financial assets at fair value through profit or loss, net	**5 023 394**	**1 870 514**
Other gains from investing activities:		
Interest income		
Deposits	1 015 465	490 492
Corporate securities	248 442	292 739
Banking accounts	311 740	600 447
Borrowings	1 685	34
	1 577 332	**1 383 712**
Other investment income		
Dividends accrued	379 424	279 277
Commission expense	(15 850)	(8 011)
Gains less losses from investment property	173 323	183 038
Rental income	*192 701*	*225 004*
Maintenance	*(11 830)*	*(74 323)*
Revaluation	*(7 548)*	*32 357*
Part of investment income of the NSPF used to ensure its statutory activity	277 374	126 734
Other investment income	2 584	9 468
	816 855	**590 506**
Other income from investing activities, net	**2 394 187**	**1 974 218**
Total net income from investing activities	**7 417 581**	**3 844 732**

(thousands of Russian rubles, unless otherwise stated)

38. Other operating income and expense

	2019	*2018*
Other operating income:		
Write-off of commission to agents and brokers	208 142	181 571
Gains from write-off of accounts payable	108 924	7 086
Medical services	58 908	41 497
Lease and sublease income	4 154	5 163
Penalties received	830	180
Other income	90 703	140 553
Total other operating income	**471 661**	**376 050**
Other operating expense:		
Direct loss refund expenses	(747 052)	(623 627)
Contributions to guaranty funds	(199 903)	(217 297)
Trustee fees	(116 728)	(47)
Membership fees	(102 253)	(69 389)
Participation in an international pool	(46 447)	(76 580)
Allowance for impairment of other assets	(5 077)	(10 810)
Contributions to reserve of current compensation payments	(2 464)	(3 095)
Other expenses	(160 881)	(185 613)
Total other operating expense	**(1 380 805)**	**(1 186 458)**

39. Risk management

Financial risk management is an essential element of the Group’s operations. The main financial risks the Group is exposed to are insurance risk, credit risk, liquidity risk and market risks related to fluctuations of market prices, interest rates and foreign exchange rates.

Risk management policy is focused on the identification, analysis and management of risks the Group is exposed to, the establishment of risk limits and respective controls, and the continued measurement of risks and compliance with the set limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions, insurance products and services offered and emerging best practices.

The Board of Directors is responsible for proper operation of the risk management framework, approval of risk management policies and procedures, as well as approval of major transactions.

Management is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

Capital management policy

The Group seeks to improve the structure and sources of capital to ensure continuous increase of income attributable to the shareholders.

The Group is subject to requirements of the Russian regulators. Such requirements do not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy requirement) to mitigate a risk of default and insolvency of insurance companies to meet unforeseen liabilities as they arise. For regulatory purposes, the Group uses a solvency margin concept, prescribed by the Bank of Russia. As at 31 December 2019 and 31 December 2018, insurance companies of the Group complied with all requirements to the solvency margin. Compliance of the Company’s operations with requirements to the minimal solvency margin is as follows:

	31 December 2019	*31 December 2018*
Statutory solvency margin	5 485 844	4 690 515
Actual solvency margin	20 435 836	16 696 092
Difference between actual and statutory solvency margins	14 949 992	12 005 577
Difference between actual and statutory solvency margins, %	272.52%	255.95%

39. Risk management (continued)

Insurance risks

The Group is exposed to insurance risk, which results from the fact that the ultimate payment under insurance contracts or time of their execution may significantly differ from the Group's estimates due to various reasons: frequency of claims, amounts of claims, development of claims with lengthy handling period. The main objective of the Group is to ensure that insurance reserves are sufficient to discharge its obligations under the insurance contracts.

The Group maintains control over the insurance risk through diversifying its portfolio, underwriting procedures to control the insurance loss by the type of business, as well as reinsurance to decrease a risk of loss in the amount exceeding the risk the Group is ready to accept.

The main types of insurance contracts entered by the Group are as follows: motor insurance, life insurance, health insurance and property insurance. In 2019, the respective shares of motor insurance, life insurance, health insurance and property and other insurance in the total premiums earned were 28.9%, 47.0%, 9.2% and 14.9%, with the reinsurers' share of 2.5%, 1.6%, 0.8% and 10.6%, respectively. In 2018, the respective shares of motor insurance, life insurance, health insurance and property and other insurance in the total premiums earned were 27.0%, 48.7%, 8.8% and 15.6%, with the reinsurers' share of 2.6%, 1.5%, 0.9% and 9.0%, respectively. The distribution reflects concentration of the insurance risks of the Group.

Outwards reinsurance contracts may have different conditions (quota share, excess of loss, surplus, stop loss), own retention limits that vary depending on the location and business line.

1) Life insurance contracts

The Group principally enters into the following types of life insurance contracts: (1) life insurance where the life of the policyholder is insured against death or permanent disability, usually for a pre-determined amount, and (2) contracts related to survival of the policyholder until a specific date or term.

The Group's underwriting strategy is designed to ensure that insurance risk is diversified. The diversification effect is largely achieved through diversification of the portfolio by professional activity of the insured persons and by geographical region.

To efficiently manage insurance risk, the Group relies on the results of medical checks to ensure that the pricing is based on the relevant health data of the insured persons. In addition, the Group analyzes actual losses and updates pricing procedures on a regular basis. The limits set at the Company level help to monitor insurance risk exposures.

For contracts where death or permanent disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more frequent receipt of claims than expected.

The Group set its own risk limits at RUB 1 365 000 per each risk under group life and accident insurance contracts, RUB 1 000 000 per each risk under life and accident insurance contracts for borrowers, RUB 400 000 per each risk under individual life and accident insurance contracts. Any amount in excess of the limits must be fully reinsured with major reinsurance companies that were assigned a high credit rating by top international rating agencies, i.e. at least AA (Standard & Poor's), Aa3 (Moody's) or A+ (Fitch Ratings).

All new products issued by the Group are subject to profit-testing procedures and are authorized by Management.

39. Risk management (continued)

Insurance risks (continued)

Key assumptions

Assumptions in use are based on experience, current internal data, benchmarks which reflect current observable market prices, and other published information. Relevant and conservative assumptions are selected at the estimation date.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on national mortality tables as at 1997, adjusted to the type of contract, for which risks are assumed, and the territory where the insured person resides, reflecting recent historical mortality data. They are adjusted where appropriate to reflect the Group's own experiences. For contracts that are related to the risk of longevity, an appropriate assumption is made with respect to expected future improvement of longevity. Assumptions are differentiated by sex, age of the insured person, underwriting class and contract type.

For credit life insurance contracts, the Group developed certain underwriting ratios for each bank to align reserving and pricing based on differences in mortality assumptions.

An increase in mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the shareholders.

Investment income

The weighted average rate of return is derived from the model portfolio that is assumed to secure liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market rates, as well as expectations about future economic and financial developments.

A decrease in investment return would lead to a reduction in income and decreasing profits for the shareholders.

Expenses

Assumptions related to operating expenses reflect the projected costs of maintaining and servicing of current policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base.

An increase in the level of expenses would result in an increase in expenditure, thus reducing profits for the shareholders.

Sensitivity

The table below indicates the impact of various reasonable changes in key actuarial assumptions on the Group's estimation of reserves.

The table demonstrates the effect of change in individual assumptions with all other assumptions held constant. The correlation of assumptions has a significant effect on the procedure for determining the ultimate insurance claim liabilities. However, in order to demonstrate the impact of changes in key assumptions on insurance claim liabilities, these changes should be introduced on an individual basis.

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Insurance risks (continued)

The effect of change in key assumptions on the actuarial reserve as at 31 December 2019 is as follows:

Key life insurance business lines	***Increase in discount rate by 300 basis points***		***Increase in early termination rate by 25%***		***Increase in mortality rate by 10%***	
Endowment business	(1 338 577)	-16.67%	(456 745)	-6.03%	9 504	0.12%
Investment insurance	(2 209 500)	-5.66%	(18 176)	-0.05%	(2 130)	-0.01%
Credit life insurance	(18 659)	-4.21%	(3)	0.00%	(20 782)	-4.69%
Pension and other insurance	(48 742)	-7.73%	(5 422)	-0.87%	-	0.00%

Key life insurance business lines	***Decrease in discount rate by 300 basis points***		***Decrease in early termination rate by 25%***		***Decrease in mortality rate by 10%***	
Endowment business	1 922 437	23.94%	504 704	6.28%	(23 583)	-0.29%
Investment insurance	2 456 919	6.30%	19 609	0.05%	2 671	0.01%
Credit life insurance	20 536	4.64%	3	0.00%	20 767	4.69%
Pension and other insurance	77 591	12.30%	7 552	1.20%	-	0.00%

The effect of change in key assumptions on the actuarial reserve as at 31 December 2018 is as follows:

Key life insurance business lines	***Increase in discount rate by 300 basis points***		***Increase in early termination rate by 25%***		***Increase in mortality rate by 10%***	
Endowment business	(821 141)	-17.99%	(263 267)	-6.12%	2 537	0.06%
Investment insurance	(1 553 839)	-5.94%	(4 314)	-0.02%	(1 974)	-0.01%
Credit life insurance	(19 282)	-4.42%	(106)	-0.02%	(19 873)	-4.55%
Pension and other insurance	(38 180)	-7.02%	(167)	-0.03%	-	0.00%

Key life insurance business lines	***Decrease in discount rate by 300 basis points***		***Decrease in early termination rate by 25%***		***Decrease in mortality rate by 10%***	
Endowment business	1 120 634	24.55%	321 663	7.05%	(3 468)	-0.08%
Investment insurance	1 726 285	6.60%	2 311	0.01%	1 972	0.01%
Credit life insurance	21 170	4.85%	(98)	-0.02%	19 650	4.50%
Pension and other insurance	51 498	9.47%	469	0.09%	-	0.00%

2) Non-life insurance contracts

Key assumptions

The amount of claims reserve is determined by estimate of future cash flows related to unsettled liabilities, including estimate of cash inflows from subrogation, auto salvage recoveries and cash outflows for handling claims, as well as by estimate of the reinsurers' share of such cash flows.

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Insurance risks (continued)

The amount of outstanding claims reserve is derived based on all information available as at the reporting date, including outstanding loss notifications, experience with similar claims and court practice. The Group applies a number of statistical methods to estimate the ultimate amount of claims, including a stochastic simulation of possible scenarios to estimate liabilities not discharged as at the reporting date. This helps to determine the confidence interval in which potential amount of claims reserve is located. The most common techniques include Chain Ladder and Bornhuetter-Ferguson methods. Depending on the observable development of claims, the Group can apply different methods or combination of methods for different types of insurance.

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of claims costs, inflationary pressure, and caution in estimating the claims. Judgment is used to assess the extent to which external factors, such as judicial decisions and changes in legislation, affect the estimates.

Claims reserves are analyzed separately for each type of insurance. Major claims are mostly estimated on an individual basis and are calculated on a case-by-case basis or are forecast individually to foresee how the development and occurrence of those major claims can be potentially distorted.

Sensitivity

Non-life insurance claims reserves are sensitive to the above key assumptions. Due to delays in occurrence, subsequent notification and final handling, there is no certainty in the amount outstanding claims reserve as at the reporting date.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. Since the number of claims and the average claim amount are multipliers of the marginal loss and have similar impact on claims reserve, the Group estimates the change in number of claims only. It should be noted that changes in the assumptions are non-linear.

				2019
	Before changes	*After changes*	*Effect on profit before tax*	*Effect on equity*
Change in the number of motor insurance claims occurred in the last quarter of the reporting period:				
10% increase	3 485 982	3 748 983	(263 001)	(210 401)
10% decrease	3 485 982	3 223 586	262 396	209 917

				2018
	Before changes	*After changes*	*Effect on profit before tax*	*Effect on equity*
Change in the number of motor insurance claims occurred in the last quarter of the reporting period:				
10% increase	3 585 612	3 814 020	(228 408)	(182 726)
10% decrease	3 585 612	3 358 976	226 636	181 309

39. Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument (a counterparty) will fail to discharge an obligation and cause the other party (the Group) to incur a financial loss. The Group sets limits on net risk exposure for each counterparty or a group of counterparties. Limits on the level of credit risk by counterparty are approved (revised) and monitored by the Board of Directors on a regular basis.

The Group regularly monitors insurance receivables and reinsurance assets. An allowance for impairment is recognized in the financial statements (Note 20).

Reinsurance

The Group limits its exposure to risk by means of reinsurance arrangements, both obligatory and facultative with Russian and foreign reinsurers. Insurance risk is ceded to reinsurance on different terms (quota share, excess of loss, surplus, stop loss) with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with insurance contract liabilities and are presented in the statement of financial position as *reinsurer's share of insurance contract liabilities*.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements.

The Group is neither dependent on a single reinsurer nor a single reinsurance contract. The Group evaluates financial position of its reinsurers and monitors concentration of credit risks to minimize its exposure to significant losses from certain reinsurers' insolvencies.

Investments

The Group follows a number of principles in its investment policies: it invests only in instruments with an appropriate return and ensures that its investments offer a high degree of reliability. Sufficient liquidity is also important at all times and a targeted diversification in terms of type of investment is applied. Russian insurance companies are regulated by the Bank of Russia and do not act as professional participants in the securities' market. For this reason, the Group performs its investing activities through trust managers or brokers.

Credit exposure by credit rating

The Group measures credit risk exposure of financial assets based on credit rating of counterparties and other available market information to measure the counterparty risk.

Financial assets are rated as follows:

- *High credit quality* – financial assets characterized by remote possibility of credit loss:
    - Assets with high credit rating (BB+ or higher under Standard & Poor's international scale or similar ratings assigned by other foreign rating agencies; B+ or higher under A.M. Best international scale, AA-(RU) or higher under AKRA national scale or similar ratings assigned by national rating agencies)
    - Cash on hand except for cash in transit

39. Risk management (continued)

Credit risk (continued)

- *Standard credit quality* – financial assets characterized by normal creditworthiness:
  - Assets with standard credit rating (B or higher under Standard & Poor's international scale or similar ratings assigned by other foreign rating agencies; B or higher under A.M. Best international scale, BB+(RU) or higher under AKRA national scale or similar ratings assigned by national rating agencies)
  - Cash in transit
  - Insurance and reinsurance receivables - receivables not past due, except those listed in high credit quality, which are not expected to become past due in the future based on statistics
  - Other assets − trade and other receivables excluding those reserved
- Substandard credit quality − financial assets characterized by low creditworthiness:
  - Assets with substandard credit rating (B- or lower under Standard & Poor's international scale or similar ratings assigned by other foreign rating agencies; C++ or lower under A.M. Best international scale, BB(RU) or lower under AKRA national scale or similar ratings assigned by national rating agencies) or without any rating
  - Insurance and reinsurance receivables – receivables not past due, which are not expected to become past due in the future based on statistics
- Past due but not impaired – insurance and reinsurance receivables that are past due but have no indicators of impairment. This category of assets arises in the course of the Group's ordinary activities and results from deferring payments from intermediaries and delays in identification and referencing of payments to certain insurance and reinsurance contracts.

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Credit risk (continued)

31 December 2019	*Neither past due nor impaired*			*Past due but not impaired*	*Impaired*	***Total***
	High	*Standard*	*Substandard*			
Cash and cash equivalents	10 076 054	530 337	6 510	-	-	**10 612 901**
Amounts due from credit institutions	7 961 102	11 025 080	-	-	-	**18 986 182**
Financial assets at fair value through profit or loss	50 044 373	16 478 193	333 507	-	-	**66 856 073**
Loans and other receivables	530	18	8 847	-	-	**9 395**
Available-for-sale financial assets	32 035	2 238 519	-	-	-	**2 270 554**
Financial assets held to maturity	553 338	-	-	-	-	**553 338**
Insurance and reinsurance receivables	22 035	4 095 469	792 729	952 167	503 882	**6 366 282**
Reinsurers' share of insurance contract liabilities	1 905 842	5 277	11 445	-	-	**1 922 564**
Other financial assets	-	103 856	-	-	53 114	**156 970**
Total financial assets	**70 595 309**	**34 476 749**	**1 153 038**	**952 167**	**556 996**	**107 734 259**

31 December 2018	*Neither past due nor impaired*			*Past due but not impaired*	*Impaired*	***Total***
	High	*Standard*	*Substandard*			
Cash and cash equivalents	6 320 378	1 401 063	109 890	-	-	**7 831 331**
Amounts due from credit institutions	6 253 497	5 545 630	100 089	-	-	**11 899 216**
Financial assets at fair value through profit or loss	41 131 419	8 537 118	1 676 783	-	-	**51 345 320**
Loans and other receivables	9 860	202 766	-	-	-	**212 626**
Available-for-sale financial assets	36 869	3 701 880	-	-	-	**3 738 749**
Insurance and reinsurance receivables	41 199	3 520 093	715 936	861 630	499 834	**5 638 692**
Reinsurers' share of insurance contract liabilities	1 835 175	8 872	34 067	-	-	**1 878 114**
Other financial assets	-	196 093	-	-	65 193	**261 286**
Total financial assets	**55 628 397**	**23 113 515**	**2 636 765**	**861 630**	**565 027**	**82 805 334**

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Credit risk (continued)

Information on assets past due but not impaired is as follows:

31 December 2019	*Less than 30 days*	*31-90 days*	*91-180 days*	*More than 180 days*	*Total past due but not impaired*
Insurance and reinsurance receivables	637 558	189 638	68 577	56 394	**952 167**
Total	**637 558**	**189 638**	**68 577**	**56 394**	**952 167**

31 December 2018	*Less than 30 days*	*31-90 days*	*91-180 days*	*More than 180 days*	*Total past due but not impaired*
Insurance and reinsurance receivables	616 335	137 681	74 495	33 119	861 630
Total	**616 335**	**137 681**	**74 495**	**33 119**	**861 630**

The geographical concentration of the Group's financial assets and liabilities is set out below:

	2019			***2018***		
	Russia	***Other countries***	***Total***	***Russia***	***Other countries***	***Total***
Financial assets						
Cash and cash equivalents	10 164 278	448 623	**10 612 901**	7 671 262	160 069	**7 831 331**
Amounts due from credit institutions	18 986 182	-	**18 986 182**	11 899 216	-	**11 899 216**
Financial assets at fair value through profit or loss	64 228 629	2 666 379	**66 895 008**	49 889 256	1 478 449	**51 367 705**
Loans and other receivables	9 395	-	**9 395**	212 626	-	**212 626**
Financial assets held to maturity	174 012	379 326	**553 338**	-	-	**-**
Available-for-sale financial assets	1 795 070	475 484	**2 270 554**	2 835 788	902 961	**3 738 749**
Insurance and reinsurance receivables	5 794 468	67 932	**5 862 400**	4 946 611	192 247	**5 138 858**
Reinsurers' share of insurance contract liabilities	124 691	1 046 753	**1 171 444**	213 260	1 164 588	**1 377 848**
Other financial assets	103 856	-	**103 856**	196 093	-	**196 093**
Total financial assets	**101 380 581**	**5 084 497**	**106 465 078**	**77 864 112**	**3 898 314**	**81 762 426**
Financial liabilities						
Insurance contract liabilities	56 905 291	60 294	**56 965 585**	40 014 691	60 959	**40 075 650**
Pension liabilities	19 586 615	-	**19 586 615**	16 341 891	-	16 341 891
Other insurance liabilities	2 778 276	631 019	**3 409 295**	3 087 688	517 665	**3 605 353**
Debt securities issued	3 043 349	-	**3 043 349**	-	-	**-**
Borrowings and other payables	1 008 732	-	**1 008 732**	2 508 121	-	**2 508 121**
Other financial liabilities	1 519 780	4 700	**1 524 480**	1 721 754	475	**1 722 229**
Total financial liabilities	**84 842 043**	**696 013**	**85 538 056**	**63 674 145**	**579 099**	**64 253 244**
Net position	**16 538 538**	**4 388 484**	**20 927 022**	**14 189 967**	**3 319 215**	**17 509 182**

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its commitments. Liquidity risk occurs where the maturities of assets and liabilities do not match.

Liquidity risk primarily depends on fulfillment of obligations under insurance and investment contracts Liquidity risk is controlled by the Group on a centralized basis regularly. Detailed planning ensures timely repayment of term claims even in case of significant amounts to be repaid under insurance contracts.

The table below analyzes assets and liabilities of the Group by their relevant maturity group based on the remaining period at the reporting date to their expected maturities.

					31 December 2019
	Less than 1 year	*1-3 years*	*More than 3 years*	*Indefinite period*	***Total***
Financial assets					
Cash and cash equivalents	10 612 901	-	-	-	**10 612 901**
Amounts due from credit institutions	18 375 182	-	-	611 000	**18 986 182**
Financial assets at fair value through profit or loss	66 895 008	-	-	-	**66 895 008**
Loans and other receivables	4 128	2 209	3 058	-	**9 395**
Financial assets held to maturity	-	-	553 338	-	**553 338**
Available-for-sale financial assets	49 125	1 810 651	-	410 778	**2 270 554**
Insurance and reinsurance receivables	5 540 471	297 336	4 019	20 574	**5 862 400**
Reinsurers' share of insurance contract liabilities	702 840	314 010	154 594	-	**1 171 444**
Other financial assets	103 856	-	-	-	**103 856**
Total financial assets	**102 283 511**	**2 424 206**	**715 009**	**1 042 352**	**106 465 078**
Financial liabilities					
Insurance contract liabilities	13 903 070	33 509 550	9 552 965	-	**56 965 585**
Pension liabilities	1 471 730	3 120 572	14 994 313	-	**19 586 615**
Other insurance liabilities	2 715 543	600 128	93 624	-	**3 409 295**
Debt securities issued	59 910	2 983 439	-	-	**3 043 349**
Borrowings and other payables	412 306	430 368	166 058	-	**1 008 732**
Other financial liabilities	1 524 475	5	-	-	**1 524 480**
Total financial liabilities	**20 087 034**	**40 644 062**	**24 806 960**	**-**	**85 538 056**
Net position	**82 196 477**	**(38 219 856)**	**(24 091 951)**	**1 042 352**	**20 927 022**

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Liquidity risk (continued)

	Less than 1 year	*1-3 years*	*More than 3 years*	*Indefinite period*	***Total***
					31 December 2018
Financial assets					
Cash and cash equivalents	7 831 331	-	-	-	**7 831 331**
Amounts due from credit institutions	8 805 831	2 605 385	-	488 000	**11 899 216**
Financial assets at fair value through profit or loss	51 367 705	-	-	-	**51 367 705**
Loans and other receivables	10 580	-	202 046	-	**212 626**
Available-for-sale financial assets	1 068 509	1 767 279	-	902 961	**3 738 749**
Insurance and reinsurance receivables	4 789 147	243 963	6 782	98 966	**5 138 858**
Reinsurers' share of insurance contract liabilities	852 253	388 091	137 504	-	**1 377 848**
Other financial assets	196 093	-	-	-	**196 093**
Total financial assets	**74 921 449**	**5 004 718**	**346 332**	**1 489 927**	**81 762 426**
Financial liabilities					
Insurance contract liabilities	13 045 694	21 056 835	5 973 121	-	**40 075 650**
Pension liabilities	1 361 162	2 460 161	12 520 568	-	**16 341 891**
Other insurance liabilities	3 286 017	319 058	278	-	**3 605 353**
Borrowings and other payables	808 121	1 700 000	-	-	**2 508 121**
Other financial liabilities	1 655 227	67 002	-	-	**1 722 229**
Total financial liabilities	**20 156 221**	**25 603 056**	**18 493 967**	**-**	**64 253 244**
Net position	**54 765 228**	**(20 598 338)**	**(18 147 635)**	**1 489 927**	**17 509 182**

Financial assets at fair value through profit or loss are included in the "Less than 1 year" category due to their high liquidity.

Analysis of financial liabilities by remaining contractual maturity

Terms and amounts of undiscounted contractual obligations approximate the expected terms and amounts provided below, except for securities issued and borrowings. The table below presents undiscounted contractual flows on securities issued and borrowings:

	Less than 1 year	*1-3 years*	**Total**
			31 December 2019
Debt securities issued	269 280	3 538 560	**3 807 840**

	Less than 1 year	*1-3 years*	**Total**
			31 December 2018
Borrowings and other payables	1 013 337	1 722 915	**2 736 252**

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Market risk

Market risk is the risk that the fair value of a financial instrument or future cash flows of this financial instrument will fluctuate because of changes in market prices, interest rates and foreign exchange rates. Market risk includes three types of risk: currency risk, interest rate risk and market price risk. The Group manages market risk through periodic estimation of potential losses that could arise from changes in market prices, interest rates and foreign exchange rate, and by maintaining appropriate stop-loss limits.

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the actual or forecasted liabilities in that currency. The table below shows an analysis of assets and liabilities by main currency:

					31 December 2019
	RUB	*USD*	*EUR*	*Other*	***Total***
Financial assets					
Cash and cash equivalents	9 154 080	1 408 938	49 229	654	**10 612 901**
Amounts due from credit institutions	18 800 332	185 850	-	-	**18 986 182**
Financial assets at fair value through profit or loss	64 996 097	1 684 831	214 080	-	**66 895 008**
Loans and other receivables	9 395	-	-	-	**9 395**
Financial assets held to maturity	506 608	-	46 730	-	**553 338**
Available-for-sale financial assets	1 763 035	507 519	-	-	**2 270 554**
Insurance and reinsurance receivables	5 803 162	45 613	13 535	90	**5 862 400**
Reinsurers' share of insurance contract liabilities	1 088 623	11 761	67 452	3 608	**1 171 444**
Other financial assets	103 856	-	-	-	**103 856**
Total financial assets	**102 225 188**	**3 844 512**	**391 026**	**4 352**	**106 465 078**
Financial liabilities					
Insurance contract liabilities	55 340 280	1 208 070	354 540	62 695	**56 965 585**
Pension liabilities	19 586 615	-	-	-	**19 586 615**
Other insurance liabilities	3 364 387	23 325	21 583	-	**3 409 295**
Debt securities issued	3 043 349	-	-	-	**3 043 349**
Borrowings and other payables	1 008 732	-	-	-	**1 008 732**
Other financial liabilities	1 524 057	423	-	-	**1 524 480**
Total financial liabilities	**83 867 420**	**1 231 818**	**376 123**	**62 695**	**85 538 056**
Net position	**18 357 768**	**2 612 694**	**14 903**	**(58 343)**	**20 927 022**

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Market risk (continued)

Currency risk (continued)

					31 December 2018
	RUB	*USD*	*EUR*	*Other*	***Total***
Financial assets					
Cash and cash equivalents	7 178 274	612 634	40 390	33	**7 831 331**
Amounts due from credit institutions	11 725 278	173 938	-	-	**11 899 216**
Financial assets at fair value through profit or loss	49 713 041	741 612	913 052	-	**51 367 705**
Loans and other receivables	10 580	202 046	-	-	**212 626**
Available-for-sale financial assets	2 798 919	939 830	-	-	**3 738 749**
Insurance and reinsurance receivables	4 934 528	56 780	147 539	11	**5 138 858**
Reinsurers' share of insurance contract liabilities	1 324 940	17 077	26 434	9 397	**1 377 848**
Other financial assets	196 093	-	-	-	**196 093**
Total financial assets	**77 881 653**	**2 743 917**	**1 127 415**	**9 441**	**81 762 426**
Financial liabilities					
Insurance contract liabilities	39 093 097	595 032	328 875	58 646	**40 075 650**
Pension liabilities	16 341 891	-	-	-	**16 341 891**
Other insurance liabilities	3 498 887	57 221	48 834	411	**3 605 353**
Borrowings and other payables	2 508 121	-	-	-	**2 508 121**
Other financial liabilities	1 721 754	475	-	-	**1 722 229**
Total financial liabilities	**63 163 750**	**652 728**	**377 709**	**59 057**	**64 253 244**
Net position	**14 717 903**	**2 091 189**	**749 706**	**(49 616)**	**17 509 182**

The following table demonstrates sensitivity of the Group's net profit and equity to changes in the US dollar and euro exchange rates.

		31 December 2019			***31 December 2018***	
Currency	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
USD	13.00%	342 271	273 817	13.96%	(13 865)	(11 092)
USD	-11.00%	(289 614)	(231 691)	-13.96%	13 865	11 092
EUR	13.00%	(19 263)	(15 411)	13.67%	(436 030)	(348 824)
EUR	-11.00%	16 300	13 040	-13.67%	436 030	348 824

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of portfolio of financial instruments. The Group monitors interest rates and performs periodic estimation of potential losses that could arise from adverse changes in interest rates to mitigate the risk of significant decrease in cash flows.

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Market risk (continued)

Interest rate risk (continued)

The table below analyzes the effect of changes in interest rates on the Group's key indicators:

		31 December 2019			***31 December 2018***	
Variables	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
Financial assets at fair value through profit or loss						
Parallel shift of the interest rate curve, RUB	-125 basis points	943 929	755 143	-106 basis points	466 201	372 961
Parallel shift of the interest rate curve, RUB	+125 basis points	(943 929)	(755 143)	+106 basis points	(465 834)	(372 667)
Parallel shift of the interest rate curve, USD	-100 basis points	3 463	2 771	-129 basis points	1 410	1 128
Parallel shift of the interest rate curve, USD	+100 basis points	(3 463)	(2 771)	+31 basis points	(335)	(268)
Parallel shift of the interest rate curve, EUR	-50 basis points	65	52	-18 basis points	78	62
Parallel shift of the interest rate curve, EUR	+50 basis points	(65)	(52)	+18 basis points	(78)	(62)
Available-for-sale financial assets						
Parallel shift of the interest rate curve, RUB	-125 basis points	-	34 035	-96 basis points	-	42 187
Parallel shift of the interest rate curve, RUB	+125 basis points	-	(34 035)	+96 basis points	-	(42 178)
Parallel shift of the interest rate curve, USD	-100 basis points	-	248	-134 basis points	-	41
Parallel shift of the interest rate curve, USD	+100 basis points	-	(248)	+49 basis points	-	(15)

(thousands of Russian rubles, unless otherwise stated)

39. Risk management (continued)

Market risk (continued)

Market price risk

The Group's market price risk exposure relates to equity instruments whose fair values will fluctuate as a result of changes in market prices.

These changes may result from the factors inherent to certain financial instruments or its issuer, as well as the factors that impact all similar financial instruments traded in the market.

The Group manages market price risk by setting objectives and constraints on investments, investment diversification, periodic assessment of potential losses that can be incurred due to adverse changes in market prices.

		31 December 2019			***31 December 2018***	
Market indices	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
IMOEX	16.23%	521 965	417 572	17.19%	1 013 149	810 519
IMOEX	-16.23%	(521 965)	(417 572)	-17.19%	(1 013 149)	(810 519)

40. Fair value measurement

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value is best evidenced by the financial instrument's quoted price in the active market.

The estimated fair value of financial instruments is determined by the Group based on the available market information (if any) and appropriate valuation techniques. Management uses its own judgment in allocating financial assets to a particular level of the fair value hierarchy.

Assets for which carrying amount approximates fair value

For financial assets and financial liabilities having a short-term maturity (less than three months), demand deposits and savings accounts without a specific maturity it is assumed that their carrying amounts approximate their fair values.

Fixed rate financial instruments

The estimated fair value of unquoted debt financial instruments is based on discounting future cash flows using prevailing levels of interest rates for debt instruments having similar credit risk and remaining maturities.

The Group estimates fair values of financial instruments recorded in the statement of financial position using the fair value hierarchy that reflects the significance of the inputs used in making the estimates (Note 7).

Derivatives

Other financial assets at fair value through profit or loss include derivative financial instruments represented by structured notes. The underlying asset for such instruments is a basket of mutual fund units, each of a certain weight. The market value of the basket is used to calculate an index indicating an increase in the basket's value on a certain date. The index is adjusted for the realized volatility of the basket's value and movements in EURIBOR 3M rates. Payments on the notes depend on the maximum value of the adjusted index during a certain period. Where the maximum value of the adjusted index is under 100% (relative to the date on which the index was first calculated), no payments are made. Contracts may contain a quanta currency component.

40. Fair value measurement (continued)

The Group measures the notes on the basis of Monte Carlo simulations and uses certain assumptions. Adequacy and appropriateness of all assumptions used within the model was analyzed.

Available-for-sale financial assets

Available-for-sale financial assets measured using a valuation technique or pricing models primarily consist of unquoted equity and debt securities. Such assets are valued using models which incorporate either only observable data or both observable and unobservable data. The unobservable inputs include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.

Investment property

The Group uses discounted cash flow method ("DCF") for valuation of its investment property. Fair value is estimated using assumptions regarding the benefits and obligations associated with ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The return on investment is usually determined separately and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-leasing, redevelopment, or refurbishment. The appropriate duration is typically driven by market behavior that is a characteristic of the class of real estate. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent fees and commissions and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

(thousands of Russian rubles, unless otherwise stated)

40. Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of assets as at 31 December 2019 are as follows:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain/(loss)*	***Carrying amount***
Assets measured at fair value					
Financial assets at fair value through profit or loss	61 887 586	3 441 005	1 566 417	-	**66 895 008**
Available-for-sale financial assets	96 741	1 763 035	410 778	-	**2 270 554**
Investment property	-	-	1 850 045	-	**1 850 045**
Total assets measured at fair value	**61 984 327**	**5 204 040**	**3 827 240**	**-**	**71 015 607**
Assets for which fair values are disclosed					
Cash and cash equivalents	10 612 901	-	-	-	**10 612 901**
Amounts due from credit institutions	-	18 986 182	-	-	**18 986 182**
Loans and other receivables	-	-	9 395	-	**9 395**
Financial assets held to maturity	574 518	-	-	21 180	**553 338**
Other assets	-	-	443 444	-	**443 444**
Total assets for which fair values are disclosed	**11 187 419**	**18 986 182**	**452 839**	**21 180**	**30 605 260**
Liabilities for which fair values are disclosed					
Debt securities issued	3 107 910	-	-	(64 561)	**3 043 349**
Borrowings and other payables	-	1 003 132	5 600	-	**1 008 732**
Other liabilities	-	-	1 695 597	-	**1 695 597**
Total liabilities for which fair values are disclosed	**3 107 910**	**1 003 132**	**1 701 197**	**(64 561)**	**5 747 678**

In the reporting period, financial assets at fair value through profit or loss of RUB 1 652 784 thousand and RUB 1 490 996 thousand were transferred from Level 1 to Level 2 and from Level 2 to Level 1 of the fair value hierarchy, respectively. The reason for the transfers to Level 1 is that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market in respect of identical financial instruments. The reason for the transfers to Level 2 is that the market for some securities has become inactive, and since the transfer, these instruments have been valued using quoted prices of NSMA Pricing Center estimated by the index extrapolation based on the observable market data.

(thousands of Russian rubles, unless otherwise stated)

40. Fair value measurement (continued)

Financial assets at fair value through profit or loss of RUB 838 137 thousand and RUB 586 120 thousand were transferred from Level 1 and Level 2 to Level 3 of the fair value hierarchy, respectively. The reason for the transfers to Level 3 is that the market for some securities has become inactive, which has led to a change in the method used to determine fair value. From the moment of transfer, these financial instruments have been valued using quoted prices of NSMA Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data.

There have been no transfers from Level 3 of the fair value measurement hierarchy during the reporting period.

Quantitative disclosures of the fair value measurement hierarchy of assets as at 31 December 2018 are as follows:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain*	***Carrying amount***
Assets measured at fair value					
Financial assets at fair value through profit or loss	48 947 688	2 420 017	-	-	**51 367 705**
Available-for-sale financial assets	36 869	2 798 919	902 961	-	**3 738 749**
Investment property	-	-	1 857 593	-	**1 857 593**
Total assets measured at fair value	**48 984 557**	**5 218 936**	**2 760 554**	**-**	**56 964 047**
Assets for which fair values are disclosed					
Cash and cash equivalents	7 831 331	-	-	-	**7 831 331**
Amounts due from credit institutions	-	11 899 216	-	-	**11 899 216**
Loans and other receivables	-	-	212 626	-	**212 626**
Other assets	-	-	855 019	-	**855 019**
Total assets for which fair values are disclosed	**7 831 331**	**11 899 216**	**1 067 645**	-	**20 798 192**
Liabilities for which fair values are disclosed					
Borrowings and other payables	-	2 485 320	-	22 801	**2 508 121**
Other liabilities	-	-	2 081 989	-	**2 081 989**
Total liabilities for which fair values are disclosed	**-**	**2 485 320**	**2 081 989**	**22 801**	**4 590 110**

In the 2018, financial assets at fair value through profit or loss of RUB 1 804 552 thousand were transferred from Level 1 to Level 2.

Financial assets at fair value through profit or loss of RUB 712 thousand and RUB 2 799 thousand were transferred from Level 3 to Level 1 and Level 2 of the fair value hierarchy, respectively.

(thousands of Russian rubles, unless otherwise stated)

40. Fair value measurement (continued)

The reason for the transfers to Level 1 is that the market for some securities has become active, and since the transfer these instruments have been valued using quoted prices in an active market in respect of identical financial instruments. The reason for the transfers to Level 2 is that the market for some securities has become inactive, and since the transfer, these instruments have been valued using quoted prices of NSMA Pricing Center estimated by the index extrapolation based on the observable market data.

The following table includes valuation models and inputs used to measure Level 3 fair values, as well as sensitivity of measurement to reasonable possible changes in inputs as at 31 December 2019:

	Carrying amount	*Valuation model*	*Unobservable inputs*	*Range (weighted average value)*	*Reasonable changes*	*Sensitivity of fair value measurements*
Financial assets at fair value through profit or loss	1 566 417	Quoted price of NSMA Pricing Center estimated by factor decomposition analysis of price based on Fama-French three-factor model, using a significant scope of estimated non-observable data	Price, % of par value	99.86% - 105.58% (101.95%)	+/- 1%	15 492
Available-for-sale financial assets	163 001	Value of net assets	Net assets of the fund	N/a	+/- 1%	1 630
	247 777	Combined model to measure fair value	Carrying amount of the fund's investments, financial performance of the fund's investments	N/a	+/- 1%	2 478
Investment property	1 850 045	Income approach using the discounted cash flow technique	Capitalization rate	10.00%	+/- 1%	(90 000)/ 120 000
			Discount rate	14.36%	+/- 1%	(70 000)/ 80 000
			Rental rate	RUB 16 000/ sq. m, net of VAT	+/- 10%	140 000/ (130 000)

(thousands of Russian rubles, unless otherwise stated)

40. Fair value measurement (continued)

The following table includes valuation models and inputs used to measure Level 3 fair values, as well as sensitivity of measurement to reasonable possible changes in inputs as at 31 December 2018:

	Carrying amount	*Valuation model*	*Unobservable inputs*	*Range (weighted average value)*	*Reasonable changes*	*Sensitivity of fair value measurements*
Available-for-sale financial assets	440 203	Value of net assets	Net assets of the fund	N/a	+/- 1%	4 402
	462 758	Combined model to measure fair value	Carrying amount of the fund's investments, financial performance of the fund's investments	N/a	+/- 1%	4 628
Investment property	1 857 593	Income approach using the discounted cash flow technique	Capitalization rate	9.96%	+/- 1%	(173 883)/ 217 184
			Discount rate	13.98%	+/- 1%	(64 382)/ 67 632
			Rental rate	RUB 14 917/ sq. m, net of VAT	+/- 10%	208 134/ (228 929)

Movements in Level 3 assets measured at fair value

The following table shows a reconciliation of the opening and closing amounts of Level 3 assets that are recognized at fair value.

	1 January 2019	*Gains (losses) recorded in profit or loss*	*Gains recorded in equity*	*Purchases*	*Sales/ divestments*	*Transfers between levels*	*Currency revaluation*	*31 December 2019*
Financial assets at fair value through profit or loss	-	9 311	-	138 903	(6 054)	1 424 257	-	**1 566 417**
Available-for-sale financial assets	902 961	-	(102 459)	-	(317 073)	-	(72 651)	**410 778**
Investment property	1 857 593	(7 548)	-	-	-	-	-	**1 850 045**
Total financial assets classified as Level 3 of the fair value hierarchy	**2 760 554**	**1 763**	**(102 459)**	**138 903**	**(323 127)**	**1 424 257**	**(72 651)**	**3 827 240**

(thousands of Russian rubles, unless otherwise stated)

40. Fair value measurement (continued)

Movements in Level 3 assets at fair value (continued)

	1 January 2018	*Gains/(losses) recorded in profit or loss*	*Gains recorded in equity*	*Divestments*	*Transfers between levels*	*Currency revaluation*	*31 December 2018*
Financial assets at fair value through profit or loss	10 179	(8 825)	-	-	(3 511)	2 157	**-**
Available-for-sale financial assets	800 945	-	87 259	(126 706)	-	141 463	**902 961**
Investment property	1 825 236	32 357	-	-	-	-	**1 857 593**
Total financial assets classified as Level 3 of the fair value hierarchy	**2 636 360**	**23 532**	**87 259**	**(126 706)**	**(3 511)**	**143 620**	**2 760 554**

41. Related party transactions

	Shareholders	*Key management personnel*	*Other*	*Total related parties*	***2019*** *Total category*
Assets and liabilities					
Cash and cash equivalents	29 508	-	24	29 532	**10 612 901**
Amounts due from credit institutions	-	-	2 501 795	2 501 795	**18 986 182**
Available-for-sale financial assets	-	-	-	-	**2 270 554**
Insurance and reinsurance receivables	-	40	2 121	2 161	**5 862 400**
Other assets	-	10 377	3 174	13 551	**443 444**
Insurance contract liabilities	4	1 223	59 543	60 770	**74 364 338**
Other insurance liabilities	-	-	11 186	11 186	**4 653 214**
Other liabilities	1 113	125 477	4 288	130 878	**1 695 597**
Income and expenses					
Gross insurance premiums	15	2 626	128 916	131 557	**71 691 037**
Gross change in unearned premium reserve	-	(132)	(21 153)	(21 285)	**(188 371)**
Insurance benefits and claims paid	-	-	-	-	**(22 636 731)**
Net acquisition costs	-	-	(168 723)	(168 723)	**(24 801 813)**
Administrative expenses	(72)	(561 067)	(79 569)	(640 708)	**(6 514 630)**
Other income from investing activities, net	-	-	364 067	364 067	**2 394 187**
Interest expense	-	(183)	-	(183)	**(337 318)**
Other operating income	111	450	2 296	2 857	**471 661**
Other operating expense	-	(3 401)	(100)	(3 501)	**(1 380 805)**

(thousands of Russian rubles, unless otherwise stated)

41. Related party transactions (continued)

					2018
	Shareholders	*Key management personnel*	*Other*	*Total related parties*	*Total category*
Assets and liabilities					
Cash and cash equivalents	-	-	69 893	69 893	**7 831 331**
Amounts due from credit institutions	-	-	1 956 707	1 956 707	**11 899 216**
Available-for-sale financial assets	-	-	2 798 919	2 798 919	**3 738 749**
Insurance and reinsurance receivables	2	113	6 983	7 098	**5 138 858**
Other assets	-	8 429	215	8 644	**855 019**
Insurance contract liabilities	4	1 094	38 390	39 488	**57 656 368**
Other insurance liabilities	1	-	16 710	16 711	**4 529 916**
Other liabilities	1 401	226 970	561	228 932	**2 081 989**
Income and expenses					
Gross insurance premiums	15	2 630	93 093	95 738	**70 274 810**
Gross change in unearned premium reserve	(1)	(557)	(33 962)	(34 520)	**(51 685)**
Insurance benefits and claims paid	-	-	(18 080)	(18 080)	**(17 746 499)**
Net acquisition costs	-	1	(94 913)	(94 912)	**(29 241 969)**
Administrative expenses	(1 391)	(388 573)	(53 981)	(443 945)	**(6 330 991)**
Other income from investing activities, net	17 489	-	403 420	420 909	**1 974 218**
Other operating income	764	-	2 382	3 146	**376 050**
Other operating expense	-	(892)	(7 051)	(7 943)	**(1 186 458)**

Administrative expenses include the total remuneration to the key management personnel, which amounted to RUB 556 146 thousand in 2019 (2018: RUB 360 179 thousand). This includes short-term payments only.

As at 31 December 2019 and for the year then ended, transactions and balances with other related parties mainly include transactions and balances with JSCB Absolut Bank PJSC and TransFin-M PJSC.

As at 31 December 2018 and for the year then ended, transactions and balances with other related parties mainly include transactions and balances with JSCB Absolut Bank PJSC and TransFin-M PJSC.

42. Subsequent events

In February 2020, “RL Partners” JSC was liquidated.

Due to the recent progress of COVID-19 pandemic, many countries introduced quarantine measures that significantly affected the level and scope of business activity of the market participants. It is expected that both the pandemic itself and the response measures may negatively affect entities in various industries, including insurers. As the number of people infected continues to grow in many countries, currently it is difficult to estimate the nature and size of the pandemic impact on the business community.

Since March 2020, there has been a significant volatility on equity, currency and commodity markets, including significant depreciation of the Russian ruble against the US dollar and euro.

Currently, the Group’s management is analyzing possible impact of changing micro and macroeconomic conditions on the financial position and the performance of the Group.

Renaissance Insurance Group Joint Stock Company

Consolidated Financial Statements
in accordance with
International Financial Reporting Standards
Year ended 31 December 2018

Together with Independent Auditor's Report

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Notes to the consolidated financial statements

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Independent auditor's report

To the Shareholders and Board of Directors of
Renaissance Insurance Group Joint Stock Company

Opinion

We have audited the consolidated financial statements of Renaissance Insurance Group Joint Stock Company and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2018, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2018 and its consolidated financial performance and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and the Board of Directors for the consolidated financial statements

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

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

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

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

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

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

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- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements for group audits. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors 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.

D.E. Weinstein
Partner
Ernst & Young LLC

20 March 2019

Details of the audited entity

Name: Renaissance Insurance Group Joint Stock Company
Record made in the State Register of Legal Entities on 5 September 2018, State Registration Number 1187746794366.
Address: Russia 115114, Moscow, Derbenevskaya nab., 7, bld. 22, floor/office 4/XIII.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(thousands of Russian rubles)

	Notes	As at 31 December 2018	2017
Assets			
Cash and cash equivalents	4	7 831 331	12 406 137
Amounts due from credit institutions	5	11 899 216	9 315 241
Financial assets at fair value through profit or loss	6	51 367 705	30 491 657
Loans and other receivables	7	212 626	9 675
Available-for-sale financial assets	8	3 738 749	3 627 417
Insurance and reinsurance receivables	9	5 138 858	4 372 033
Reinsurance assets	19	1 878 114	1 899 531
Current tax assets		260 689	71 179
Deferred tax assets	10	750 993	533 367
Deferred acquisition costs	11	8 961 278	8 824 402
Property and equipment	12	393 932	308 594
Investment property		1 859 210	1 826 948
Prepaid expenses	13	795 438	907 152
Intangible assets	14	1 156 652	992 652
Goodwill	15	8 435 471	8 435 471
Value of business in force	16	266 164	512 650
Other assets	17	855 019	1 025 302
Total assets		**105 801 445**	**85 559 408**
Liabilities			
Insurance contract liabilities	19	57 656 368	43 325 482
Pension liabilities	20	16 341 891	14 050 194
Other insurance liabilities	21	4 529 916	3 973 511
Deferred commission income on ceded reinsurance	11	18 434	25 111
Borrowings	22	2 508 121	2 708 795
Current tax liabilities		22 313	154 488
Deferred tax liabilities	10	1 025 387	730 927
Other liabilities	23	2 081 989	1 606 835
Total liabilities		**84 184 419**	**66 575 343**
Equity			
Share capital	24	4 351 340	4 351 340
Additional capital	25	14 652 342	14 652 342
Revaluation reserve for available-for-sale financial assets		107 007	17 192
Translation differences		122 278	(43 267)
Insurance reserve of NSPF	26	673 982	-
Net assets of NSPF	26	-	1 162 012
Retained earnings/(accumulated loss)		1 710 077	(1 155 554)
Total equity		**21 617 026**	**18 984 065**
Total equity and liabilities		**105 801 445**	**85 559 408**

These consolidated financial statements were approved for issue on 20 March 2019 and signed by the General Director:

Yu.O. Gadliba
General Director

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(thousands of Russian rubles)

	Notes	Year ended 31 December 2018	2017
Gross insurance premiums		70 274 810	42 166 695
Gross change in unearned premium reserve		(51 685)	(2 133 249)
Premium ceded		(1 970 982)	(1 315 857)
Change in reinsurers' share in unearned premium reserve		(64 672)	112 067
Net premium earned	28	**68 187 471**	**38 829 656**
Insurance benefits and claims paid		(17 746 499)	(13 466 060)
Reinsurers' share in insurance benefits and claims paid		831 808	352 123
Gross change in claims reserve		(14 279 201)	(5 585 867)
Change in reinsurers' share in claims reserve		43 255	562 177
Net claims incurred	29	**(31 150 637)**	**(18 137 627)**
Net acquisition costs	30	(29 241 969)	(14 821 635)
Allowance for impairment of insurance and reinsurance receivables	18	(190 874)	(82 468)
Amortization of value of business in force		(246 486)	(365 730)
Result of insurance operations		**7 357 505**	**5 422 196**
Pension contributions (including income allocated to depositors)		3 545 856	549 811
Pension payments		(1 175 387)	(137 734)
Change in pension liabilities		(2 291 697)	(412 077)
Commission income for pension insurance contracts		88 609	13 424
Result of pension operations		**167 381**	**13 424**
Administrative expenses	31	(6 400 380)	(4 874 234)
Gains from financial assets at fair value through profit or loss, net	32	1 870 514	481 840
Other income from investing activity, net	32	1 974 218	1 741 539
Interest expense		(333 390)	(431 192)
Foreign exchange gains/(losses)		293 813	(9 942)
Other operating expense, net	33	(741 019)	(544 345)
Other expenses		**(3 336 244)**	**(3 636 334)**
Profit before tax		**4 188 642**	**1 799 286**
Income tax expense	10	(811 041)	(425 935)
Net profit		**3 377 601**	**1 373 351**
Other comprehensive income			
Net change in the fair value of available-for-sale financial assets		89 815	(65 466)
Translation differences		165 545	(43 267)
Other comprehensive income/(loss) for the year, net of tax		**255 360**	**(108 733)**
Total comprehensive income for the year		**3 632 961**	**1 264 618**

Yu.O. Gadliba
General Director

АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА РЕНЕССАНС СТРАХОВАНИЕ» • МОСКВА •
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The accompanying notes are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(thousands of Russian rubles)

	Share capital	Additional capital	Revaluation reserve for available-for-sale financial assets	Translation differences	Insurance reserve of NSPF	Net assets of NSPF	Retained earnings/ (accumulated loss)	Total
1 January 2017	**2 413 331**	**9 572 989**	**82 658**	-	-	-	**(3 907 248)**	**8 161 730**
Profit for the year	-	-	-	-	-	-	1 373 351	1 373 351
Other comprehensive loss	-	-	(65 466)	(43 267)	-	-	-	(108 733)
Total comprehensive income	-	-	**(65 466)**	**(43 267)**	-	-	**1 373 351**	**1 264 618**
Contributions to capital	1 938 009	12 579 353	-	-	-	1 162 012	(1 162 012)	14 517 362
Other distributions to participants	-	(7 500 000)	-	-	-	-	2 540 355	(4 959 645)
31 December 2017	**4 351 340**	**14 652 342**	**17 192**	**(43 267)**	-	**1 162 012**	**(1 155 554)**	**18 984 065**
Profit for the year	-	-	-	-	-	-	3 377 601	3 377 601
Other comprehensive income	-	-	89 815	165 545	-	-	-	255 360
Total comprehensive income	-	-	**89 815**	**165 545**	-	-	**3 377 601**	**3 632 961**
Dividends paid	-	-	-	-	-	-	(1 000 000)	(1 000 000)
Reorganization of NSPF into a joint-stock company	-	-	-	-	619 682	(1 162 012)	542 330	-
Change in insurance reserve of NSPF	-	-	-	-	54 300	-	(54 300)	-
31 December 2018	**4 351 340**	**14 652 342**	**107 007**	**122 278**	**673 982**	-	**1 710 077**	**21 617 026**

Yu.O. Gadliba
General Director

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CONSOLIDATED STATEMENT OF CASH FLOWS
(thousands of Russian rubles)

	Year ended 31 December 2018	Year ended 31 December 2017 (restated)
Profit before tax	**4 188 642**	**1 799 286**
Adjustment to reconcile results before tax to net cash flows		
Change in technical provisions, net of ceded reinsurance	14 352 303	7 044 068
Change in foreign exchange rates and currency revaluation reserve	459 358	(33 325)
Change in allowance for impairment of insurance and reinsurance receivables	190 874	82 468
Change in allowance for impairment of other assets (*Note 33*)	10 810	22 165
Depreciation of property and equipment and amortization of intangible assets (*Notes 12, 14*)	338 156	252 056
Amortization of business in force	246 486	365 730
Interest expense accrued	333 390	431 192
Interest income accrued	(2 653 554)	(2 140 986)
Gain from investing activities	(225)	875 020
Dividends accrued	(279 277)	(34 079)
Change in deferred acquisition costs	(143 553)	(1 019 174)
Income from revaluation of investment property	(32 357)	(21 170)
Income from acquisition of subsidiaries	-	(696 146)
Other investment (gains)/losses	(23 979)	3 337
Operating cash flows before changes in operating assets and liabilities	**16 987 074**	**6 930 442**
Net (increase)/decrease in operating assets		
Insurance receivables	(955 709)	(278 061)
Prepaid expenses	111 714	(259 201)
Other assets	(324 774)	(676 541)
Change in operating assets	**(1 168 769)**	**(1 213 803)**
Net increase/(decrease) in operating liabilities		
Pension liabilities	2 291 697	412 077
Other insurance liabilities	556 405	318 526
Other liabilities	469 393	118 909
Change in operating liabilities	**3 317 495**	**849 512**
Net cash flows from operating activities before income tax	**19 135 800**	**6 566 151**
Income tax paid	(1 056 552)	(356 705)
Net cash flows from operating activities	**18 079 248**	**6 209 446**
Cash flows from investing activities		
Interest received	4 478 468	326 478
Dividends received	279 277	34 079
Proceeds and payments related to purchase and sale of financial assets at fair value through profit or loss	(22 465 443)	(10 881 586)
Purchase of available-for-sale securities	-	(1 433 900)
Net (increase)/decrease in amounts due from credit institutions	(2 942 119)	1 927 488
Proceeds and payments of loans and other receivables	-	2 570 016
Purchase of property and equipment	(274 034)	(147 957)
Payments related to investment property	(443)	(2 124 000)
Income received from renting out an investment property	208 392	100 326
Purchase of intangible assets	(411 030)	(95 904)
Cash acquired with the acquisition of subsidiaries	-	5 683 734
Proceeds from sale of property and equipment	1 181	1 038
Net cash flows used in investing activities	**(21 125 751)**	**(4 040 188)**
Cash flows from financing activities		
Contributions to capital	-	8 328 342
Borrowings repaid	(1 400 000)	(1 501 018)
Borrowings received	1 200 000	1 500 000
Interest paid	(334 036)	(442 505)
Finance lease payments	(307)	(2 214)
Dividends paid to shareholders (net of tax)	(993 960)	-
Net cash flows (used in)/from financing activities	**(1 528 303)**	**7 882 605**
Net (decrease)/increase in cash and cash equivalents	**(4 574 806)**	**10 051 863**
Cash and cash equivalents, beginning	**12 406 137**	**2 354 274**
Cash and cash equivalents, ending	**7 831 331**	**12 406 137**

Yu.O. Gadliba
General Director

Ренессанс страхование
АКЦИОНЕРНОЕ ОБЩЕСТВО «ГРУППА РЕНЕССАНС СТРАХОВАНИЕ» • МОСКВА •

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

1. Corporate information

These consolidated financial statements comprise financial statements of Renaissance Insurance Group Joint Stock Company (the “Company”) and its subsidiaries (together referred to as the “Group”).

The Company's legal address is Russian Federation 115114, Moscow, Derbenevskaya nab., 7, bld. 22, floor/office 4/XIII.

The Group's principal business activity is the provision of insurance and pension services within the Russian Federation. The Group provides various insurance services, including insurance of motor vehicles, property of legal entities and individuals, freight, different types of civil and professional liability; voluntary health insurance; medical costs insurance for individuals traveling abroad; life insurance; and compulsory motor third party liability insurance. Entities engaged in providing life insurance services offer a wide range of life insurance products such as endowment, including term life, pure endowment with premium refund and accident insurance. The non-state pension fund offers its clients non-state pension insurance services.

In September 2018, Renaissance Insurance Group Limited was reorganized through transformation into a joint-stock company. As a result of transformation, the entity issued 404 763 892 364 shares, with a nominal value of RUB 0.01 each. The shares were distributed among the shareholders of the entity in proportion to their interests.

As at 31 December 2018 and 31 December 2017, the shareholders (participants) of the Company are as follows:
- Renaissance Insurance Holding LLC – 52.12%
- JOINT STOCK COMPANY TRANSFINGROUP ASSET MANAGEMENT, closed-end-mutual investment combined fund TEKHNOLOGICHESKIY – 35.8%
- Notivia Ltd. - 12.08%.

As at 31 December 2018 and 31 December 2017, the Group comprises the following entities:
- Renaissance Insurance Group Joint Stock Company
- Renaissance Life Ltd.
- JSIC “Renaissance health” (JSIC BLAGOSOSTOYANIE prior to 2 October 2018)
- BLAGOSOSTOYANIE GI JSC
- JSC NSPF Renaissance pensions (NSPF; NSPF “BLAGOSOSTOYANIE MNC” prior to 14 December 2018)
- JSC “INTOUCH INSURANCE” *
- SPUTNIK ASSET MANAGEMENT JSC
- MEDCORP LLC
- InRos-Med LLC
- Pryor Holdings Ltd
- Overcombe Holdings Ltd.
- JSC “RenConsult”
- JSC “RenPrime”
- Lenta Center, LLC
- PKVIT, LLC
- Polyus Perspective, LLC
- Welbi Holding LLC
- “RL Partners” JSC.

** In December 2018, the Group’s entity, JSC “INTOUCH INSURANCE, discontinued its operations as a result of a reorganization in form of a merger with the Company.*

There are no ultimate beneficiaries - individuals, directly or indirectly holding more than 25% of shares (interest) in the Company.

2. Basis of preparation

Basis of preparation of the financial statements

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations issued by the International Financial Reporting Standards Foundation, endorsed in accordance with the procedure established in line with the Russian legislation by the Government Russian Federation as agreed with the Bank of Russia.

2. Basis of preparation (continued)

Basis of preparation of the financial statements (continued)

These consolidated financial statements have been prepared on a historical cost basis, except as disclosed in the accounting policies below. The consolidated financial statements are presented in Russian rubles and all values are rounded to the nearest thousand except where otherwise indicated. The functional currency of the Group is the Russian ruble.

Management made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare the financial statements in accordance with IFRS. Actual results could differ from these estimates.

The Group presents its consolidated statement of financial position in order of liquidity. An analysis of assets and liabilities to be recovered or settled within a period of 12 months after the reporting date (current assets/liabilities) or beyond a period of 12 months after the reporting date (non-current assets/liabilities) is provided in respective notes.

Subsidiaries

In accordance with the requirements of IFRS 10 *Consolidated Financial Statements* subsidiaries, which are those entities in which the Group has an interest of more than 50% of the voting rights, or otherwise has power to exercise control over their operations, are consolidated in the financial statements of the Group. Subsidiaries are fully consolidated by the Group from the date of acquisition, being the date on which the Group obtains control over the subsidiary, and continue to be consolidated until the date when such control ceases. All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions and dividends are eliminated in full.

The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies for all companies of the Group.

Subsidiaries acquired in 2015-2017 qualify as enterprises and businesses under common control. Since IFRS does not address the accounting for acquisition of such entities, the Group applied its own accounting policy, similar to IFRS 3 *Business Combinations*. Subsidiaries acquired as a result of transactions on an arm's length basis are recognized in accordance with IFRS 3 *Business Combinations*.

Going concern

These consolidated financial statements of the Group as at 31 December 2018 and for the year then ended have been prepared based on the going concern assumption.

Changes in accounting policies. Application of standards and interpretations

The Group applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective. The nature and impact of each amendment is described below:

IFRS 15 Revenue from Contracts with Customers

IFRS 15, issued in May 2014, and amended in April 2016, establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard does not apply to income related to insurance contracts, financial instruments or leases, and therefore does not impact the majority of the Group’s income, including interest income, net gains/(losses) from investment securities and lease income regulated by IAS 39 *Financial Instruments*: *Recognition and Measurement* and IAS 17 *Leases*. As a result, most of the Group’s income is not affected by the adoption of this standard.

(thousands of Russian rubles, unless otherwise stated)

2. Basis of preparation (continued)

Changes in accounting policies. Application of standards and interpretations (continued)

IFRIC 22 Foreign Currency Transactions and Advance Consideration

The interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the entity should determine a date of the transaction for each payment or receipt of advance consideration. This interpretation did not have any impact on the Group's consolidated financial statements.

Amendments to IAS 40 Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of property does not provide evidence of a change in use. These amendments had no impact on the Group's consolidated financial statements.

Recalculation of comparative information

In preparing the consolidated financial statements for 2018, the Group recalculated the comparative information for 2017 in the consolidated statement of cash flows to adjust the presentation of information on the acquired subsidiaries and the recognition of Income received from investment property rented, as presented below.

Consolidated statement of cash flows for 2017	*As previously reported*	*Reclassification*	*2017 (restated)*
Change in liabilities due to acquisition of subsidiaries [1]	**37 829 551**	(37 829 551)	**-**
Change in assets due to acquisition of subsidiaries [1]	**(44 766 396)**	44 766 396	**-**
Income from acquisition of subsidiaries [1]	**-**	(696 146)	**(696 146)**
Operating cash flows before changes in operating assets and liabilities	**689 743**	**6 240 699**	**6 930 442**
Other liabilities [2]	**(122 304)**	241 213	**118 909**
Change in operating liabilities	**608 299**	**241 213**	**849 512**
Net cash flows from operating activities	**(272 466)**	**6 481 912**	**6 209 446**
Proceeds and payments related to purchase and sale of financial assets at fair value through profit or loss [1]	**(6 074 787)**	(4 806 799)	**(10 881 586)**
Purchase of available-for-sale securities [1]	**-**	(1 433 900)	**(1 433 900)**
Income received from investment property rented[2]	**341 539**	(241 213)	**100 326**
Net cash flows used in investing activities	**2 441 724**	**(6 481 912)**	**(4 040 188)**

[1] In 2017, the Group acquired subsidiaries. In recognizing these transactions in the statement of cash flows, the Group presented part of the effect of the acquired assets and liabilities of subsidiaries within operating activities, though this part of the effect refers to the investment activities.
[2] In 2017, the Group incorrectly presented the amount of Income received from investment property rented.

(thousands of Russian rubles, unless otherwise stated)

3. Summary of accounting policies

Financial reporting in hyperinflationary economies

Prior to 2002, the Russian economy was marked by a relatively high level of inflation and was considered to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. During the reporting period, it does not meet the definition of a hyperinflationary economy provided in IAS 29. The above-mentioned standard requires that the financial statements of any entity whose functional currency is the currency of a hyperinflationary economy be stated in terms of a measuring unit current at the end of the reporting period. The corresponding figures for the previous period and any information in respect of earlier periods shall also be stated in terms of the measuring unit current at the end of the reporting period. Application of IAS 29 results in an adjustment reflecting the loss of purchasing power of the Russian ruble that is recorded in profit or loss.

When an economy ceases to be hyperinflationary and an entity discontinues the preparation and presentation of financial statements in accordance with IAS 29, it shall treat the amounts expressed in the measuring unit current at the end of the previous reporting period as the basis for the carrying amounts in its subsequent financial statements.

Subject to the above provisions of IAS 29, the historical cost of non-monetary balance-sheet items was restated based on the change in consumer price indices in the Russian Federation, published by the State Statistics Committee. Conversion factors applicable in the period from 1997 to 2002 are presented below:

Year	***Consumer price index***
1997	1.110
1998	1.844
1999	1.365
2000	1.202
2001	1.186
2002	1.151

Non-monetary items originating prior to 1 January 2003, namely, share capital and property and equipment, were restated.

Product classification

Insurance contracts are those contracts where the Group (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate to the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. According to the standard procedure, the Group determines whether it has significant insurance risk by comparing the consideration paid with the consideration to be paid if the insured event did not occur. Insurance contracts can also transfer financial risk.

Investment contracts are those contracts, which transfer significant financial risk, however they do not transfer significant insurance risk. Financial risk is the risk of possible future changes in one or more certain factors, such as interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other underlying variable.

If the contract has been classified as an insurance contract it remains an insurance contract for the remaining contractual period, even if during this period a significant decline of the insurance risk takes place, except for the cases when all the rights and obligations are redeemed or expired. Investment contracts can be reclassified as insurance contracts after their conclusion, if the insurance risk becomes significant.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash on current accounts, short-term deposits and deposit certificates maturing in 90 (ninety) days or less from the date of placement without any contractual restriction on use.

Amounts due from credit institutions

In the normal course of business, the Group maintains deposits with credit institutions with various maturities. Amounts due from credit institutions with a fixed maturity are subsequently measured at amortized cost using the effective interest rate method. Those that do not have fixed maturities are carried at cost. Amounts due from credit institutions are carried net of any allowances for impairment.

3. Summary of accounting policies (continued)

Financial assets and liabilities

Financial assets and liabilities are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument below. All regular way purchases and sales of financial assets are recognized at the date of the transaction, i.e. the date when the Group commits to purchase or sell the financial asset. All other purchases are recognized when the Group becomes a party to the contractual provisions of the instrument.

Financial assets in the scope of IAS 39 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate.

When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets upon initial recognition, and subsequently can reclassify financial assets in certain cases as described below.

"Day 1" profit

Where the transaction price in a non-active market is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the Group immediately recognizes the difference between the transaction price and fair value (a "Day 1" profit) in profit or loss. In cases where use is made of data that is not observable, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable, or when the instrument is derecognized.

Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category "financial assets at fair value through profit or loss". Financial assets are classified as held for trading if they are acquired for the purpose of resale in the short run. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on financial assets held for trading are recognized in profit or loss.

After the initial recognition, these financial assets are measured at fair value. Fair value adjustments and realized gains and losses are recognized in profit or loss.

Investments held to maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Group has the intention and ability to hold them to maturity. Financial investments held for an indefinite term are not included in this category. After initial measurement, financial assets held to maturity are measured at amortized cost, using the effective interest rate (EIR) method, less impairment. The EIR amortization is included as investment gains in the consolidated statement of comprehensive income. Gains and losses are recognized in profit or loss when the investments are derecognized or impaired, as well as through the amortization process.

Loans and other receivables

Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as trading securities or designated as investment securities available for sale. Such assets are carried at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the loans and receivables are derecognized or impaired, as well as through the recognition of changes in amortized cost.

3. Summary of accounting policies (continued)

Financial assets and liabilities (continued)

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. Subsequent to initial recognition, gains or losses on an available-for-sale financial asset are recognized as other comprehensive income (except for impairment losses and foreign exchange gains and losses) until the asset is derecognized. On derecognition, cumulative gains and losses previously recognized in other comprehensive income are reclassified from other comprehensive income to profit or loss.

Determination of fair value

The fair value for financial instruments traded in an active market at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, option valuation models and other valuation techniques.

Offsetting

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Group establishes an allowance for impairment of financial assets when it is probable that the Group will not be able to collect the principal and interest according to the contractual terms of loans, held-to-maturity financial assets and other financial assets, that are carried at cost and amortized cost. The allowance for impairment of financial assets is defined as the difference between carrying amounts and the present value of expected future cash flows, including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate of the financial instrument.

For instruments that do not have fixed maturities, expected future cash flows are discounted using periods during which the Group expects to realize this financial instrument.

The allowance is based on the Group's historical information on losses and management's assessment of losses, which are likely to be recognized with respect to assets of each credit risk category, depending on possibility of debt servicing and the borrower's credit history. The allowance for impairment of financial assets is determined on the basis of existing economic and political conditions. The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Changes in the allowance are recognized in profit or loss for the respective period. When a loan is noncollectable it is written off against the related allowance for loan impairment. If the amount of the impairment decreases because of an event occurring after the write-off, the recovery is credited to the respective impairment of financial assets in profit or loss.

Available-for-sale financial assets

If there is objective evidence that a financial asset available for sale is impaired, the cumulative loss, being the difference between the acquisition cost and the current fair value (less any impairment loss previously recognized in profit or loss) is reclassified from other comprehensive income to profit or loss.

3. Summary of accounting policies (continued)

Impairment of financial assets (continued)

Reversal of impairment losses with respect to equity instruments classified as available for sale are not recognized in the comprehensive income. Impairment losses in respect of debt instruments are reversed through the statement of comprehensive income if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognized when liabilities arise and measured on initial recognition at the fair value of the consideration receivable. The carrying value of insurance and reinsurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in profit or loss.

Allowance for impairment of insurance receivables

The Group assesses whether there is any indication of impairment of insurance and reinsurance assets at the end of each reporting period. If the impairment indicators are identified, the Group makes an allowance for impairment. The amounts of impairment allowances made due to the impairment of assets are recognized as expenses by the Group. The amounts of reversal of impairment allowances due to the repayment of receivables are recognized as income by the Group.

Reinsurance assets

The Group cedes risks to reinsurance in the course of its operating activities. Reinsurance assets represent balances due from reinsurance companies with respect to insurance liabilities ceded to reinsurance. Amounts recoverable from reinsurers are estimated in accordance with the terms of the related reinsurance contracts in a manner consistent with that used to estimate liabilities under insurance contracts.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises. Impairment occurs when there is objective evidence that the Group may not receive all outstanding amounts due under the terms of the contract and the amount of such impairment may be measured reliably. Impairment loss is recognized in profit or loss.

Ceded reinsurance contracts do not relieve the Group from its obligations to policyholders.

The Group also takes reinsurance risks in the course of its operating activities. Premiums on assumed reinsurance are recognized as income in the same manner as the recognition of income from direct insurance, taking into account the classification of products involved in the reinsurance. Amounts due to reinsurers are estimated in a manner consistent with the relevant reinsurance policy and in accordance with the related reinsurance contract.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Prepaid expenses

Prepaid expenses include advance payments to providers and suppliers, which are charged to expense in the period when services are provided, or recognized as an asset when goods are received.

Prepaid expenses include amounts recognized at purchase price, which approximates their fair value, as it is expected that they will be expensed during the year from the end of the reporting period.

Deferred acquisition costs

All direct and indirect costs incurred during the reporting period that arise from signing new insurance contracts or renewing current contracts but relate to future financial periods are capitalized to the extent that these costs are recoverable out of future premiums. The deferred costs include fees paid to agents, brokers and other intermediaries, consideration to sellers, advertising expenses related to direct insurance, pre-insurance survey and underwriting costs. All other acquisition costs are recognized as expenses when incurred.

3. Summary of accounting policies (continued)

Deferred acquisition costs (continued)

Deferred acquisition costs are amortized on a straight-line basis over the life of the contract. Amortization is recognized as an expense in profit or loss.

Following an impairment testing that is performed at each reporting date, the carrying amount of deferred acquisition costs is written down to their recoverable amount. Deferred acquisition costs are also considered in the liability adequacy test performed at each reporting period.

Deferred acquisition costs are derecognized when the related contracts are either settled or expire.

Provision for unused vacations

The Group calculates the provision for unused vacations based on actual number of unused vacation days as at the reporting date and the assumption on the average wage and the rate of insurance contributions.

Property and equipment

The Group recognizes property and equipment in accordance with IAS 16 *Property, Plant and Equipment.* All property and equipment is carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing and installing equipment when the cost is incurred and if the criteria for capitalization are met.

Impairment reviews are performed when there are indicators that the carrying amount may not be recoverable.

Construction in progress is not depreciated until the asset is available for use. Depreciation of property and equipment is calculated using the straight-line method over their respective useful lives.

Useful lives by type of property and equipment are presented below:

	Years
Buildings	30-50
Furniture and fixtures	2-5
Computers and office equipment	3-10
Motor vehicles	5-10
Others	2-5

Leasehold improvements are amortized over a period of 5 years in accordance with the term of the lease agreement. At each financial year-end, the recoverable amount of assets, useful lives and methods are revised and adjusted, if necessary.

Expenses associated with repairs and modernization are expensed as incurred and are included in administrative and operating expenses, unless they are subject to capitalization.

An item of property and equipment is derecognized upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year when the asset was derecognized.

Intangible assets

The Group recognizes intangible assets in accordance with IAS 38 *Intangible Assets.* Acquired intangible assets are carried at cost less accumulated amortization. Amortization is provided on a straight-line basis over the useful lives of intangible assets.

Acquired intangible assets are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These capitalized costs are amortized on a straight-line basis over their estimated useful lives.

3. Summary of accounting policies (continued)

Intangible assets (continued)

Software development and maintenance costs are expensed when incurred. Development costs that are directly associated with identifiable and unique software products controlled by the Group and that will probably generate economic benefits exceeding costs beyond one year, are recorded as intangible assets (capitalized). Such costs include the software development expenses, employee costs and an appropriate portion of relevant overheads.

Capitalized software development costs are amortized over the estimated useful lives of this software.

Investment property

The Group recognizes land, buildings or their parts, owned by the Group (including those received in course of chartered activities) as investment property, when the following conditions are simultaneously met:

- Property item (or part of the property) is intended to receive lease payments and is not used by the Group as a labor tool when providing services, for administrative or management purposes, to ensure safety, environmental protection, and in cases stipulated by sanitary, operational and other special technical guidelines and requirements.
- Property item is not planned for sale within 12 months from the date of the investment property designation.
- Property item is capable of generating economic benefits for the Group in the future.
- The value of investment property can be reliably measured.

Investment property is recorded at fair value. Gains or losses from change in fair value of investment property are recorded in profit or loss in the period in which they arise.

Fair value of investment property is the price that would be received for the sale of the property in an orderly transaction between market participants at the measurement date. The fair value of investment property should reflect market conditions at the end of the reporting period. Moreover, the fair value of investment property reflects lease income from the existing lease agreements, and reasonable and supportable assumptions of knowledgeable, willing parties on lease income from future lease agreements in current circumstances. When determining the fair value, the Group does not deduct costs related to the transaction, which may arise due to the sale or other disposal of an asset.

Goodwill

Goodwill is carried at cost less accumulated impairment losses if any. Goodwill represents the excess of the fair value of net identifiable assets of the acquired entity at the date of acquisition over the consideration paid. Goodwill is tested for impairment at least annually or if there is any indication that it may be impaired.

Impairment is tested by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. The recoverable amounts are determined based on the cash flow projections calculated based on contractual relations existing at the end of the reporting period. If the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognized.

Value of business in force

The Group makes assumptions to determine the acceptable level of the insurance reserve, value of deferred acquisition costs (DAC) and to calculate certain broadly used industry cost parameters, such as value of business in force. These assumptions significantly depend on management's judgments and future assumptions, which are inherently uncertain; in case the assumptions are incorrect, it may affect the Group’s results and/or performance.

3. Summary of accounting policies (continued)

Value of business in force (continued)

The determination of insurance reserves and adequacy testing of life insurance reserves are uncertain processes, involving assumptions related to factors, such as the policyholder's behavior, court decisions, changes in the legislation and regulations, social, economic and demographic dynamics, inflation, return on investments and other factors; also, assumptions concerning mortality rates and disease patterns are applied to life insurance. The use of various assumptions with respect to these factors can significantly affect the level of insurance reserves and overheads, the value of deferred acquisition costs and the value of business in force. Moreover, some of these assumptions can be variable. Despite the fact that the calculations of the value of business in force are based on the market indicators, changes in assumptions used to determine these indicators can significantly influence the value of the Group's business in force. For example, the value of business in force is sensitive to the change in the discount rate and, respectively, false assumptions can significantly affect the value of Group's business in force.

All methods of evaluating the products of business in force include discounted cash flows, taking into account the future profitability of the business in force. These methods are industry valuation methods that are in line with the approach to discounting profit, as the value of business in force is the result of projected allocation of income. The present value of the net assets of shareholders is adjusted for any differences between the projected cash flows used to calculate the value of business in force and IFRS.

The value of business in force is recognized by the Group at the initial cost and is subsequently amortized according to the amortization schedule determined on the basis of the expected life of the insurance contracts.

Borrowings

The Group records borrowings and borrowing costs in accordance with IAS 39 *Financial Instruments: Recognition and Measurement.*

Such borrowings include amounts due to credit institutions, debt securities issued and other borrowed funds. After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest rate method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the amortization process.

Lease

Operating – Group as a lessee

Leases of assets under which the risks and rewards of ownership are effectively retained with the lessor are classified as operating leases. Lease payments under operating leases are recognized as expenses on a straight-line basis over the lease-term and included into administrative expenses.

Operating – Group as a lessor

The Group presents assets subject to operating leases in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognized in profit or loss on a straight-line basis over the lease term.

Insurance contract liabilities

The Group's accounting for insurance contract liabilities is based on IFRS 4 *Insurance Contracts.*

Claims reserve

Insurance contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claim settlement expenses and less the amounts expected to be recovered from subrogations and from the sale of property transferred to the insurer. Significant delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include adjustments for the risk of adverse deviation. The liabilities are not discounted and are derecognized when the obligation to pay a claim is discharged or is canceled.

3. Summary of accounting policies (continued)

Insurance contract liabilities (continued)

The amounts expected to be recovered from subrogations and salvages are calculated on the basis of the previous experience adjusted for current trends and any other factors with the purpose to recognize the expected income of the Group related to the insured events occurred.

Unearned premium reserve

The portion of insurance premiums relating to future periods is recognized as the unearned premium. A change in the unearned premium reserve is taken to the statement of profit or loss so that the revenue is recognized pro rata to the expired risk period.

Liability adequacy testing

At each reporting date, the liability adequacy testing is performed to determine, whether the expected losses and deferred acquisition costs in aggregate exceed the amount of unearned insurance premiums. In performing this testing, the current best estimates of future contractual cash flows, claims handling and acquisition costs, and investment income from assets backing such liabilities are used. Liability adequacy testing is performed in aggregate for the whole insurance portfolio. Any inconsistency is immediately recorded in profit or loss, by writing off deferred acquisition costs and, if that is not enough, by establishing an unexpired risk provision.

Life insurance contract liabilities

The reserve for life insurance contracts (except certain components of the insurance bonus reserve) is calculated, where possible, based on a prospective actuarial valuation method based on actuarial assumptions (see below).

Insurance contracts with and without discretionary participation features (DPF)

The Group has a program of investment income participation among clients keeping long-term endowment policies. The Group may accrue extra investment income to policyholders if the actual return on the portfolio of the related policies exceeds the minimum estimated rate of return. The Group decides on a regular basis upon the actual amount of extra income and the amount to be allocated among policyholders. The Group does not have any contractual obligations to allocate extra investment income according to the contracts' general terms and conditions.

Investment income participation is only valid for long-term policies that have endowment coverage. Thus, policies with a discretionary participation feature are mainly traditional long-term life insurance products which constitute a significant part of the Group's portfolio.

Insurance contracts with guaranteed benefits

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administrative expenses that are directly related to the contract, less the expected discounted value of estimated net premiums that would be required to meet the benefits and policy administration expenses, based on the valuation assumptions used. The liability is based on assumptions as to mortality, disability, morbidity, persistence, investment income and maintenance expenses.

Actuarial reserve on life insurance

Actuarial reserve is an estimate of the Group's liabilities arising under insurance contracts which covers expected insurance events and policy surrenders.

3. Summary of accounting policies (continued)

Pension liabilities

To ensure the sustainable fulfillment of obligations to the participants of the non-state pension agreements, a reserve for pension liabilities is made, which includes a guaranteed component and an additional benefit with an investment component. The guaranteed component of an agreement with investment component giving discretionary participation features is recognized as liability. An additional benefit according to IFRS 4 can be recognized as capital component or liability, or can be distributed between these two categories.

According to the Group's accounting policies, with respect to contributions not distributed to individual accounts of policyholders, the insurance reserve is calculated and recognized at each reporting date and is included into net assets. With respect to contributions distributed to individual accounts of policyholders, the insurance reserve is calculated and recognized at each reporting date and is included in pension liabilities as in accordance with policies and pension regulations of NSPF, the amount of such contributions is included into calculation of the surrender value paid to the policyholder upon early termination of the agreement.

Taxation

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to calculate the amount are those that are enacted or substantively enacted at the reporting date.

The current income tax expense is calculated in accordance with the Russian laws.

Deferred tax assets and liabilities are calculated in respect of all temporary differences using the liability method. Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax relating to items recognized outside profit or loss, but directly in equity, is recognized outside profit or loss.

Russia also has various operating taxes that are assessed on the Group's activities. These taxes are reported as a component of other operating expense.

Share capital

Equity

Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognized as additional capital.

Dividends

Dividends are recognized as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date, or proposed or declared after the reporting date but before the consolidated financial statements are authorized for issue.

3. Summary of accounting policies (continued)

Foreign currency transactions

The financial statements are presented in Russian rubles, which is the Group's functional and presentation currency. Transactions in foreign currencies are initially recorded in the functional currency converted at the rate of exchange ruling at the date of the transaction. Assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the reporting date.

As at 31 December 2018, the official CBR exchange rate was RUB 69.47 for USD 1 (31 December 2017 and 31 December 2016: RUB 57.60 and RUB 60.66 for USD 1, respectively).

Recognition of revenue

Premiums

Insurance premium accrued comprise total premiums net of terminations and cancellations receivable for the whole period of cover provided by contracts entered into during the reporting period. Premiums under insurance contracts, where the period of cover exceeds 1 year, are recognized annually, if this breakdown by periods is specified in the respective insurance contract; otherwise, premiums are recognized in full.

Reinsurance premiums

Reinsurance premium accrued comprise the total premiums receivable for the whole period of cover provided by contracts entered into effect during the reporting period. Premiums comprise all adjustments made in the reporting period with regard to the reinsurance contracts entered into in the previous reporting periods.

Investment income

Interest income is recognized in the statement of comprehensive income as it accrues and is calculated using the effective interest rate method.

Investment income also includes dividends recognized at the date when the Group's right to receive them is established.

Recognition of income and expense

Claims incurred on insurance contracts

Claims incurred in insurance contracts comprise claims occurring during the year, whether reported or not, including the related handling costs, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Claim settlement expenses include internal and external costs incurred in connection with the settlement of claims. Internal costs include direct expenses of the claims department and any part of general administrative costs directly attributable to the claims function.

Interest expense

Interest is recognized in profit or loss as it accrues and is calculated using the effective interest rate method. Interest accrued are included in the carrying amount of the interest financial liability.

3. Summary of accounting policies (continued)

Standards issued but not yet effective

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's consolidated financial statements are disclosed below. The Group intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement*, and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

From a classification and measurement perspective, the new standard requires all financial assets, except equity instruments and derivatives, to be assessed based on a combination of the entity's business model for managing the assets and the instruments' contractual cash flow characteristics. The IAS 39 measurement categories will be replaced by: fair value through profit or loss (FVPL), fair value through other comprehensive income (FVOCI), and amortized cost categories. IFRS 9 will also allow entities to continue to irrevocably designate instruments that qualify for amortized cost or FVOCI instruments as fair value through profit or loss, if doing so eliminates or significantly reduces a measurement or recognition inconsistency. Equity instruments that are not held for trading may be irrevocably designated as FVOCI, with no subsequent reclassification of gains or losses to the consolidated statement of comprehensive income. The accounting for financial liabilities will largely be the same as the requirements of IAS 39.

IFRS 9 will also fundamentally change the approach to loan impairment. The standard will replace IAS 39's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group will be required to record an allowance for expected losses for all loans and other debt financial assets not carried at fair value through profit or loss, as well as for loan commitments and financial guarantee contracts. The allowance is based on the expected credit losses associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance would be based on the probability of default over the life of the asset.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018. The Group uses the temporary exemption from applying IFRS 9, as described below. Retrospective application is required, but restatement of comparative information is not compulsory; the effect on the transition date should be recorded in retained earnings. The Group will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of the impact.

Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts − Amendments to IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. The optional temporary exemption from IFRS 9 is available to entities whose activities are predominantly connected with insurance. The temporary exemption permits such entities to continue to apply IAS 39 *Financial Instruments: Recognition and Measurement* while they defer the application of IFRS 9 until 1 January 2021 at the latest. The overlay approach requires that the additional volatility that may arise if IFRS 9 is applied with IFRS 4 be removed from profit or loss.

The temporary exemption is first applied for reporting periods beginning on or after 1 January 2018. An entity may elect the overlay approach when it first applies IFRS 9 and apply that approach retrospectively to financial assets designated on transition to IFRS 9. The Group will continue to apply IAS 39 *Financial Instruments: Recognition and Measurement*, while deferring the application of IFRS 9 until 1 January 2021.

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRS 16 Leases

IFRS 16 was issued in January 2016 and replaces IAS 17 *Leases*, IFRIC 4 *Determining whether an Arrangement Contains a Lease*, SIC-15 *Operating Leases − Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of "low-value" assets (for example, personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). As at the commencement date of a lease, a lessee will recognize a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognize the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). In most cases, a lessee shall recognize the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases.

In addition, IFRS 16, which becomes effective for annual periods beginning on 1 January 2019, requires that lessors and lessees provide more detailed disclosures as compared with IAS 17. Early application is permitted provided the new revenue standard, IFRS 15, is applied on the same date. The Group does not plan to early apply IFRS 16.

The Group plans to apply IFRS 16 to all leases, where the Group is the lessee, taking into account the modified retrospective approach with the cumulative effect of initial application recognized as the adjustment to the opening balance of retained earnings at the date of initial application. The comparatives are not recalculated.

The Group calculates the value of lease assets and liabilities at the date of initial application using special rules:

- The Group measures the lease liability recognized at the date of initial application at the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The Group recognizes the right-of-use asset with respect to each lease at the date of initial application at an amount equal to the lease liability adjusted by the amount of any prepaid lease payments made before the date of initial application of advance payments.
- The Group applies a single discount rate to the group of leases with the same features.
- Leases with a lease term of 12 months from the date of initial application are recognized by the Group as short-term leases.
- The Group excludes the initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group does not use hindsight, for example, in determining the lease term where the contract contains options to extend or terminate the lease.

(thousands of Russian rubles, unless otherwise stated)

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

The estimated effect of the adoption of IFRS 16 on the Group's consolidated statement of financial position is presented below:

	1 January 2019
Assets	
Property and equipment (right-of-use assets)	416 120
Total assets	**416 120**
Liabilities	
Other liabilities (lease liabilities)	416 120
Total liabilities	**416 120**

IFRS 17 Insurance Contracts

In May 2017, the IASB issued IFRS 17 *Insurance Contracts*, a comprehensive new financial reporting standard for insurance contracts covering recognition and measurement, presentation and disclosures. Once effective, IFRS 17 will replace IFRS 4 *Insurance Contracts* that was issued in 2005. IFRS 17 applies to all types of insurance contracts (i.e., life, non-life, direct insurance and reinsurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features.

A few scope exceptions will apply. The overall objective of IFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in IFRS 4, which are largely based on grandfathering previous local accounting policies, IFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of IFRS 17 is the general model supplemented by:

- A specific adaptation for contracts with direct participation features (the variable fee approach)
- A simplified approach (the premium allocation approach) mainly for short-duration contracts.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2021, with comparative figures required. Early application is permitted, provided the entity also applies IFRS 9 and IFRS 15 on or before the date it first applies IFRS 17. The Group will assess the potential effect of IFRS 17 on its consolidated financial statements, including treatment of non-financial guarantees issued by the Group.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address the conflict between IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that the gain or loss resulting from the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture, is recognized in full. Any gain or loss resulting from the sale or contribution of assets that do not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture. The IASB has deferred the effective date of these amendments indefinitely, but an entity that early adopts the amendments must apply them prospectively. The Group does not expect a material effect from the application of these amendments.

3. Summary of accounting policies (continued)

Standards and interpretations issued but not yet effective (continued)

IFRIC 23 Uncertainty over Income Tax Treatment

The interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses the following:

- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by tax authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances.

The entity must determine whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments. The approach that better predicts the resolution of the uncertainty should be followed.

The interpretation becomes effective for annual reporting periods beginning on or after 1 January 2019. The Group will apply interpretation from its effective date. Since the Group operates in a complex tax environment, applying the interpretation may affect its consolidated financial statements and the required disclosures. In addition, the Group may need to establish processes and procedures to obtain information that is necessary to apply the interpretation on a timely basis.

Annual improvements 2015-2017 cycle (issued in December 2017)

These improvements include:

IFRS 3 Business Combinations

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity should apply those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with earlier application permitted. These amendments will apply to future business combinations of the Group.

IFRS 11 Joint Arrangements

A party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity should apply those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with earlier application permitted. These amendments are currently not applicable to the Group but may apply to future transactions.

IAS 12 Income Taxes

The amendments clarify that income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognized those past transactions or events.

(thousands of Russian rubles, unless otherwise stated)

3. Summary of accounting policies (continued)

Annual improvements 2015-2017 cycle (issued in December 2017) (continued)

An entity must apply these amendments for annual periods beginning on or after 1 January 2019, with earlier application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with the amendments, the Group does not expect any effect on its consolidated financial statements.

IAS 23 Borrowing Costs

The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with earlier application permitted. Since the Group's current practice is in line with the amendments, the Group does not expect any effect on its consolidated financial statements.

Subsequent events

The financial statements were amended to reflect events after the reporting date, but prior to the approval of the financial statements provided these amendments indicate the conditions existing at the end of the reporting period. Non-adjusting events are events arising after the reporting date but prior to the approval of the financial statements and indicative of conditions arising after the reporting date, and do not result in the adjustment of financial statements, however, are reflected in the notes to the financial statements.

4. Cash and cash equivalents

	31 December 2018	***31 December 2017***
Cash on hand	1 627	1 885
Current accounts	2 198 234	2 128 204
Short-term deposits and overnight placements	5 631 470	10 276 048
Total cash and cash equivalents	**7 831 331**	**12 406 137**

Current accounts with banks are represented by accounts with leading Russian banks. As at 31 December 2018, 58% of total cash and cash equivalents were placed with UniCredit Bank JSC, 18% - with Raiffeisenbank JSC and 24% - with other banks. As at 31 December 2017, 34% of total cash and cash equivalents were placed with Raiffeisenbank JSC, 26% - with UniCredit Bank JSC, 19% - with VTB PJSC and 21% - with other banks.

As at 31 December 2018, 28% of total short-term deposits and overnight placements were placed with Russian Agricultural Bank JSC, 18% - with UniCredit Bank JSC, 16% - with Raiffeisenbank JSC, 11% - with VTB PJSC and 27% - with other four banks (31 December 2017: 43% of total short-term deposits and overnight placements were placed with Bank GPB JSC, 35% - with VTB PJSC, 17% - with UniCredit Bank JSC and 5% - with other three banks). As at 31 December 2018, 96% of short-term deposits and 100% of overnight placements were denominated in Russian rubles, 4% of short-term deposits were denominated in US dollars. As at 31 December 2017, short-term deposits and overnight placements were denominated in Russian rubles.

The carrying amounts disclosed above reasonably approximate the fair values at the reporting date.

5. Amounts due from credit institutions

As at 31 December 2018, amounts due from credit institutions are represented by short-term (more than 3 months) and medium-term placements with Russian banks in Russian rubles (99% of total amount, 31 December 2017: 100%) and US dollars (1% of total amount, 31 December 2017: no USD-denominated deposits). As at 31 December 2018, the effective interest rate on RUB-denominated deposits was from 0% to 9.75% (31 December 2017: from 0% to 11.20%) and USD-denominated deposits – from 2.74% to 2.78% (31 December 2017: not applicable).

(thousands of Russian rubles, unless otherwise stated)

5. Amounts due from credit institutions (continued)

As at 31 December 2018, 23% of deposits were placed with Russian Agricultural Bank JSC (effective interest rate: 2.00%-9.30%), 15% - with Credit Bank of Moscow PJSC (effective interest rate: 6.00%-9.50%), 12% - with JSCB Absolut Bank PJSC (effective interest rate: 8.00%-8.30%), 10% - with Rosbank PJSC (effective interest rate: 7.80%-9.10%), 9% - with Vozrozhdenie PJSC (effective interest rate: 7.45%-7.55%), 8% - with DOM.RF JSC (effective interest rate: 6.20%),

As at 31 December 2017, 23% of deposits were placed with Credit Bank of Moscow PJSC (effective interest rate: 8.10%-9.75%), 20% - with Russian Agricultural Bank JSC (effective interest rate: 7.84%-11.20%), 19% - with Rosbank PJSC (effective interest rate: 7.80%-10.20%), 9% - with JSCB Absolut Bank PJSC (effective interest rate: 8.30%-9.95%), 7% - with Alfa-Bank JSC (effective interest rate: 0%-8.20%).

As at 31 December 2018, the Group has agreements with financial institutions, relating to accounts intended for direct loss refund under Motor Third Party Liability Insurance totaling RUB 488 000 thousand (31 December 2017: RUB 350 872 thousand), the use of which is restricted to direct settlements only.

The carrying amounts disclosed above reasonably approximate the fair values at the reporting date.

6. Financial assets at fair value through profit or loss

The Group estimates fair values of financial instruments recorded in the statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the estimates:

- *Level 1:* quoted (unadjusted) prices in an active market for an identical financial instrument.
- *Level 2:* valuation techniques based on observable inputs, either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- *Level 3:* valuation techniques using significant unobservable inputs. This category includes instruments measured using inputs not based on observable market data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments, where significant unobservable adjustments or judgments are required to reflect differences between the instruments.

Financial assets at fair value through profit or loss comprise the following:

			31 December 2018			***31 December 2017***
	Level 1	*Level 2*	**Total**	*Level 1*	*Level 3*	**Total**
Corporate shares	8 246 504	-	**8 246 504**	1 215 864	-	**1 215 864**
Corporate bonds	22 850 425	1 491 808	**24 342 233**	15 793 712	-	**15 793 712**
State and municipal bonds	17 617 484	918 162	**18 535 646**	13 335 537	-	**13 335 537**
Other financial assets	233 275	10 047	**243 322**	136 365	10 179	**146 544**
Total financial assets at fair value through profit or loss	**48 947 688**	**2 420 017**	**51 367 705**	**30 481 478**	**10 179**	**30 491 657**

As at 31 December 2018 and 31 December 2017, corporate bonds were represented by quoted bonds of major Russian companies.

State and municipal bonds were represented by RUB-denominated securities.

As at 31 December 2018 and 31 December 2017, all financial assets at fair value through profit or loss were represented by financial assets held for trading.

(thousands of Russian rubles, unless otherwise stated)

7. Loans and other receivables

	31 December 2018	31 December 2017
Loans	720	275
Other receivables	211 906	9 400
Total loans and other receivables	**212 626**	**9 675**

Loans as at 31 December 2018 include RUB-denominated loans with an interest rate of 5.17% maturing in 2019 (31 December 2017: RUB-denominated loans with an interest rate of 6%-7% repaid in 2018).

As at 31 December 2018, other receivables are represented by outstanding Eurobonds of RUSAL Capital in the amount of RUB 202 046 thousand. As the issuer is subject to sanctions from April 2018, according to the expert assessment and conclusions of the Group’s specialists, these Eurobonds partially lost the characteristics of financial instruments traded in an active stock market. As a result, the Group decided to reclassify two issues of bonds of this issuer from the category “Financial assets at fair value through profit or loss” to “Loans and other receivables”. In the first quarter of 2019, the sanctions against this issuer of Eurobonds were removed.

As at 31 December 2018, amounts on brokerage accounts controlled by trust managers total RUB 9 860 thousand (31 December 2017: RUB 9 400 thousand).

8. Available-for-sale financial assets

	31 December 2018	31 December 2017
Corporate bonds	2 835 788	2 826 472
Other financial assets available for sale	902 961	800 945
Total available-for-sale financial assets	**3 738 749**	**3 627 417**

Yield to maturity and maturities of the corporate bonds are presented below:

	31 December 2018		31 December 2017	
	Yield to maturity, %	Maturity	Yield to maturity, %	Maturity
Corporate bonds	5.24%-10.90%	2019-2021	3.22%-10.77%	2019-2021

As at 31 December 2018 and 31 December 2017, other financial assets available for sale are represented by investments in funds (investments in the global fund of funds and in the international venture investment fund). The fair value of the investments is determined based on the funds’ reports, where the value of the funds’ assets is defined as mark-to-market measurement.

9. Insurance and reinsurance receivables

	31 December 2018	31 December 2017
Receivables on insurance contracts	4 520 389	4 205 569
Receivables on reinsurance contracts	218 571	90 647
Subrogation receivables	448 101	404 430
Direct loss refund under Motor Third Party Liability Insurance	451 631	169 082
	5 638 692	**4 869 728**
Less allowance for impairment (*Note 18*)	(499 834)	(497 695)
Total insurance and reinsurance receivables	**5 138 858**	**4 372 033**

(thousands of Russian rubles, unless otherwise stated)

10. Taxation

The main components of income tax expense for the years ended 31 December are as follows:

(a) Current tax for the year:

	2018	*2017*
Current income tax	(734 843)	(424 989)
Deferred tax expense	(76 198)	(946)
Total income tax expense	**(811 041)**	**(425 935)**

(b) Reconciliation of taxes assessed:

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the income tax expense based on statutory rates with actual is as follows:

	2018	*2017*
Profit before tax	**4 188 642**	**1 799 286**
Theoretical tax expense at the effective tax rates (20%, 0%)	**(839 921)**	**(387 205)**
Non-deductible expenses	(164 803)	(156 765)
Expenses recognized for tax purposes only	72 618	-
Effect of application of reduced tax rates of 9% and 15%	55 970	17 399
Non-taxable income	65 095	100 636
Total income tax expense	**(811 041)**	**(425 935)**

(c) Deferred tax liabilities:

	2018	*2017*
At 1 January	**197 560**	**454 501**
Acquisition of subsidiaries	**-**	**(250 512)**
Changes in deferred tax related to temporary differences	76 198	946
Changes in deferred tax related to revaluation of available-for-sale financial assets	636	(7 375)
At 31 December	**274 394**	**197 560**

(d) Deferred tax asset (DTA) and deferred tax liabilities (DTL):

		31 December 2018		*31 December 2017*
	DTA	*DTL*	*DTA*	*DTL*
Accumulated tax loss	733 884	-	539 529	18 142
Insurance and reinsurance receivables	5 570	21 774	443	69 382
Other insurance liabilities	-	213 477	-	97 054
Financial assets at fair value through profit or loss	2 110	-	13 446	-
Available-for-sale financial assets	183	25 580		
Other liabilities	1 563	243 627	20 916	115 655
Other assets	7 957	90 610	15 888	32 601
Loans and other receivables	-	208	-	96 328
Reinsurance assets	-	12 326	-	9 195
Prepaid expenses	-	-	575	63
Intangible assets	56	-	5 952	-
Deferred commission income on ceded reinsurance	-	3 336	-	4 959
Insurance contract liabilities			24 107	-
Gross deferred tax assets	**751 323**	**610 938**	**620 856**	**443 379**
Deferred tax assets write-off	-	-	-	-
Deferred tax assets	**751 323**	**610 938**	**620 856**	**443 379**

(thousands of Russian rubles, unless otherwise stated)

10. Taxation (continued)

		31 December 2018		*31 December 2017*
	DTA	***DTL***	***DTA***	***DTL***
Deferred acquisition costs	-	539 839	58 810	410 039
Financial assets at fair value through profit or loss	-	24 587	-	51 616
Available-for-sale financial assets	-	-	1 646	-
Other insurance liabilities	-	-	12 670	-
Insurance contract liabilities	171	891 136	-	635 863
Reinsurance assets	-	-	14 363	-
Prepaid expenses	-	1 155	-	-
Intangible assets	-	105 156	-	75 399
Property and equipment	159	74 452	-	1 389
Deferred tax liabilities	**330**	**1 636 325**	**87 489**	**1 174 306**
Deferred tax assets, net	**750 993**	**(1 025 387)**	**533 367**	**(730 927)**

The Group considered the possibility to realize losses carried forward and believes that their realization is probable within 3 years from the reporting date. As at 31 December 2018, the Group did not recognize a deferred tax liability of RUB 2 600 472 thousand (31 December 2017: RUB 2 103 675 thousand) in respect of temporary differences associated with investments in subsidiaries as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

11. Deferred acquisition costs and deferred commission income on ceded reinsurance

Deferred acquisition costs comprised the following:

			2018			***2017***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Deferred expenses for commissions to agents, brokers and other intermediaries	5 471 740	1 685 766	**7 157 506**	5 719 454	1 477 152	**7 196 606**
Deferred expenses for the sellers' payroll	575 670	-	**575 670**	875 198	-	**875 198**
Deferred expenses for direct insurance advertising	76 525	-	**76 525**	161 128	-	**161 128**
Other deferred acquisition costs	1 151 577	-	**1 151 577**	591 470	-	**591 470**
Total deferred acquisition costs	**7 275 512**	**1 685 766**	**8 961 278**	**7 347 250**	**1 477 152**	**8 824 402**

			2018			***2017***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
At 1 January	**7 347 250**	**1 477 152**	**8 824 402**	**2 153 557**	**-**	**2 153 557**
Acquisition of subsidiaries	-		**-**	4 122 637	1 529 281	**5 651 918**
Acquisition costs for the year (*Note 30*)	12 555 161	17 081 149	**29 636 310**	6 951 179	8 985 988	**15 937 167**
Change in deferred acquisition costs	(12 626 899)	(16 872 535)	**(29 499 434)**	(5 880 123)	(9 038 117)	**(14 918 240)**
At 31 December	**7 275 512**	**1 685 766**	**8 961 278**	**7 347 250**	**1 477 152**	**8 824 402**

(thousands of Russian rubles, unless otherwise stated)

11. Deferred acquisition costs and deferred commission income on ceded reinsurance (continued)

Deferred commission income on ceded reinsurance comprised the following:

			2018			*2017*
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
At 1 January	**25 111**	**-**	**25 111**	**24 601**	**-**	**24 601**
Acquisition of subsidiaries	-	**-**	**-**	757	-	**757**
Commission income on ceded reinsurance for the year (*Note 30*)	96 040	154 748	**250 788**	62 997	33 361	**96 358**
Change in deferred commission income	(102 717)	(154 748)	**(257 465)**	(63 244)	(33 361)	**(96 605)**
At 31 December	**18 434**	**-**	**18 434**	**25 111**	**-**	**25 111**

12. Property and equipment

	Office premises	*Computers and equipment*	*Furniture and fixtures*	*Motor vehicles*	*Work in progress*	*Other*	***Total***
Cost							
31 December 2016	**155 301**	**442 182**	**38 390**	**28 063**	**381**	**425**	**664 742**
Acquisition of subsidiaries	-	94 910	5 761	9 739	12	7 104	**117 526**
Transfer between categories	(4 538)	612	192	-	(381)	4 115	**-**
Purchase of property and equipment	-	144 712	2 156	930	-	159	**147 957**
Disposals	-	(11 247)	(2 077)	(4 545)	-	(30)	**(17 899)**
31 December 2017	**150 763**	**671 169**	**44 422**	**34 187**	**12**	**11 773**	**912 326**
Transfer from other assets	-	46 084	1 517	3 843	3 531	3 631	**58 606**
Transfer between categories	-	(21 246)	(28 456)	-	(23 292)	72 994	**-**
Purchase of property and equipment	-	177 318	14 862	12 294	23 500	46 060	**274 034**
Disposals	-	(39 484)	(11 901)	(2 815)	(208)	(42 876)	**(97 284)**
31 December 2018	**150 763**	**833 841**	**20 444**	**47 509**	**3 543**	**91 582**	**1 147 682**
Accumulated depreciation							
31 December 2016	**52 359**	**338 173**	**32 672**	**16 023**	**-**	**425**	**439 652**
Acquisition of subsidiaries	-	62 016	5 616	6 612	-	3 685	**77 929**
Prior period adjustments	-	201	(1)	-	-	-	**200**
Transfer between categories	(4 479)	231	192	-	-	4 056	**-**
Depreciation	5 022	91 223	2 231	3 099	-	734	**102 309**
Disposals	-	(10 101)	(1 967)	(4 272)	-	(18)	**(16 358)**
31 December 2017	**52 902**	**481 743**	**38 743**	**21 462**	**-**	**8 882**	**603 732**
Transfer from other assets	-	35 725	713	3 010	-	3 419	**42 867**
Transfer between categories	-	(23 825)	(23 571)	-	-	47 396	**-**
Depreciation	5 022	114 951	1 883	5 406	-	5 916	**133 178**
Disposals	-	(18 886)	(1 485)	(2 373)	-	(3 283)	**(26 027)**
31 December 2018	**57 924**	**589 708**	**16 283**	**27 505**	**-**	**62 330**	**753 750**
Carrying amount:							
31 December 2017	**97 861**	**189 426**	**5 679**	**12 725**	**12**	**2 891**	**308 594**
31 December 2018	**92 839**	**244 133**	**4 161**	**20 004**	**3 543**	**29 252**	**393 932**

Office premises include office facilities located at Derbenevskaya nab. 11, Moscow, Russia.

(thousands of Russian rubles, unless otherwise stated)

13. Prepaid expenses

	31 December 2018	*31 December 2017*
Prepayments to medical institutions	427 615	482 477
Prepayments for software	73 078	145 802
Prepaid lease	49 751	35 733
Prepayments for intangible assets and property and equipment	46 867	5 501
Prepayments for office and transport maintenance	27 194	27 336
Prepayments for marketing and advertising	24 934	36 167
Prepayments for licenses	22 564	14 977
Settlements with social funds	19 835	16 450
Prepayments for expertise and survey	17 209	41 474
Prepayments for personnel training and recruitment	7 281	4 592
Prepayments for communications	5 556	5 762
Prepayments to insurance intermediaries	2 536	19 361
Prepaid insurance	1 202	1 143
Other prepaid expenses	69 816	70 377
Total prepaid expenses	**795 438**	**907 152**

14. Intangible assets

	Software	*Licenses*	*Website*	*Work in progress*	*Other*	***Total***
Cost						
31 December 2016	**1 216 451**	**40 412**	**16 576**	**9 081**	**-**	**1 282 520**
Acquisition of subsidiaries	490 809	23 577	35 807	-	1 077	**551 270**
Transfer between categories	39 209	1 774	850	(41 833)	-	**-**
Purchase of intangible assets	22 621	7 101	1 298	64 884	-	**95 904**
Disposal of intangible assets	(2 305)	(3 698)	-	(581)	-	**(6 584)**
31 December 2017	**1 766 785**	**69 166**	**54 531**	**31 551**	**1 077**	**1 923 110**
Transfer between categories	133 472	75 184	574	(222 042)	12 812	**-**
Purchase of intangible assets	56 537	42 745	786	310 962	-	**411 030**
Disposal of intangible assets	(299 616)	-	(12 958)	-	-	**(312 574)**
31 December 2018	**1 657 178**	**187 095**	**42 933**	**120 471**	**13 889**	**2 021 566**
Accumulated amortization						
31 December 2016	**347 169**	**5 819**	**1 385**	**-**		**354 373**
Acquisition of subsidiaries	408 270	8 015	13 724	-	374	**430 383**
Disposal of intangible assets	(599)	(3 446)	-	-	-	**(4 045)**
Amortization	132 746	13 496	3 484	-	21	**149 747**
31 December 2017	**887 586**	**23 884**	**18 593**	**-**	**395**	**930 458**
Disposal of intangible assets	(264 243)	-	(6 279)	-	-	**(270 522)**
Amortization	177 802	21 337	2 423	-	3 416	**204 978**
31 December 2018	**801 145**	**45 221**	**14 737**	**-**	**3 811**	**864 914**
Carrying amount:						
31 December 2017	**879 199**	**45 282**	**35 938**	**31 551**	**682**	**992 652**
31 December 2018	**856 033**	**141 874**	**28 196**	**120 471**	**10 078**	**1 156 652**

Work in progress is represented by investments in licenses, development of software and a website.

(thousands of Russian rubles, unless otherwise stated)

15. Goodwill

	31 December 2018	*31 December 2017*
Renaissance Life Ltd.	8 087 612	8 087 612
MEDCORP LLC	222 861	222 861
JSC NSPF Renaissance pensions	124 998	124 998
Total goodwill	**8 435 471**	**8 435 471**

As at 31 December 2018 and 31 December 2017, goodwill is represented by excess of consideration paid over the fair value of net identifiable assets of Renaissance Life Ltd., MEDCORP LLC and JSC NSPF Renaissance pensions.

As at 31 December 2018, the impairment testing of goodwill arising on acquisition of Renaissance Life Ltd. was performed. The fair value of business acquired was estimated using the discounted cash flow method based on the rate of 18.8%. The period of cash flow forecasts is 18 years (from 2019 through 2036). The terminal value was determined using the Gordon model on the basis of cash flows of the last forecast period and long-term growth rates in the post-forecast period. According to the result of testing, goodwill was not impaired.

As at 31 December 2018, the impairment testing of goodwill arising on acquisition of MEDCORP LLC was performed. The fair value of business acquired was estimated using the discounted cash flow method based on the discount rate of 20.0%. The period of cash flow forecasts is 8 years (from 2019 through 2026); the terminal value was determined using the Gordon model on the basis of cash flows of the last forecast period and long-term growth rates in the post-forecast period. According to the result of testing, goodwill was not impaired.

The recoverable value of JSC NSPF Renaissance pensions was determined by calculating the value in use based on cash flow projections for a forty-year period calculated on the basis of contractual relations existing at the end of the reporting period. The zero-coupon yield curve rate was applied to discount projected cash flows. According to the result of testing, goodwill was not impaired.

16. Value of business in force

Value of business in force represents an intangible asset which is measured as the present value of future actuarial gain from the life insurance portfolio initially recognized by the Group as at 30 May 2017 and subsequently amortized as at 31 December 2017 and 31 December 2018.

17. Other assets

	31 December 2018	*31 December 2017*
Prepaid commission	653 170	500 000
Amounts transferred in excess	174 778	42 233
Trade receivables	19 211	79 505
Settlements on franchise	15 209	4 445
Settlements with employees	10 521	19 761
Inventory	5 756	18 525
Abandonment	2 101	3 965
Settlement on VAT	424	318 850
Other receivables	39 042	100 726
	920 212	**1 088 010**
Less allowance for impairment (*Note 18*)	(65 193)	(62 708)
Total other assets	**855 019**	**1 025 302**

(thousands of Russian rubles, unless otherwise stated)

18. Allowances for impairment

	Insurance and reinsurance receivables	Other assets	Total
Note	9	17, 33	
31 December 2016	**510 146**	**23 796**	**533 942**
Acquisition of subsidiaries	54 749	17 030	**71 779**
Charge for the year	82 468	22 165	**104 633**
Write-off	(149 668)	(283)	**(149 951)**
31 December 2017	**497 695**	**62 708**	**560 403**
Charge for the year	190 874	10 810	**201 684**
Write-off	(188 735)	(8 325)	**(197 060)**
31 December 2018	**499 834**	**65 193**	**565 027**

Allowances for impairment of assets are deducted from the carrying amounts of the related assets.

19. Insurance contract liabilities

	Non-life insurance contracts	Life insurance contracts	Total liabilities
31 December 2017			
Total insurance contract liabilities	24 277 231	19 048 251	43 325 482
Reinsurers' share of liabilities	(1 252 710)	(646 821)	(1 899 531)
Net of reinsurance	**23 024 521**	**18 401 430**	**41 425 951**
31 December 2018			
Total insurance contract liabilities	24 010 052	33 646 316	57 656 368
Reinsurers' share of liabilities	(1 035 665)	(842 449)	(1 878 114)
Net of reinsurance	**22 974 387**	**32 803 867**	**55 778 254**

Life insurance contract liabilities can be analyzed as follows:

			2018			***2017***
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Ne oft reinsurance***
Mathematical reserve	32 539 125	(585 063)	**31 954 062**	18 097 466	(422 766)	**17 674 700**
Claims reserve	879 056	(188 085)	**690 971**	768 149	(173 658)	**594 491**
Unearned premium reserve	228 135	(69 301)	**158 834**	182 636	(50 397)	**132 239**
Total liabilities	**33 646 316**	**(842 449)**	**32 803 867**	**19 048 251**	**(646 821)**	**18 401 430**

			2018			***2017***
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Mathematical reserve at 1 January	18 097 466	(422 766)	**17 674 700**	-	-	-
Acquisition of subsidiaries	-	-	-	13 785 057	(438 941)	**13 346 116**
Increase in reserve due to policies written in the current period	14 720 101	(371 423)	**14 348 678**	4 593 125	(187 083)	**4 406 042**
Increase in reserve due to policies written in prior periods	1 956 793	95 709	**2 052 502**	808 221	126 018	**934 239**
Use of reserve	(2 235 235)	113 417	**(2 121 818)**	(1 088 937)	77 240	**(1 011 697)**
Mathematical reserve at 31 December	**32 539 125**	**(585 063)**	31 954 062	18 097 466	**(422 766)**	17 674 700

(thousands of Russian rubles, unless otherwise stated)

19. Insurance contract liabilities (continued)

	2018			2017		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Claims reserve at 1 January	768 149	(173 658)	**594 491**	-	-	**-**
Acquisition of subsidiaries	-	-	-	695 307	(172 672)	**522 635**
Claims incurred in the reporting year	2 226 228	(132 564)	**2 093 664**	1 141 328	(110 223)	**1 031 105**
Adjustment to claims incurred in prior years	(124 081)	(13 244)	**(137 325)**	(124 951)	34 002	**(90 949)**
Claims paid during the reporting year (*Note 29*)	(1 991 240)	131 381	**(1 859 859)**	(943 535)	75 235	**(868 300)**
Claims reserve at 31 December	**879 056**	**(188 085)**	**690 971**	**768 149**	**(173 658)**	**594 491**

	2018			2017		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Unearned premium reserve at 1 January	182 636	(50 397)	**132 239**	-	-	**-**
Acquisition of subsidiaries	-	-	**-**	198 597	(51 701)	**146 896**
Premium written for the year (*Note 28*)	34 215 235	(525 486)	**33 689 749**	14 931 893	(276 581)	**14 655 312**
Premium earned for the year (*Note 28*)	(34 169 736)	506 582	**(33 663 154)**	(14 947 854)	277 885	**(14 669 969)**
Unearned premium reserve at 31 December	**228 135**	**(69 301)**	**158 834**	**182 636**	**(50 397)**	**132 239**

Non-life insurance contract liabilities can be analyzed as follows:

	2018			2017		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
Claims reserve	6 657 467	(604 700)	**6 052 767**	6 896 615	(735 640)	**6 160 975**
Expected amounts to be recovered from subrogations	(524 826)	11 424	**(513 402)**	(493 494)	8 722	**(484 772)**
Expected gains on sale of property transferred to the insurer	(166 474)	1 488	**(164 986)**	(163 589)	1 661	**(161 928)**
Unearned premium reserve	18 043 885	(443 877)	**17 600 008**	18 037 699	(527 453)	**17 510 246**
Total liabilities	**24 010 052**	**(1 035 665)**	**22 974 387**	**24 277 231**	**(1 252 710)**	**23 024 521**

Claims reserve can be analyzed as follows:

	2018			2017		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	6 896 615	(735 640)	**6 160 975**	4 783 403	(89 313)	**4 694 090**
Acquisition of subsidiaries	-	-	**-**	988 924	(68 867)	**920 057**
Claims incurred in the reporting year	17 614 233	(440 267)	**17 173 966**	14 978 569	(616 519)	**14 362 050**
Adjustment to claims incurred in prior years	(434 935)	(152 512)	**(587 447)**	99 380	(255 025)	**(155 645)**
Claims paid during the year *(Note 29)*	(17 418 446)	723 719	**(16 694 727)**	(13 953 661)	294 084	**(13 659 577)**
At 31 December	**6 657 467**	**(604 700)**	**6 052 767**	**6 896 615**	**(735 640)**	**6 160 975**

(thousands of Russian rubles, unless otherwise stated)

19. Insurance contract liabilities (continued)

Subrogation reserve can be analyzed as follows:

	2018			2017		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	(493 494)	8 722	**(484 772)**	(519 439)	8 543	**(510 896)**
Acquisition of subsidiaries	-	-	**-**	(56 599)	-	**(56 599)**
Subrogations on claims incurred in the reporting year	(901 843)	19 305	**(882 538)**	(711 006)	12 476	**(698 530)**
Adjustment to claims incurred in prior years	(239 977)	(436)	**(240 413)**	(205 607)	214	**(205 393)**
Subrogation income of the current year *(Note 29)*	1 110 488	(16 167)	**1 094 321**	999 157	(12 511)	**986 646**
At 31 December	**(524 826)**	**11 424**	**(513 402)**	**(493 494)**	**8 722**	**(484 772)**

Reserve for salvages can be analyzed as follows:

	2018			2017		
	Total	*Reinsurers' share of liabilities*	***Net of reinsurance***	*Total*	*Reinsurers' share of liabilities*	***Net of reinsurance***
At 1 January	(163 589)	1 661	**(161 928)**	(141 164)	1 747	**(139 417)**
Acquisition of subsidiaries	-	-	**-**	(16 209)	-	**(16 209)**
Salvages incurred in the reporting year	(546 827)	6 853	**(539 974)**	(431 175)	4 718	**(426 457)**
Adjustments to estimates of prior periods	(8 757)	99	**(8 658)**	(7 020)	(119)	**(7 139)**
Salvages in the reporting year (*Note 29*)	552 699	(7 125)	**545 574**	431 979	(4 685)	**427 294**
At 31 December	**(166 474)**	**1 488**	**(164 986)**	**(163 589)**	**1 661**	**(161 928)**

Unearned premium reserve can be analyzed as follows:

	2018			2017		
	Total	*Reinsurers' share of liabilities*	*Net of reinsurance*	*Total*	*Reinsurers' share of liabilities*	*Net of reinsurance*
At 1 January	18 037 699	(527 453)	**17 510 246**	10 197 857	(292 968)	**9 904 889**
Acquisition of subsidiaries	-	-	**-**	5 690 632	(121 114)	**5 569 518**
Premium written for the year (*Note 28*)	36 059 575	(1 445 496)	**34 614 079**	27 234 802	(1 039 276)	**26 195 526**
Premium earned for the year (*Note 28*)	(36 053 389)	1 529 072	**(34 524 317)**	(25 085 592)	925 905	**(24 159 687)**
At 31 December	**18 043 885**	**(443 877)**	**17 600 008**	**18 037 699**	**(527 453)**	**17 510 246**

(thousands of Russian rubles, unless otherwise stated)

19. Insurance contract liabilities (continued)

Claims development table

The table below presents the estimate of ultimate cost of claims, which include reported claims, claims incurred but not reported, claim settlement expenses for each insurance year at each reporting date. The line "Current estimate of surplus/(deficiency)" reflects the difference between the initial amount of reserve and the current estimate for each insurance year.

The gross reserve for outstanding claims under non-life insurance contracts is as follows:

	At 31 December					
Year of the loss event	***Earlier***	***2014***	***2015***	***2016***	***2017***	***2018***
At the end of reporting year		**7 910 595**	**5 399 089**	**4 783 403**	**6 896 615**	**6 657 467**
Cumulative payments:		**5 949 279**	**4 678 581**	**4 660 917**	**5 536 472**	
One year later		5 235 630	4 226 519	4 216 186	5 536 472	
Two years later		5 795 111	4 586 137	4 660 917	-	
Three years later		5 919 118	4 678 581	-	-	
Four years later		5 949 279	-	-	-	
Current estimate of the ultimate cost of outstanding claims:	**9 402**	**22 968**	**63 747**	**543 020**	**1 152 208**	
One year later		709 897	461 398	812 257	1 152 208	
Two years later		117 723	184 598	543 020	-	
Three years later		77 567	63 747	-	-	
Four years later		22 968	-	-	-	
Current estimate of surplus/(deficiency)		**1 938 348**	**656 761**	**(420 534)**	**207 935**	
% of surplus/(deficiency) compared to the previous estimate		25%	12%	-9%	3%	

The net reserve for outstanding claims under non-life insurance contracts is as follows:

	At 31 December					
Year of the loss event	***Earlier***	***2014***	***2015***	***2016***	***2017***	***2018***
At the end of reporting year		**7 596 448**	**5 187 112**	**4 694 090**	**6 160 975**	**6 052 767**
Cumulative payments:		**5 891 995**	**4 631 785**	**4 577 427**	**5 079 243**	
One year later		5 181 587	4 183 782	4 148 498	5 079 243	
Two years later		5 738 251	4 542 232	4 577 427	-	
Three years later		5 861 834	4 631 785	-	-	
Four years later		5 891 995	-	-	-	
Current estimate of the ultimate cost of outstanding claims:	**9 402**	**22 644**	**62 724**	**210 701**	**733 249**	
One year later		575 324	457 362	556 921	733 249	
Two years later		116 777	153 102	210 701	-	
Three years later		46 113	62 724	-	-	
Four years later		22 644	-	-	-	
Current estimate of surplus/(deficiency)		**1 681 809**	**492 603**	**(94 038)**	**348 483**	
% of surplus/(deficiency) compared to the previous estimate		22%	9%	-2%	6%	

(thousands of Russian rubles, unless otherwise stated)

20. Pension liabilities

Movements in pension liabilities are as follows:

	2018	*2017*
Pension liabilities at 1 January	**14 050 194**	**-**
Acquisition of subsidiaries	-	13 638 117
Change in pension liabilities	2 291 697	412 077
Pension liabilities at 31 December	**16 341 891**	**14 050 194**

Result of pension operations:

	2018	*2017*
Pension contributions	2 850 982	339 585
Income allocated to funds of depositors	694 874	210 226
Total pension contributions	**3 545 856**	**549 811**
Pension payments	(1 175 387)	(137 734)
Total pension payments	**(1 175 387)**	**(137 734)**
Change in pension liabilities	(2 291 697)	(412 077)
Commission income	88 609	13 424
Total pension income	**167 381**	**13 424**

Liabilities under investment agreements with discretionary participation features comprise balances on individual pension accounts of the participants at the reporting date and represent the amount of accumulated contributions and income on placements of pension reserve funds, less total amount of payments made at the reporting date.

21. Other insurance liabilities

	31 December 2018	*31 December 2017*
Payables to agents and brokers	2 258 031	2 110 651
Insurance liabilities	924 563	481 963
Reinsurance payables	745 561	742 440
Outstanding insurance and reinsurance settlements	424 693	492 618
Direct loss refund under Motor Third Party Liability Insurance	103 399	76 812
Payables on deposits of premiums and claims	73 669	66 067
Other insurance liabilities	-	2 960
Total other insurance liabilities	**4 529 916**	**3 973 511**

22. Borrowings

As at 31 December 2018, borrowings were represented by a credit line with the Credit Bank of Moscow PJSC (31 December 2017: two credit lines with Credit Bank of Moscow PJSC). In December 2018, the Group repaid its debt under the first credit line and received a new tranche under the second credit line in the amount of RUB 1 200 million.

As at 31 December 2018, the total amount of debt is RUB 2 508 million, including accrued interest in the amount of RUB 8 million (31 December 2017: RUB 2 709 million, including accrued interest in the amount of RUB 9 million). The credit line matures in the period from January 2019 through January 2020.

The borrowings are collateralized by a share of 36% in the share capital of Renaissance Insurance Group Joint Stock Company.

Interest expense includes interest and other payments under loan agreements with:

	2018	*2017*
Credit Bank of Moscow PJSC	333 362	430 727
Other (finance leasing)	28	465
Total interest expense	**333 390**	**431 192**

(thousands of Russian rubles, unless otherwise stated)

23. Other liabilities

	31 December 2018	*31 December 2017*
Provision for bonuses to employees	604 502	605 064
Settlements with service providers	554 713	149 524
Outstanding settlements	224 010	65 128
Provision for unused vacations	185 234	219 439
Provisions for non-credit-related commitments	156 492	149 580
Settlements with social funds	93 371	96 893
Settlements with employees	66 946	46 984
Settlements with the budget	42 379	32 093
Settlements under abandonment	27 729	27 856
Settlements on audit	8 453	34 870
Settlements on litigation	8 071	6 298
Settlements on consulting and advertising	2 801	1 328
Settlements with agents under the Green Card Program	2 145	267
Settlements with medical institutions	1 636	364
Settlements on securities	340	3 755
Other settlements	103 167	167 392
Total other liabilities	**2 081 989**	**1 606 835**

Movements in provisions for bonuses and unused vacations are as follows:

		2018		***2017***
	Provision for bonuses	*Provision for unused vacations*	*Provision for bonuses*	*Provision for unused vacations*
At 1 January	**605 064**	**219 439**	**321 444**	**64 107**
Acquisition of subsidiaries	-	-	71 114	110 283
Use of provision	(488 942)	(444 472)	(391 304)	(107 664)
Charge during the year	488 380	410 267	603 810	152 713
At 31 December	**604 502**	**185 234**	**605 064**	**219 439**

24. Share capital

As at 31 December 2018 and 31 December 2017, nominal value of the share capital was RUB 4 047 639 thousand. Prior to 2002, the Russian economy was marked by a relatively high level of inflation and was considered hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*. When the economy ceased to be hyperinflationary in accordance with IAS 29 *Financial Reporting in Hyperinflationary Economies*, non-monetary items originating prior to 1 January 2003, including the share capital of the Company, were restated. As at 31 December 2018, the restatement amounted to RUB 303 701 thousand.

In September 2018, Renaissance Insurance Group Limited was reorganized through transformation into a joint-stock company. As a result of transformation, the Company issued 404 763 892 364 shares, with a nominal value of RUB 0.01 each. The shares were distributed among the shareholders of the Company in proportion to their interests. Share capital of the Company was registered and fully paid. Participants are entitled to vote at general meetings of shareholders in proportion to their interest in the share capital.

The meeting of shareholders, which took place in August 2018, decided to distribute a portion of the Company's net profit generated in 2017 and a portion of net profit generated during the six months ended 30 June 2018 totaling RUB 1 billion.

25. Additional capital

Additional paid-in capital comprises contributions of shareholders received in excess of the nominal value of shares in the share capital.

26. Net assets and insurance reserve of NSPF

As at 31 December 2017, net assets of Non-State Pension Fund "BLAGOSOSTOYANIE MNC" (NSPF) were reported in a separate line of equity as the law prohibited their distribution among the participants.

(thousands of Russian rubles, unless otherwise stated)

26. Net assets and insurance reserve of NSPF (continued)

In December 2018, the Federal Law 410-FZ was amended and NSPF “BLAGOSOSTOYANIE MNC” was reorganized in NSPF Renaissance Pensions Joint-stock Company, with shares distributed in proportion to the contribution of founders of the reorganized NSPF. Reorganization of the NSPF into a joint-stock company amended the terms of distribution of the net assets. In accordance with the legislation, they may be distributed among the participants after five years following the date of the state registration. However, the insurance reserve of NSPF is a regulatory reserve, which has the purpose of guaranteeing the discharge of obligations to the NSPF customers. Insurance reserve is notto be distributed to the participants and should be accounted for separately. Therefore, it is recorded as a separate component of equity as at 31 December 2018.

27. Commitments and contingencies

Litigations and regulatory requirements

In the course of its ordinary activities of the Group, it is subject to legal claims. The claims are related to the nature of the Group’s operations (settlement of claims under insurance contracts and recovery of counter claims as part of recourse and subrogation). Management believes that legal proceedings will not result in significant non-recorded losses.

Operating leases

The future minimum lease payments under non-cancellable operating leases is presented below:

	31 December 2018	*31 December 2017*
Within one year	213 470	262 110
From one to five years	193 472	199 809
Total operating lease commitments	**406 942**	**461 919**

The Group enters into a large number of short-term leases of real estate located in Russia. The term of such leases mainly does not exceed one year.

Guarantees

As at 31 December 2018 and 31 December 2017, the Group has no guarantees issued.

Taxation

The Group operates in the Russian Federation. Certain provisions in the existing Russian tax, currency and customs legislation are not clear and unambiguous enough, which often results in their varying interpretation, selective and inconsistent application, as well as frequent and often highly unpredictable changes that may be applied retroactively. Management’s interpretation of such legislation as applied to the transactions and activities of the Group may be challenged by the relevant regional and federal authorities at any time in the future, which can result in a heavier administrative and tax burden on the Group.

Recent trends in the application and interpretation of certain provisions of the Russian tax legislation indicate that the tax authorities may take a tougher stance in interpreting and applying certain tax regulations and conducting tax audits. The tax authorities may thus challenge the Group’s transactions, operations and accounting methods that they had never challenged before. As a result, significant taxes, penalties and interest may be assessed by the relevant authorities. It is not possible to determine the amounts of constructive claims or evaluate the probability of a negative outcome. Tax audits of the accuracy of tax calculation and payment conducted by the tax authorities may cover three calendar years immediately preceding the year in which the decision to conduct a tax audit is taken. In certain circumstances they may also cover earlier periods.

(thousands of Russian rubles, unless otherwise stated)

27. Commitments and contingencies (continued)

Taxation (continued)

The Russian transfer pricing legislation allows the Russian tax authorities to apply tax base adjustments and impose additional income tax and value added tax liabilities, fines and penalties in respect of the controlled transactions if the transaction price differs from the market price and unless the Group is able to demonstrate the use of market prices with respect to the controlled transactions, and that there has been proper reporting to the Russian tax authorities, supported by appropriate available transfer pricing documentation. Management believes that the Group fully complies with transfer pricing rules, and "controlled" transaction prices are consistent with market prices.

As at 31 December 2018, Management believes that its interpretation of the relevant Russian tax legislation is appropriate and that the Group's tax, currency and customs positions will be sustained by tax authorities and courts.

28. Premium earned

			2018			***2017***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Gross written premiums, *including*:	**36 059 575**	**34 215 235**	**70 274 810**	**27 234 802**	**14 931 893**	**42 166 695**
Premiums on direct insurance	35 869 576	34 215 235	**70 084 811**	27 206 928	14 931 893	**42 138 821**
Premiums on assumed reinsurance	189 999	-	**189 999**	27 874	-	**27 874**
Gross change in unearned premium reserve	(6 186)	(45 499)	**(51 685)**	(2 149 210)	15 961	**(2 133 249)**
Gross premium earned	**36 053 389**	**34 169 736**	**70 223 125**	**25 085 592**	**14 947 854**	**40 033 446**
Reinsurers' share in the written premium	(1 445 496)	(525 486)	**(1 970 982)**	(1 039 276)	(276 581)	**(1 315 857)**
Change in reinsurers' share in reserve	(83 576)	18 904	**(64 672)**	113 371	(1 304)	**112 067**
Reinsurers' share in earned premium	**(1 529 072)**	**(506 582)**	**(2 035 654)**	**(925 905)**	**(277 885)**	**(1 203 790)**
Premium earned, net of reinsurance	**34 524 317**	**33 663 154**	**68 187 471**	**24 159 687**	**14 669 969**	**38 829 656**

(thousands of Russian rubles, unless otherwise stated)

29. Net claims incurred

			2018			***2017***
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Insurance benefits and claims paid:						
Direct insurance	16 409 031	1 991 240	**18 400 271**	13 202 016	943 535	**14 145 551**
Assumed reinsurance	9 823	-	**9 823**	22 047	-	**22 047**
Claim settlement expenses	999 592	-	**999 592**	729 598	-	**729 598**
Income from subrogation	(1 110 488)	-	**(1 110 488)**	(999 157)	-	**(999 157)**
Income from salvages	(552 699)	-	**(552 699)**	(431 979)	-	**(431 979)**
Total insurance claims paid	**15 755 259**	**1 991 240**	**17 746 499**	**12 522 525**	**943 535**	**13 466 060**
Reinsurers' share in insurance benefits and claims paid	(700 427)	(131 381)	**(831 808)**	(276 888)	(75 235)	**(352 123)**
Change in claims reserve	(239 148)	-	**(239 148)**	1 124 288	-	**1 124 288**
Change in subrogation reserve	(31 332)	-	**(31 332)**	82 544	-	**82 544**
Changes in salvages reserve	(2 885)	-	**(2 885)**	(6 216)	-	**(6 216)**
Change in long-term life insurance reserves	-	14 552 566	**14 552 566**	-	4 385 251	**4 385 251**
Gross change in claims reserve and other reserves	**(273 365)**	**14 552 566**	**14 279 201**	**1 200 616**	**4 385 251**	**5 585 867**
Reinsurers' share in change in claims reserve	**133 469**	**(176 724)**	**(43 255)**	**(577 367)**	**15 190**	**(562 177)**
Total net claims incurred	**14 914 936**	**16 235 701**	**31 150 637**	**12 868 886**	**5 268 741**	**18 137 627**

(thousands of Russian rubles, unless otherwise stated)

30. Acquisition costs

			2018			**2017**
	Non-life insurance	*Life insurance*	***Total***	*Non-life insurance*	*Life insurance*	***Total***
Agents, brokers and other intermediaries	8 493 591	16 911 241	**25 404 832**	4 186 486	8 929 337	**13 115 823**
Sellers' payroll	1 397 300	135 417	**1 532 717**	1 560 429	55 925	**1 616 354**
Direct insurance advertising costs	172 863	-	**172 863**	204 900	-	**204 900**
Other acquisition costs	2 491 407	34 491	**2 525 898**	999 364	726	**1 000 090**
Total acquisition costs *(Note 11)*	**12 555 161**	**17 081 149**	**29 636 310**	**6 951 179**	**8 985 988**	**15 937 167**
Commission income on ceded reinsurance *(Note 11)*	(96 040)	(154 748)	**(250 788)**	(62 997)	(33 361)	**(96 358)**
Change in deferred expenses for commissions to agents, brokers and other intermediaries	(85 274)	(208 614)	**(293 888)**	(166 020)	52 129	**(113 088)**
Change in deferred expenses for the sellers' payroll	192 005	-	**192 005**	(353 371)	-	**(353 371)**
Change in deferred expenses for direct insurance advertising	95 989	-	**95 989**	(9 345)	-	**(9 345)**
Change in other deferred acquisition costs	(130 982)	-	**(130 982)**	(543 123)	-	**(543 123)**
Change in deferred reinsurance commission income	(6 677)	-	**(6 677)**	(247)	-	**(247)**
Total current acquisition costs, net of reinsurance	**(30 979)**	**(363 362)**	**29 241 969**	**(1 135 103)**	**18 768**	**14 821 635**

(thousands of Russian rubles, unless otherwise stated)

31. Administrative expenses

	2018	***2017***
Payroll and other personnel benefits	2 874 883	2 247 970
Contributions to social funds	657 651	423 090
Rent of premises	515 377	336 198
Information technologies	438 785	301 350
Depreciation and amortization	333 067	252 056
Legal and advisory services	306 450	406 352
Advertising	265 903	143 864
Maintenance of property and equipment	122 141	85 265
Communications	117 232	59 441
Business travel	111 932	87 504
Bank fees	93 912	43 637
Membership fees	69 680	54 489
Audit	59 185	60 319
Office expenses	48 268	31 711
Office supplies	27 719	15 413
Security	23 984	22 566
Maintenance of motor vehicles	21 302	19 586
Recruitment services	18 528	4 025
Taxes other than income tax	14 832	26 359
Business development	9 556	13 940
Staff training	7 924	2 885
Subscriptions	1 079	745
Other expenses	260 990	235 469
Total administrative expenses	**6 400 380**	**4 874 234**

32. Net income from investing activity

	2018	***2017***
Financial assets at fair value through profit or loss:		
Gains/(losses) from sale, net	77 598	(213 726)
Interest income	1 870 289	1 356 860
Change in fair value of financial instruments	(77 373)	(661 294)
Gains from financial assets at fair value through profit or loss, net	**1 870 514**	**481 840**
Other gains from investing activities:		
Interest income		
Deposits	490 492	688 614
Corporate securities	292 739	87 876
Settlement accounts	600 447	68 344
Loans	34	7 636
	1 383 712	**852 470**
Other investment income		
Dividends accrued	279 277	34 079
Commission expense	(8 011)	(10 578)
Income from acquisition of subsidiaries	-	696 146
Gains less losses from investment property	183 038	87 786
Rental income	*225 004*	*69 579*
Maintenance	*(74 323)*	*(2 963)*
Revaluation	*32 357*	*21 170*
Other investment income	136 202	81 636
	590 506	**889 069**
Other income from investing activity, net	**1 974 218**	**1 741 539**
Total net income from investing activity	**3 844 732**	**2 223 379**

(thousands of Russian rubles, unless otherwise stated)

33. Other operating expense

	2018	*2017*
Other operating income:		
Write-off of commission to agents and brokers	181 571	137 103
Medical services	41 497	23 899
Sublease income	5 163	22 088
Return of penalty	180	361
Other income	147 639	60 039
	376 050	**243 490**
Other operating expense:		
Direct loss refund expenses	(623 627)	(334 600)
Contributions to guaranty funds	(217 297)	(142 731)
Ceded reinsurance expenses	(76 580)	-
Allowance for impairment of other assets	(10 810)	(22 165)
Contributions to reserve of current compensation payments	(3 095)	(72 375)
Other expenses	(185 660)	(215 964)
	(1 117 069)	**(787 835)**
Total other operating expense	**(741 019)**	**(544 345)**

34. Risk management

Financial risk management is an essential element of the Group's operations. The main financial risks the Group is exposed to are insurance risk, credit risk, liquidity risk and risks related to fluctuations of interest rates and stock market indices, as well as currency risk.

Risk management policy is focused on the identification, analysis and management of risks the Group is exposed to, the establishment of risk limits and respective controls, and the continued measurement of risks and compliance with the set limits. The risk management policies and procedures are reviewed regularly to reflect changes in market conditions, insurance products and services offered and emerging best practices.

The Board of Directors is responsible for proper operation of risk management controls, management of key risks and approval of risk management policies and procedures, as well as approval of major transactions.

Management is responsible for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

Both internal and external risk factors are identified and managed within the organizational structure of the Group.

Capital management policy

The Group seeks to improve the structure and sources of capital to ensure continuous increase of income attributable to the participants.

The Group is subject to requirements of the Russian regulators. Such requirements do not only prescribe approval and monitoring of activities, but also impose certain restrictive provisions (e.g. capital adequacy requirement) to mitigate a risk of default and insolvency of insurance companies to meet unforeseen liabilities as they arise.

For regulatory purposes, the Group uses a solvency margin concept, prescribed by the Bank of Russia. As at 31 December 2018 and 31 December 2017, insurance companies of the Group complied with all requirements to the solvency margin.

34. Risk management (continued)

Insurance risks

The Group is exposed to insurance risk, which results from the fact that the ultimate payment under insurance contracts or time of their execution may significantly differ from the Group's estimates due to various reasons: frequency of claims, amounts of claims, development of claims with lengthy handling period. The main objective of the Group is to ensure that insurance reserves are sufficient to discharge its obligations under the insurance contracts.

The Group maintains control over the insurance risk through diversifying its portfolio, underwriting procedures to control the insurance loss by the type of business, as well as reinsurance to decrease a risk of loss in the amount exceeding the risk the Group is ready to accept.

The main types of insurance contracts entered by the Group are as follows: motor insurance, life insurance, health insurance and property insurance. In 2018, the respective shares of motor insurance, life insurance, health insurance and property and other insurance in the total premium earned were 27.0%, 48.7%, 8.8% and 15.6%, while the reinsurance shares were 2.6%, 1.5%, 0.9% and 9.0%, respectively. In 2017, the respective shares of motor insurance, life insurance, health insurance and property and other insurance in the total premium earned were 37.2%, 37.4%, 13.3% and 12.1%, while the reinsurance shares were 2.1%,1.9%, nil and 12.73%, respectively. The distribution reflects concentration of the insurance risks of the Group.

Outwards reinsurance contracts may have different conditions (quota share, excess of loss, surplus, stop loss), own retention limits that vary depending on the location and business line.

1) Life insurance contracts

The Group principally enters into the following types of life insurance contracts: (1) life insurance where the life of the policyholder is insured against death or permanent disability, usually for a pre-determined amount, and (2) contracts related to survival of the policyholder until a specific date or term.

The Group's underwriting strategy is designed to ensure that insurance risk is diversified. The diversification effect is largely achieved through diversification of the portfolio by professional activity of the insured persons and by geographical region.

To efficiently manage insurance risk, the Group relies on the results of medical checks to ensure that the pricing is based on the relevant health data of the insured persons. In addition, the Group analyzes actual losses and updates pricing procedures on a regular basis. The limits set at the Company level help to monitor insurance risk exposures.

For contracts where death or permanent disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more frequent receipt of claims than expected.

The Group set its own risk limits at RUB 1 365 000 per each risk under group life and accident insurance contracts, RUB 1 000 000 per each risk under life and accident insurance contracts for borrowers, RUB 400 000 per each risk under individual life and accident insurance contracts. Any amount in excess of the limits must be fully reinsured with major reinsurance companies that were assigned a high credit rating by top international rating agencies, i.e. at least AA (Standard & Poor's), Aa3 (Moody's) or A+ (Fitch Ratings).

All new products issued by the Group are subject to profit-testing procedures and are authorized by Management.

34. Risk management (continued)

Insurance risks (continued)

Key assumptions

Assumptions in use are based on past experience, current internal data, benchmarks which reflect current observable market prices, and other published information. Relevant and conservative assumptions are selected at the estimation date.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

Mortality and morbidity rates

Assumptions are based on national mortality tables as at 1997, adjusted to the type of contract, for which risks are assumed, and the territory where the insured person resides, reflecting recent historical mortality data. They are adjusted where appropriate to reflect the Group's own experiences. For contracts that are related to the risk of longevity, an appropriate assumption is made with respect to expected future improvement of longevity. Assumptions are differentiated by sex, age of the insured person, underwriting class and contract type.

For credit life insurance contracts, the Group developed certain underwriting ratios for each bank to align reserving and pricing based on differences in mortality assumptions.

An increase in mortality rates will lead to a larger number of claims and claims will occur sooner than anticipated, which will increase the expenditure and reduce profits for the participants.

Investment income

The weighted average rate of return is derived from the model portfolio that is assumed to secure liabilities, consistent with the long term asset allocation strategy. These estimates are based on current market rates, as well as expectations about future economic and financial developments.

A decrease in investment return would lead to a reduction in income and decreasing profits for the participants.

Expenses

Assumptions related to operating expenses reflect the projected costs of maintaining and servicing of current policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base.

An increase in the level of expenses would result in an increase in expenditure, thus reducing profits for the participants.

Sensitivity

The table below indicates the impact of various reasonable changes in key actuarial assumptions on the Group's estimation of reserves.

The table demonstrates the effect of change in individual assumptions with all other assumptions held constant. The correlation of assumptions has a significant effect on the procedure for determining the ultimate insurance claim liabilities. However, in order to demonstrate the impact of changes in key assumptions on insurance claim liabilities, these changes should be introduced on an individual basis.

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Insurance risks (continued)

The effect of change in key assumptions on the actuarial reserve as at 31 December 2018 is as follows:

Key life insurance business lines	***Increase in discount rate by 300 basis points***		***Increase in early termination rate by 25%***		***Increase in mortality rate by 10%***	
Endowment business	(821 141)	-17.99%	(263 267)	-6.12%	2 537	0.06%
Investment insurance	(1 553 839)	-5.94%	(4 314)	-0.02%	(1 974)	-0.01%
Credit life insurance	(19 282)	-4.42%	(106)	-0.02%	(19 873)	-4.55%
Pension and other insurance	(38 180)	-7.02%	(167)	-0.03%	-	0.00%

Key life insurance business lines	***Decrease in discount rate by 300 basis points***		***Decrease in early termination rate by 25%***		***Decrease in mortality rate by 10%***	
Endowment business	1 120 634	24.55%	321 663	7.05%	(3 468)	-0.08%
Investment insurance	1 726 285	6.60%	2 311	0.01%	1 972	0.01%
Credit life insurance	21 170	4.85%	(98)	-0.02%	19 650	4.50%
Pension and other insurance	51 498	9.47%	469	0.09%	-	0.00%

The effect of change in key assumptions on the actuarial reserve as at 31 December 2017 is as follows:

Key life insurance business lines	***Increase in discount rate by 300 basis points***		***Increase in early termination rate by 25%***		***Increase in mortality rate by 10%***	
Endowment business	(619 814)	-20.18%	(189 684)	-6.58%	(41 412)	-1.35%
Investment insurance	(928 096)	-6.89%	(3 426)	-0.03%	(7 550)	-0.06%
Credit life insurance	(11 390)	-2.52%	32	0.01%	(17 121)	-3.79%
Pension and other insurance	(36 043)	-7.30%	(1 948)	-0.40%	-	0.00%

Key life insurance business lines	***Decrease in discount rate by 300 basis points***		***Decrease in early termination rate by 25%***		***Decrease in mortality rate by 10%***	
Endowment business	1 149 008	37.40%	210 354	6.85%	30 772	1.00%
Investment insurance	1 045 952	7.77%	2 381	0.02%	6 774	0.05%
Credit life insurance	12 076	2.67%	(537)	-0.12%	16 578	3.67%
Pension and other insurance	49 682	10.06%	2 491	0.50%	-	0.00%

2) Non-life insurance contracts

Key assumptions

The amount of outstanding claims reserve is derived based on the assessment of future outstanding liabilities to pay all claims, whether reported or not, that are incurred at the reporting date.

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Key assumptions (continued)

The amount of outstanding claims reserve is derived based on all information available as at the reporting date, including outstanding loss notifications, experience with similar claims and court practice. The Group applies a number of statistical methods to estimate the ultimate amount of claims. The most common techniques include Chain Ladder and Bornhuetter-Ferguson methods. Depending on the observable development of claims, the Group can apply different methods or combination of methods for different types of insurance.

The principal assumption underlying the estimates is the Group's past claims development experience. This includes assumptions in respect of claims costs, inflationary pressure, and caution in estimating the claims, delays in notification and handling. Judgment is used to assess the extent to which external factors, such as judicial decisions and changes in legislation, affect the estimates.

Claims reserves are analyzed separately for each type of insurance. Major claims are mostly estimated on an individual basis and are calculated on a case-by-case basis or are forecast individually to foresee how the development and occurrence of those major claims can be potentially distorted.

Sensitivity

Non-life insurance claims reserves are sensitive to the above key assumptions. Due to delays in occurrence, subsequent notification and final handling, there is no certainty in the amount outstanding claims reserve as at the end of the reporting period.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. Since the number of claims and the average claim amount are multipliers of the marginal loss and have similar impact on claims reserve, the Group estimates the change in number of claims only. It should be noted that changes in the assumptions are non-linear.

				2018
	Before changes	*After changes*	*Effect on profit before tax*	*Effect on equity*
Change in the number of motor insurance claims occurred in the last quarter of the reporting period:				
10% increase	3 585 612	3 814 020	(228 408)	(182 726)
10% decrease	3 585 612	3 358 976	226 636	181 309

				2017
	Before changes	*After changes*	*Effect on profit before tax*	*Effect on equity*
Change in the number of motor insurance claims occurred in the last quarter of the reporting period:				
10% increase	4 252 425	4 533 035	(280 610)	(224 488)
10% decrease	4 252 425	3 971 414	281 011	224 809

34. Risk management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Group sets limits on net risk exposure for each counterparty or a group of counterparties by each reinsurance company or a group of companies, as well as by geographical area. Limits on the level of credit risk by counterparty and reinsurer companies are approved by the Board of Directors on a regular basis. Such risks are monitored on a continuous basis and are subject to annual reviews.

The Group regularly monitors insurance receivables and reinsurance assets. Doubtful debt are provided for in the financial statements (Note 18).

Reinsurance

The Group limits its exposure to risk by means of reinsurance arrangements, both obligatory and facultative with Russian and foreign reinsurers. Insurance risk is ceded to reinsurance on different terms (quota share, excess of loss, surplus, stop loss) with retention limits varying by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims reserve and are presented in the statement of financial position as reinsurer's share in the unearned premium reserve and claims reserves.

Even though the Group may have reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance, to the extent that any reinsurer may be unable to meet its obligations assumed under such reinsurance agreements.

The Group is neither dependent on a single reinsurer nor a single reinsurance contract. The Group evaluates financial position of its reinsurers and monitors concentration of credit risks to minimize its exposure to significant losses from reinsurers' insolvencies.

Investments

The Group follows a number of principles in its investment policies: it invests only in instruments with an appropriate return and ensures that its investments offer a high degree of security. Sufficient liquidity is also important at all times and a targeted diversification in terms of type of investment is applied. Russian insurance companies are highly regulated by insurance supervisors in this area and they are not allowed to act as a professional participant in the securities' market. For this reason, the Group performs its investment activity through banks, trust managers or brokers.

Credit exposure by credit rating

The Group determines credit risk exposure of its financial assets by classifying them according to the credit ratings of counterparties. The internal rating system is supported by financial analytics combined with available market information to measure counterparty risk.

Financial assets are rated as follows:

- *High credit quality* – financial assets characterized by remote possibility of credit loss:
  - Cash and cash equivalents – current accounts, overnights and cash in hands except for cash in transit and frozen accounts
  - Amounts due from credit institutions – bank deposits and interest accrued on bank deposits
  - Loans and other receivables − amounts on brokerage accounts controlled by trust managers
  - Reinsurance assets − amounts due from insurers/reinsurers with high credit rating (BBB+ or higher under Standard & Poor's international scale or similar ratings assigned by other agencies).

34. Risk management (continued)

Credit risk (continued)

- *Standard credit quality* – financial assets characterized by normal creditworthiness:
  - Cash and cash equivalents – cash in transit
  - Insurance and reinsurance receivables – receivables not past due
  - Financial assets at fair value through profit or loss – quoted corporate shares, corporate, state and municipal bonds, other financial assets except for assets of non-standard quality
  - Loans and other receivables − promissory notes and loans issued to related companies, employees and other companies with good credit history
  - Available-for-sale financial assets – quoted and unquoted corporate shares and bonds except for shares of non-standard quality
  - Reinsurance assets − amounts due from insurers/reinsurers with normal credit rating (B or higher under Standard & Poor's international scale or similar ratings assigned by other agencies)
  - Other assets − trade and other receivables excluding those reserved
- *Substandard credit quality* − financial assets characterized by low creditworthiness:
  - Financial assets at fair value through profit or loss – corporate shares, corporate, state and municipal bonds, other financial assets that have default indicators
  - Loans and other receivables − promissory notes and loans issued to companies with significant receivables past due
  - Available-for-sale financial assets – traded and non-traded corporate shares and bonds of companies that cannot fulfill their obligation in part
  - Reinsurance assets − amounts due from insurers/reinsurers with low credit rating or without any credit rating
- Past due but not impaired – insurance and reinsurance receivables that are past due but have no indicators of impairment. This category of assets arises in the course of the Group's ordinary activities and results from deferring payments from intermediaries and delays in identification and referencing of payments to certain insurance and reinsurance contracts.

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Credit risk (continued)

31 December 2018	*Neither past due nor impaired* High	*Neither past due nor impaired* Standard	*Neither past due nor impaired* Substandard	*Past due but not impaired*	*Impaired*	***Total***
Cash and cash equivalents	7 800 744	30 587	-	-	-	**7 831 331**
Amounts due from credit institutions	11 899 216	-	-	-	-	**11 899 216**
Financial assets at fair value through profit or loss	-	51 367 705	-	-	-	**51 367 705**
Loans and other receivables	9 860	202 766	-	-	-	**212 626**
Available-for-sale financial assets	-	3 738 749	-	-	-	**3 738 749**
Insurance and reinsurance receivables	-	2 219 934	2 057 294	861 630	499 834	**5 638 692**
Reinsurance assets	1 809 276	33 968	34 870	-	-	**1 878 114**
Other assets	-	196 093	-	-	65 193	**261 286**
Total	**21 519 096**	**57 789 802**	**2 092 164**	**861 630**	**565 027**	**82 827 719**

31 December 2017	*Neither past due nor impaired* High	*Neither past due nor impaired* Standard	*Neither past due nor impaired* Substandard	*Past due but not impaired*	*Impaired*	***Total***
Cash and cash equivalents	10 240 730	2 162 880	2 527	-	-	**12 406 137**
Amounts due from credit institutions	9 315 241	-	-	-	-	**9 315 241**
Financial assets at fair value through profit or loss	1 656 858	28 802 835	31 964	-	-	**30 491 657**
Loans and other receivables	-	9 675	-	-	-	**9 675**
Available-for-sale financial assets	-	3 627 417	-	-	-	**3 627 417**
Insurance and reinsurance receivables	6 945	2 718 765	825 680	820 643	497 695	**4 869 728**
Reinsurance assets	1 856 823	16 952	25 756	-	-	**1 899 531**
Other assets	-	193 638	-	-	-	**193 638**
Total	**23 076 597**	**37 532 162**	**885 927**	**820 643**	**497 695**	**62 813 024**

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Credit risk (continued)

Information on assets past due but not impaired is as follows:

31 December 2018	*Less than 30 days*	*31-90 days*	*91-180 days*	*More than 180 days*	*Total past due but not impaired*
Insurance and reinsurance receivables	616 335	137 681	74 495	33 119	861 630
Total	**616 335**	**137 681**	**74 495**	**33 119**	**861 630**

31 December 2017	*Less than 30 days*	*31-90 days*	*91-180 days*	*Total past due but not impaired*
Insurance and reinsurance receivables	713 454	99 031	8 158	**820 643**
Total	**713 454**	**99 031**	**8 158**	**820 643**

The geographical concentration of the Group's financial assets and liabilities is set out below:

	2018			***2017***		
	Russia	***Other countries***	***Total***	***Russia***	***Other countries***	***Total***
Financial assets						
Cash and cash equivalents	7 671 262	160 069	**7 831 331**	12 395 581	10 556	12 406 137
Amounts due from credit institutions	11 899 216	-	**11 899 216**	9 315 241	-	9 315 241
Financial assets at fair value through profit or loss	51 107 344	260 361	**51 367 705**	30 440 131	51 526	30 491 657
Loans and other receivables	212 626	-	**212 626**	9 675	-	9 675
Available-for-sale financial assets	2 835 788	902 961	**3 738 749**	2 826 472	800 945	3 627 417
Insurance and reinsurance receivables	4 951 142	187 716	**5 138 858**	4 325 342	46 691	4 372 033
Reinsurance assets	933 293	444 555	**1 377 848**	536 258	795 806	1 332 064
Other financial assets	10 521	-	**10 521**	19 761	-	19 761
Total financial assets	**79 621 192**	**1 955 662**	**81 576 854**	**59 868 461**	**1 705 524**	**61 573 985**
Financial liabilities						
Insurance contract liabilities	40 014 691	60 959	**40 075 650**	25 732 222	30 008	25 762 230
Other insurance liabilities	3 557 593	47 760	**3 605 353**	3 365 044	126 504	3 491 548
Borrowings	2 508 121	-	**2 508 121**	2 708 795	-	2 708 795
Other financial liabilities	1 721 754	475	**1 722 229**	1 412 327	394	1 412 721
Total financial liabilities	**47 802 159**	**109 194**	**47 911 353**	**33 218 388**	**156 906**	**33 375 294**
Net position	**31 819 033**	**1 846 468**	**33 665 501**	**26 650 073**	**1 548 618**	**28 198 691**

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in raising funds to meet its commitments. Liquidity risk occurs where the maturities of assets and liabilities do not match.

Liquidity risk primarily depends on fulfillment of obligations under insurance and investment contracts. Liquidity risk is controlled by the Group weekly on a centralized basis. Detailed planning ensures timely repayment of term claims by the Group even in case of significant amounts to be repaid under insurance contracts.

The table below analyzes assets and liabilities of the Group by their relevant maturity group based on the remaining period at the reporting date to their contractual or expected maturities.

					31 December 2018
	Less than 1 year	*1-3 years*	*More than 3 years*	*Indefinite period*	***Total***
Financial assets					
Cash and cash equivalents	7 831 331	-	-	-	**7 831 331**
Amounts due from credit institutions	8 805 831	2 605 385	-	488 000	**11 899 216**
Financial assets at fair value through profit or loss	51 367 705	-	-	-	**51 367 705**
Loans and other receivables	10 580	-	202 046	-	**212 626**
Available-for-sale financial assets	1 068 509	1 767 279	-	902 961	**3 738 749**
Insurance and reinsurance receivables	4 789 147	243 963	6 782	98 966	**5 138 858**
Reinsurance assets	852 253	388 091	137 504	-	**1 377 848**
Other financial assets	10 521	-	-	-	**10 521**
Total financial assets	**74 735 877**	**5 004 718**	**346 332**	**1 489 927**	**81 576 854**
Financial liabilities					
Insurance contract liabilities	13 045 694	21 056 835	5 973 121	-	**40 075 650**
Other insurance liabilities	3 286 017	319 058	278	-	**3 605 353**
Borrowings	808 121	1 700 000	-	-	**2 508 121**
Other financial liabilities	1 655 227	67 002	-	-	**1 722 229**
Total financial liabilities	**18 795 059**	**23 142 895**	**5 973 399**	**-**	**47 911 353**
Net position	**55 940 818**	**(18 138 177)**	**(5 627 067)**	**1 489 927**	**33 665 501**

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Liquidity risk (continued)

					31 December 2017
	Less than 1 year	*1-3 years*	*More than 3 years*	*Indefinite period*	***Total***
Financial assets					
Cash and cash equivalents	12 406 137	-	-	-	**12 406 137**
Amounts due from credit institutions	5 236 954	3 727 415	-	350 872	**9 315 241**
Financial assets at fair value through profit or loss	30 491 657	-	-	-	**30 491 657**
Loans and other receivables	9 675	-	-	-	**9 675**
Available-for-sale financial assets	22 162	1 078 057	1 726 253	800 945	**3 627 417**
Insurance and reinsurance receivables	4 332 285	3 746	451	35 551	**4 372 033**
Reinsurance assets	861 687	368 927	101 450	-	**1 332 064**
Other financial assets	19 761				**19 761**
Total financial assets	**53 380 318**	**5 178 145**	**1 828 154**	**1 187 368**	**61 573 985**
Financial liabilities					
Insurance contract liabilities	8 461 734	10 771 724	6 528 772	-	**25 762 230**
Other insurance liabilities	3 491 483	64	1	-	**3 491 548**
Borrowings	1 708 795	1 000 000	-	-	**2 708 795**
Other financial liabilities	1 412 721	-	-	-	**1 412 721**
Total financial liabilities	**15 074 733**	**11 771 788**	**6 528 773**	**-**	**33 375 294**
Net position	**38 305 585**	**(6 593 643)**	**(4 700 619)**	**1 187 368**	**28 198 691**

Market risk

Market risk is the risk that the fair value of a financial instrument or future cash flows of this financial instrument will fluctuate because of changes in market prices. Market risk includes three types of risk: currency risk, interest rate risk and market price risk. The Group manages market risk through periodic estimation of potential losses that could arise from changes in market prices and by establishing and maintaining appropriate stop-loss limits.

Currency risk

The Group has assets and liabilities denominated in several foreign currencies. Foreign currency risk arises when the actual or forecast assets in a foreign currency are either greater or less than the actual or forecast liabilities in that currency. The table below shows an analysis of assets and liabilities by main currency:

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Market risk (continued)

Currency risk (continued)

					31 December 2018
	RUB	*USD*	*EUR*	*Other*	***Total***
Financial assets					
Cash and cash equivalents	7 178 274	612 634	40 390	33	**7 831 331**
Amounts due from credit institutions	11 725 278	173 938	-	-	**11 899 216**
Financial assets at fair value through profit or loss	49 713 041	741 612	913 052	-	**51 367 705**
Loans and other receivables	10 580	202 046	-	-	**212 626**
Available-for-sale financial assets	2 798 919	939 830	-	-	**3 738 749**
Insurance and reinsurance receivables	4 934 528	56 780	147 539	11	**5 138 858**
Reinsurance assets	1 269 232	51 579	50 713	6 324	**1 377 848**
Other financial assets	10 521	-	-	-	**10 521**
Total financial assets	**77 640 373**	**2 778 419**	**1 151 694**	**6 368**	**81 576 854**
Financial liabilities					
Insurance contract liabilities	35 969 106	1 505 598	2 188 917	412 029	**40 075 650**
Other insurance liabilities	3 498 887	57 221	48 834	411	**3 605 353**
Borrowings	2 508 121	-	-	-	**2 508 121**
Other financial liabilities	1 721 754	475	-	-	**1 722 229**
Total financial liabilities	**43 697 868**	**1 563 294**	**2 237 751**	**412 440**	**47 911 353**
Net position	**33 942 505**	**1 215 125**	**(1 086 057)**	**(406 072)**	**33 665 501**

					31 December 2017
	RUB	*USD*	*EUR*	*Other*	***Total***
Financial assets					
Cash and cash equivalents	11 740 764	478 809	186 526	38	**12 406 137**
Amounts due from credit institutions	9 315 241	-	-	-	**9 315 241**
Financial assets at fair value through profit or loss	29 953 903	457 459	80 295	-	**30 491 657**
Loans and other receivables	9 675	-	-	-	**9 675**
Available-for-sale financial assets	2 794 621	832 796	-	-	**3 627 417**
Insurance and reinsurance receivables	4 255 961	51 001	65 050	21	**4 372 033**
Reinsurance assets	1 110 679	151 729	69 518	138	**1 332 064**
Other financial assets	19 761	-	-	-	**19 761**
Total financial assets	**59 200 605**	**1 971 794**	**401 389**	**197**	**61 573 985**
Financial liabilities					
Insurance contract liabilities	21 968 254	1 147 180	2 283 610	363 186	**25 762 230**
Other insurance liabilities	3 389 444	29 130	72 948	26	**3 491 548**
Borrowings	2 708 795	-	-	-	**2 708 795**
Other financial liabilities	1 412 292	394	35	-	**1 412 721**
Total financial liabilities	**29 478 785**	**1 176 704**	**2 356 593**	**363 212**	**33 375 294**
Net position	**29 721 820**	**795 090**	**(1 955 204)**	**(363 015)**	**28 198 691**

(thousands of Russian rubles, unless otherwise stated)

34. Risk management (continued)

Market risk (continued)

Currency risk (continued)

The following table demonstrates sensitivity of the Group's net profit and equity to changes in the US dollar and euro exchange rates.

		31 December 2018			*31 December 2017*	
Currency	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
USD	13.96%	(13 865)	(11 092)	10.04%	(23 471)	(18 776)
USD	-13.96%	13 865	11 092	-10.04%	23 471	18 776
EUR	13.67%	(436 030)	(348 824)	11.38%	(477 297)	(381 838)
EUR	-13.67%	436 030	348 824	-11.38%	477 297	381 838

Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Group's income or the value of portfolio of financial instruments. The Group monitors interest rates on bonds to ensure there is no significant interest rate risk or consequential cash flow risk.

The table below analyzes the effect of changes in interest rates on the Group's key indicators:

		31 December 2018			*31 December 2017*	
Variables	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
Financial assets at fair value through profit or loss						
Parallel shift of the interest rate curve, RUB	-106 basis points	466 201	372 961	-89 basis points	276 549	221 239
Parallel shift of the interest rate curve, RUB	+106 basis points	(465 834)	(372 667)	+87 basis points	(269 423)	(215 539)
Parallel shift of the interest rate curve, USD	-129 basis points	1 410	1 128	-139 basis points	7 494	5 995
Parallel shift of the interest rate curve, USD	+31 basis points	(335)	(268)	+40 basis points	(2 160)	(1 728)
Parallel shift of the interest rate curve, EUR	-18 basis points	78	62	-18 basis points	1 066	853
Parallel shift of the interest rate curve, EUR	+18 basis points	(78)	(62)	+18 basis points	(1 066)	(853)
Available-for-sale financial assets						
Parallel shift of the interest rate curve, RUB	-96 basis points	42 187	33 750	-70 basis points	44 824	35 859
Parallel shift of the interest rate curve, RUB	+96 basis points	(42 178)	(33 743)	+68 basis points	(43 205)	(34 564)
Parallel shift of the interest rate curve, USD	-134 basis points	41	33	-150 basis points	40	32
Parallel shift of the interest rate curve, USD	+49 basis points	(15)	(12)	+63 basis points	(17)	(14)

(thousands of Russian rubles, unless otherwise stated)

34 Risk management (continued)

Market risk (continued)

Market price risk

The Group's market price risk exposure relates to financial assets and liabilities whose fair values will fluctuate as a result of changes in market prices.

These changes may result from the factors inherent to certain financial instruments or its issuer, as well as the factors that impact all similar financial instruments traded in the market.

The Group manages market price risk by setting objectives and constraints on investments, establishing diversification plans, restricting investments in certain countries, industries and markets, as well as by careful and planned use of derivative financial instruments.

		31 December 2018			***31 December 2017***	
Market indices	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*	*Changes in parameters*	*Effect on profit before tax*	*Effect on equity*
IMOEX	17.19%	1 013 149	810 519	13.27%	85 865	68 692
IMOEX	-17.19%	(1 013 149)	(810 519)	-13.27%	(85 865)	(68 692)

35. Fair value of financial assets

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Fair value is best evidenced by the financial instrument's quoted price in the active market.

The estimated fair value of financial instruments is determined by the Group based on the available market information (if any) and appropriate valuation techniques. Management uses its own judgment in allocating financial assets to a particular level of the fair value hierarchy.

Assets for which carrying amount approximates fair value

For financial assets and financial liabilities having a short-term maturity (less than three months), demand deposits and savings accounts without a specific maturity it is assumed that their carrying amounts approximate their fair values.

Fixed rate financial instruments

The estimated fair value of unquoted debt financial instruments is based on discounting future cash flows using prevailing levels of interest rates for debt instruments having similar credit risk and remaining maturities.

The Group estimates fair values of financial instruments recorded in the statement of financial position using the fair value hierarchy that reflects the significance of the inputs used in making the estimates (*Note 6*).

(thousands of Russian rubles, unless otherwise stated)

35. Fair value of financial assets (continued)

The following table provides the fair value measurement hierarchy of the Group's assets and liabilities.

Quantitative disclosures of the fair value measurement hierarchy of assets as at 31 December 2018 are as follows:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain*	***Total***
Assets measured at fair value					
Financial assets at fair value through profit or loss	48 947 688	2 420 017	-	-	**51 367 705**
Available-for-sale financial assets	36 869	2 798 919	902 961	-	**3 738 749**
Investment property	-	-	1 857 593	-	**1 857 593**
Total assets measured at fair value	**48 984 557**	**5 218 936**	**2 760 554**	**-**	**56 964 047**
Assets for which fair values are disclosed					
Cash and cash equivalents	7 831 331	-	-	-	**7 831 331**
Amounts due from credit institutions	-	11 899 216	-	-	**11 899 216**
Loans and other receivables	-	-	212 626	-	**212 626**
Other assets	-	-	855 019	-	**855 019**
Total assets for which fair values are disclosed	**7 831 331**	**11 899 216**	**1 067 645**	-	**20 798 192**
Liabilities for which fair values are disclosed					
Borrowings	-	2 485 320	-	22 801	**2 508 121**
Other liabilities	-	-	2 081 989	-	**2 081 989**
Total liabilities for which fair values are disclosed	**-**	**2 485 320**	**2 081 989**	**22 801**	**4 590 110**

(thousands of Russian rubles, unless otherwise stated)

35. Fair value of financial assets (continued)

In the reporting period, financial assets at fair value through profit or loss of RUB 1 804 552 thousand, RUB 712 thousand and RUB 2 799 thousand were transferred from Level 1 to Level 2, from Level 3 to Level 1 and from Level 3 to Level 2 of the fair value hierarchy, respectively.

Quantitative disclosures of the fair value measurement hierarchy of assets as at 31 December 2017 are as follows:

	Fair value measurement using				
	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Unrecognized gain*	***Total***
Assets measured at fair value					
Financial assets at fair value through profit or loss	30 481 478	-	10 179	-	**30 491 657**
Available-for-sale financial assets	31 851	2 794 621	800 945	-	**3 627 417**
Investment property	-	-	1 825 236	-	**1 825 236**
Total assets measured at fair value	**30 513 329**	**2 794 621**	**2 636 360**	**-**	**35 944 310**
Assets for which fair values are disclosed					
Cash and cash equivalents	12 406 137	-	-	-	**12 406 137**
Amounts due from credit institutions	-	9 315 241	-	-	**9 315 241**
Loans and other receivables	-	-	9 675	-	**9 675**
Other assets	-	-	1 025 302	-	**1 025 302**
Total assets for which fair values are disclosed	**12 406 137**	**9 315 241**	**1 034 977**	**-**	**22 756 355**
Liabilities for which fair values are disclosed					
Borrowings	-	2 665 928	-	42 867	**2 708 795**
Other liabilities	-	-	1 606 835	-	**1 606 835**
Total liabilities for which fair values are disclosed	**-**	**2 665 928**	**1 606 835**	**42 867**	**4 315 630**

In 2017, there were no transfers between levels of the fair value hierarchy.

(thousands of Russian rubles, unless otherwise stated)

35. Fair value of financial assets (continued)

Movements in Level 3 assets and liabilities measured at fair value

The following table shows a reconciliation of the opening and closing amount of Level 3 assets and liabilities that are recorded at fair value:

	At 1 January 2018	*Gains/(losses) recorded in profit or loss*	*Gains/(losses) recorded in equity*	*Transfers between levels*	*Currency revaluation*	*At 31 December 2018*
Financial assets at fair value through profit or loss	10 179	(8 825)	-	(3 511)	2 157	**-**
Available-for-sale financial assets	800 945	-	105 117	-	(3 101)	**902 961**
Investment property	1 825 236	32 357	-	-	-	**1 857 593**
	2 636 360	**23 532**	**105 117**	**(3 511)**	**(944)**	**2 760 554**

	At 1 January 2017	*Gains/(losses) recorded in profit or loss*	*Gains/(losses) recorded in equity*	*Additions*	*Disposal due to reclassification of investments to subsidiaries*	*At 31 December 2017*
Financial assets at fair value through profit or loss	-	(5 289)	-	15 468	-	**10 179**
Available-for-sale financial assets	4 159 288	-	(180 010)	-	(3 178 333)	**800 945**
Investment property	-	21 170	-	1 804 066	-	**1 825 236**
	4 159 288	**15 881**	**(180 010)**	**1 819 534**	**(3 178 333)**	**2 636 360**

(thousands of Russian rubles, unless otherwise stated)

36. Related party transactions

					2018
	Shareholders	*Key management personnel*	*Other*	*Total related parties*	*Total category*
Assets and liabilities					
Cash and cash equivalents	-	-	69 893	69 893	**7 831 331**
Amounts due from credit institutions	-	-	1 956 707	1 956 707	**11 899 216**
Available-for-sale financial assets	-	-	2 799 571	2 799 571	**3 738 749**
Insurance and reinsurance receivables	2	113	75	190	**5 138 858**
Other assets	-	8 429	215	8 644	**855 019**
Insurance contract liabilities	4	1 094	507	1 605	**57 656 368**
Other insurance liabilities	1	-	5 739	5 740	**4 529 916**
Other liabilities	-	226 970	1 412	228 382	**2 081 989**
Income and expenses					
Gross insurance premiums	14	2 073	3 086	5 173	**70 274 810**
Insurance benefits and claims paid	-	-	(18 080)	(18 080)	**(17 746 499)**
Acquisition costs, net	-	1	(94 913)	(94 912)	**(29 241 969)**
Administrative expenses	-	(388 573)	(49 693)	(438 266)	**(6 400 380)**
Other income from investing activity, net	-	-	416 360	416 360	**1 974 218**
Other operating income/(expense), net	548	(892)	(4 891)	(5 235)	**(741 019)**

					2017
	Shareholders	*Key management personnel*	*Other*	*Total related parties*	*Total category*
Assets and liabilities					
Cash and cash equivalents	-	-	46 750	46 750	**12 406 137**
Amounts due from credit institutions	-	-	844 437	844 437	**9 315 241**
Available-for-sale financial assets	-	-	2 794 621	2 794 621	**3 627 417**
Insurance and reinsurance receivables	2	4	-	6	**4 372 033**
Other assets	-	14 863	1 659	16 522	**1 025 302**
Insurance contract liabilities	1	40	-	41	**43 325 482**
Other insurance liabilities	-	-	23 961	23 961	**3 973 511**
Other liabilities	-	9 653	7 694	17 347	**1 606 835**
Income and expenses					
Gross insurance premiums	15	2 873	31 175	34 063	**42 166 695**
Insurance benefits and claims paid	-	-	(16 133)	(16 133)	**(13 466 060)**
Acquisition costs, net	-	-	(8 266)	(8 266)	**(14 821 635)**
Administrative expenses	-	(501 919)	(35 679)	(537 598)	**(4 874 234)**
Other income from investing activity, net	31 630	-	72 932	104 562	**1 741 539**
Interest expenses, net	-	-	955	955	**(431 192)**
Other operating income/(expense), net	(1 162)	5	(19 405)	(20 562)	**(544 345)**

Administrative expenses include the total remuneration to the key management personnel, which amounted to RUB 388 573 thousand in 2018 (2017: RUB 501 919 thousand). This includes short-term payments only.

Transactions and balances with other related parties mainly include transactions and balances with JSCB Absolut Bank PJSC and TransFin-M PJSC.

37. Subsequent events

In January 2019, the Group repaid RUB 800 million under a loan issued by the Credit Bank of Moscow PJSC, which was outstanding as at 31 December 2018. In the same month, the Group opened a new credit facility at the Credit Bank of Moscow PJSC with a withdrawal limit of RUB 700 million. The credit facility matures in October 2019.

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