



SAFMAR

Financial investments

Annual Report 2020

// LEVEL UP: ON THE POINT OF TRANSFORMATION

/// About This Report

In this Annual Report, the terms 'PJSC 'SAFMAR Financial investments', 'SFI', 'Company', 'holding company', 'holding' and 'we' in various forms refer to all companies whose results are consolidated in the 2020 IFRS financial statements of PJSC SAFMAR Financial Investments. This Annual Report should be read together with our 2020 audited financial statements (IFRS).

This Report has been prepared taking into account the best practices in corporate reporting and disclosure, and in accordance with Bank of Russia Regulation No. 454-P dated

30 December 2014, On information disclosure by issuers of equity securities and recommendations of the Bank of Russia's Corporate Governance Code.

The list of terms and abbreviations used herein can be found on page 106 of the Annual Report.

This Annual Report was approved by the Board of Directors on 20 May 2021.

The Company's Revision Commission confirmed the accuracy of the data presented in this Annual Report.

DISCLAIMER

This Report has been prepared by PJSC SAFMAR Financial Investments (the 'Company') as prescribed by the applicable law.

This Report is for information purposes only and does not constitute an offer or a solicitation of an offer to make any transactions in relation to goods, work or services, as well as securities or other investment instruments.

This Report contains certain estimates and forward-looking statements as to financial performance of the Company's specific businesses and other matters concerning their operations. Any and all statements which do not contain historical facts are forward-looking by nature and therefore involve certain risks and uncertainties. There is no guarantee that these statements will prove accurate: actual results in future may differ considerably from the estimates. These statements are based on a balanced assessment by the Company's management. The Company assumes no obligation to update any forward-looking statements.

The Company shall not be held liable for any direct, indirect, consequential, special, punitive or other damages regardless of the type of claim, including, without limitation, claims in contract, negligence or tort which may arise in connection with this Report or its contents, or result therefrom otherwise.

The Company's liability to those relying on this Report shall be limited to the maximum extent permitted by the applicable law.

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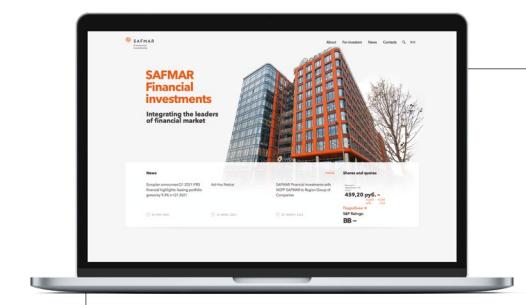
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The website of **SAFMAR Financial Investments** can be found at www.safmarinvest.ru/en/



We are always keen to hear what you think about the **2020 Annual Report of PJSC SAFMAR Financial Investments**. Please send your comments and feedback to info@safmarinvest.ru

Chairman's Statement

**Oleg VYUGIN**

Chairman of the Board of Directors
of SAFMAR Financial Investments

Dear shareholders,

In 2020, SAFMAR Financial Investments like other companies in Russia faced business restrictions related to the COVID-19 pandemic. 2020 will go down in history as a year that profoundly changed business practices and people's lives all around the world. In these challenging conditions, SAFMAR Financial Investments promptly switched to a remote working format and adjusted its internal processes to best protect the health of the Company's employees and ensure disruption-free operation. This work went hand in hand with our active efforts to restructure both SAFMAR Financial Investments' own share capital and assets under management through acquiring new assets and preparing to divest from existing ones.

Share buyback programme

In late 2019, SAFMAR Financial Investments' Board of Directors approved the expansion of the Company's share buyback programme, first announced a year earlier. As part of this initiative, we used our own and borrowed funds in 2020 to consolidate a large block of the Company's shares, thereby minimising the negative impact of last year's events on our stock prices. The shares were purchased on the Moscow Exchange and through mandatory tender offers to minority

shareholders, many of whom agreed to sell their stock. The price of shares to be repurchased was set by the Company's Board of Directors in line with the corporate action requirements and taking into account the interests of all shareholders. Amid the unstable macroeconomic environment and volatility in financial markets, many shareholders decided to sell their stock to the Company as the best way of taking profit on their investments. Importantly, our key shareholders – SAFMAR Financial Investments holding companies – retained their stakes in the Company, which testifies to their confidence in the resilience of our business. As a result, the share capital structure of PJSC SAFMAR Financial Investments saw some major changes in 2020. The free float decreased significantly, and 48% of the Company's shares were consolidated by Weridge Investments Limited, a SAFMAR Financial Investments subsidiary. Detailed information on the structure of the Company's share capital as at 31 December 2020 can be found further in this Annual Report.

New development strategy

As a company focusing on investing in the financial sector, overall, we were able to deliver a fairly strong performance in the reporting period by rapidly adjusting business processes in our subsidiaries. Still, realising the need to diversify our assets, our management worked hard throughout 2020 to identify new areas of long-term growth and articulate key development priorities. In the autumn of 2020, the Board of Directors

instructed the management to draft a new development strategy for the Company. This effort is currently in progress. The executive team has already unveiled the key principles of the new strategy, which provide for diversification of assets under the Company's management across different industries. 2020 saw the first initiatives to this end: the Board of Directors approved the acquisition in December 2020 of a 10% stake in PJSC M.video, Russia's leading consumer electronics retailer. In the reporting year, the Company also decided to purchase a number of other non-financial assets, with relevant transactions going ahead in 2021. In late 2020, SAFMAR Financial Investments completed all necessary procedures to sell NPF SAFMAR, closing the deal in 2021 and pressing on with the asset diversification effort.

Financial results

While recording a net profit in 2019, SAFMAR Financial Investments did not pay dividends in the reporting period, using the funds to purchase its outstanding shares under the buyback programme. Additionally, the Board of Directors decided to concentrate financial resources on servicing SAFMAR Financial Investments' loan obligations resulting from the buyback programme. SAFMAR Financial Investments' subsidiaries and controlled entities continued delivering robust financial results, helping the Company to maintain a stable cash inflow from asset dividends.

The Board of Directors works hard to maximise the value of the business for its shareholders, ensuring

yearly growth of income and profit. In 2020, the Company's earnings from its core business increased by RUB 2 bn to RUB 9.7 bn. However, the sale of NPF SAFMAR in 2021 and its revaluation as at 31 December 2020 for the purposes of 2020 reporting had a negative impact on the Company's net financial result. Still, SAFMAR Financial Investments used the proceeds from the deal to invest in other assets and accelerate deleveraging.

The Board of Directors views changes in the reporting period as positive and contributing to the Company's development going forward. I would like to assure our shareholders that the Board of Directors will continue acting in their interest when making key decisions on SAFMAR Financial Investments' strategy and daily operations. We remain committed to boosting capitalisation and diversifying assets under the Company's management.

CEO's Statement



Avet MIRAKYAN
CEO of SAFMAR Financial Investments

Dear shareholders,

In the reporting year, businesses in Russia and around the world scrambled to adapt to the changes in the market environment caused by COVID-19. SAFMAR Financial Investments and our holding companies managed to promptly adjust their internal processes and expand their product offering to meet the new consumer preferences. By acting quickly and effectively, some of our companies were able to maintain leadership in their industries, while others even improved their operating and financial results in the face of the tough economic situation.

Operating companies' results

Europlan Leasing Company was among those posting growth in 2020 despite the external shocks. In the reporting year, Europlan exceeded the symbolic milestone of 100,000 clients and remains a reliable partner for small and medium-sized enterprises. The Company's growing client base drives its future success, as businesses that have previously worked with Europlan account

for over 60% of its leasing contracts. Efficient business processes and a strong team with unique expertise are also a major factor contributing to Europlan's successful performance. The Company's operating income reached RUB 13 bn in 2020, up by 16.6% y-o-y, while its net profit totalled RUB 6 bn. Despite the challenging conditions, Europlan had its high ratings reaffirmed by Fitch and ACRA.

Another company demonstrating stable results in 2020 was VSK Insurance House. VSK ranks among Russia's eight largest insurance companies across all key products, with a market share of 5.3%. In the reporting year, VSK topped the voluntary health insurance market, while retaining its leading positions in other segments.

Suspension of retail activity due to the pandemic-related restrictions could have affected the lending broker Direct Credit Centre. However, Direct Credit Centre was able to boost online loans, maintaining and strengthening its leadership in the credit brokerage market. According to the Company's estimates, its share in Russia's POS lending market grew by 5 pp y-o-y to about 25%.

Changes in the asset portfolio

Another asset recording growth in key performance indicators was M.Video-Eldorado Group. SAFMAR Financial Investments acquired a 10% stake in Russia's leading consumer electronics retailer in December 2020. The purchase of shares in PJSC M.video was the first step in our effort to diversify across different industries.

2020 saw major changes in the activities of NPF SAFMAR. The Fund was among the first in Russia to start disclosing its investment portfolios with a breakdown by issuer and updating this information on a regular basis. Throughout the year, the Fund pursued a balanced investment strategy aimed at preserving capital, and invested primarily in low-risk instruments. As at 31 December 2020, over 93% of the assets in NPF SAFMAR's portfolio had BB or higher credit ratings (equivalent to the S&P Ratings scale), and over 65% of these assets were rated higher than BBB.

The high quality of the Fund's investment portfolio attracted major industry players interested in acquiring it to deliver a rapid inorganic growth. As a result, we decided to sell 100% of NPF SAFMAR's shares, completing the deal in March 2021. SAFMAR Financial Investments' management and shareholders reasoned that the transaction's financial effect would exceed the potential return on investment in the Fund in the medium term. This year, we have already invested some of the proceeds from the Fund's sale in new assets that will diversify our portfolio and ensure high returns as soon as in the near future.

SAFMAR Financial Investments' portfolio assets recorded positive financial results in the reporting period. This allowed the Company to increase its total income from continuing operations and financial income to RUB 19.54 bn, which is RUB 2.2 bn more than a year earlier.

SAFMAR Financial Investments' net profit from continuing operations totalled RUB 9.6 bn. Detailed information on the Company's financial performance can be found in the relevant sections of this Annual Report.

SAFMAR Financial Investments' portfolio assets recorded positive financial results in the reporting period. This allowed the Company to increase its total income from continuing operations and financial income to RUB 19.54 bn in 2020.

of NPF SAFMAR will also be used to repay part of the Company's loan obligations.

Overall results

SAFMAR Financial Investments' portfolio businesses registered positive results in 2020, helping to boost the Company's total continuing operations and financial income to RUB 19.54 bn, which is RUB 2.2 bn more than a year earlier. SAFMAR Financial Investments' net profit from continuing operations totalled RUB 9.6 bn. Detailed information on the Company's financial performance can be found in the relevant sections of this Annual Report.

Business overview and key highlights

PJSC SAFMAR Financial Investments (SFI) is a public investment holding company that manages a diversified portfolio of Russian assets. It is part of SAFMAR Group, an industrial and financial conglomerate owned by Mikhail Gutseriev.



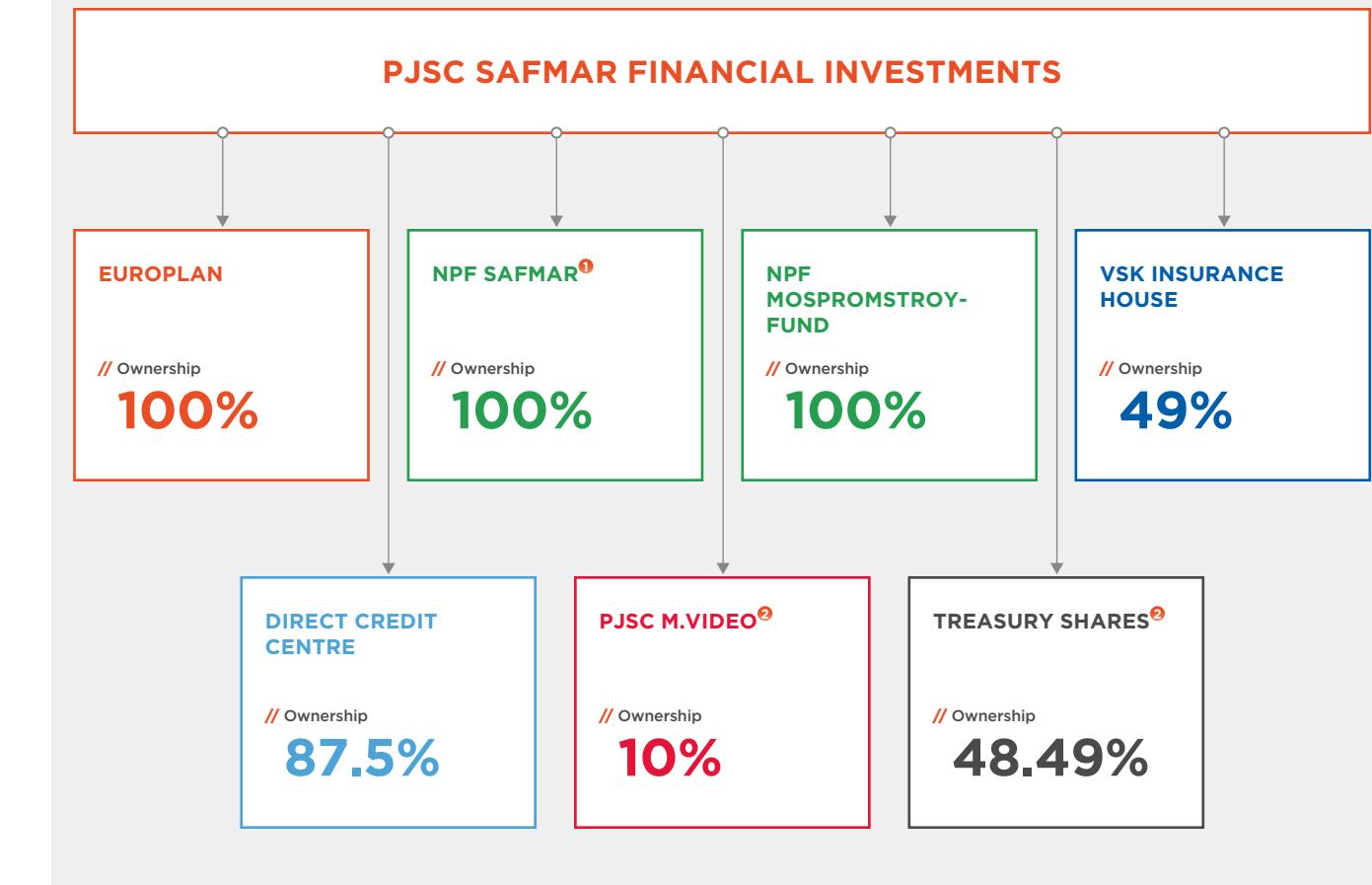
SFI comprises renowned leasing, insurance and retail brands as well as private pension funds.

In 2020, SFI was actively pursuing its share buyback programme approved in 2019 by leveraging its own resources and borrowed funds. SFI consolidated a large block of its shares, which helped stabilise the stock price. The next stage will be to develop

and implement a new comprehensive strategy aimed at diversifying assets by industry and increasing capitalisation and investment appeal of the holding company and its portfolio assets.

As the first step towards this strategy, SFI acquired 10% in PJSC M.video, Russia's leading e-commerce and consumer electronics retailer.

Holding company structure as at 31 December 2020



Financial performance of SAFMAR Financial Investments (IFRS)

 **RUB 19.6 BN**
total income from continuing³ operations and finance income

 **RUB 6.7 BN**
dividends received by SAFMAR Financial Investments from subsidiaries

 **RUB 9.6 BN**
net profit from continuing operations

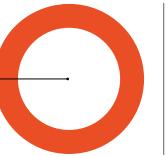
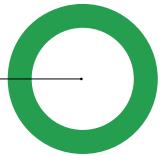
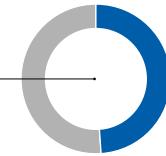
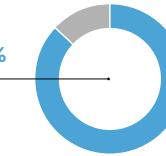
 **RUB 425.8 BN**
assets

 **RUB 61.2 BN**
equity

 **RUB 364.6 BN**
liabilities

¹ In March 2021, SFI sold 100% of NPF SAFMAR's shares to the Region Group.
² Owned by Weridge Investments Limited, a subsidiary of SFI.
³ Including NPF SAFMAR's results in the pension market as at the report date.

Operating highlights of SFI's portfolio companies

CAR LEASING	NON-GOVERNMENTAL PENSION FUNDS	INSURANCE	POS LENDING	RETAIL
EUROPLAN	NPF SAFMAR NPF MOSPROMSTROY-FUND	VSK INSURANCE HOUSE	DIRECT CREDIT CENTRE	PJSC M.VIDEO
22 years in the leasing market	Over 20 years in the pension market	Over 25 years in the insurance market	10 years in the POS lending market	28 years in the consumer electronics market
Ownership				
100%	100%	49%	87,5%	10%
				
Key highlights				
RUB 89.7 BN leasing portfolio net of reserves	RUB 269.6 BN assets under management ^①	RUB 90.9 BN gross written premiums	RUB 74.1 BN loans issued	RUB 505 BN gross merchandise value
// Clients 107,000 companies	// Clients 3.8 MLN accounts	// Clients 30 MLN retail accounts >500,000 companies	// Clients >10 MLN accounts	// Clients 72 MLN loyalty programme participants
Absolute car leasing leader in Russia	No. 6 by retirement savings under management	Top 10 insurance company in Russia	Over 25% market share (by the number of POS loans issued) with 1.9 mln POS loans issued	Leading e-commerce and consumer electronics retailer in Russia Market share in Russia at 27%
BB long-term Issuer Default Rating (IDR) from Fitch	A.pf from the National Rating Agency (NRA)	BB from Fitch	-	ruA- from RAEX
A+(RU) from ACRA		ruAA from RAEX (Expert RA)		
		AA(RU) from ACRA		
For more details see pages ⑩ 16-25	For more details see pages ⑩ 26-41	For more details see pages ⑩ 42-55	For more details see pages ⑩ 56-63	

① Client funds managed by both funds as at 31 December 2020.



Investment highlights



Diversified asset portfolio resilient to macroeconomic fluctuations



Stable dividend flows driven by subsidiaries' strong financial performance



Focus on incumbent or prospective industry leaders



Professional team with unique M&A expertise



Robust asset development strategy



Key events and developments in 2020

// January

Alexander Tarnovsky was elected Chief Executive Officer of VSK Insurance House.

// February

- The RAEX (Expert RA) rating agency affirmed the financial reliability rating of VSK-Liniya Zhizni at ruA+.
- NPF SAFMAR opened public access to the composition of client investment portfolios of retirement savings and pension reserves with a breakdown into individual issuers.
- RAEX recognised Europlan as the car leasing market leader in 2019.

// March

SFI's portfolio companies started servicing their clients through remote channels due to the COVID-19 outbreak.

// April

- NPF SAFMAR confirmed its strong financial health with a 99% score upon passing a stress test in Q1 2020.
- Fitch Ratings affirmed VSK's Insurer Financial Strength (IFS) rating at BB.

// June

- The operator of the buyback programme and subsidiaries of SFI consolidated over 50% of the holding company shares.
- Fitch Ratings affirmed Europlan's rating at BB with a stable outlook.



>50% OF SFI SHARES

consolidated by the operator of the buyback programme and subsidiaries of SFI

// July

- NPF SAFMAR passed stress tests under the Bank of Russia's new anti-crisis scenarios with a 99% score.
- Europlan and VTB Bank entered into a RUB 25 bn credit facility agreement.
- The SFI Board of Directors considered a mandatory tender offer prepared by Weridge Investments Limited and approved by the Bank of Russia.

// September

- VSK joined the 200 largest private companies in Russia according to Forbes.
- Europlan's client base exceeded 100,000 accounts.

// October

- The Analytical Credit Rating Agency (ACRA) affirmed VSK's credit rating at AA(RU) with a stable outlook.
- RAEX affirmed VSK's rating at ruAA.
- NPF SAFMAR launched investment strategies with a guaranteed return.

// November

- Fitch Ratings affirmed VSK's rating at BB.
- The Board of Directors of Europlan Leasing Company approved an up to RUB 50 bn exchange-traded bond offering programme.

// December

- ACRA affirmed A+ to Europlan and its bonds.
- SFI acquired 10% in M.Video-Eldorado Group (PJSC M.video).



Our history

PJSC SAFMAR Financial Investments is a major financial market player managing leasing, insurance, pension assets and POS lending, all of which lead the charge in their respective business segments. Below are the key milestones in the holding company's and its assets' history.

1992

Establishment of VSK Insurance House (JSIC VSK)

1999

Establishment of Europlan Company (formally known as DeltaLeasing until 18 May 2004)

2000

Establishment of the Group's insurance business (eventually, B&N Insurance). In 2016, the Group completed the integration of insurance businesses – VSK Insurance House acquired a 100% stake in B&N Insurance

2015

- Acquisition of PJSC Europlan, Europlan's IPO on the Moscow Exchange
- Acquisition of NPF Raiffeisen (subsequently rebranded as NPF SAFMAR)

2014

Acquisition of NPF Regionfond

2013

Acquisition of NPF European Pension Fund

2012

Acquisition of NPF Obrazovanie i Nauka

2016

- Acquisition of a 49% stake in VSK Insurance House
- Completing the integration of insurance businesses – VSK Insurance House acquired a 100% stake in B&N Insurance
- NPF SAFMAR incorporated three pension funds acquired in 2012-2014
- Europlan's SPO

2017

- The holding company's leasing operations were spun off into JSC Europlan LC, a wholly-owned subsidiary of SFI
- PJSC Europlan renamed to PJSC SAFMAR Financial Investments, which brings a close to the long process of building a public financial holding company. Reorganisation proceeded fully in line with the statements made to investors during the public offering in December 2016

2019

- NPF SAFMAR completed reorganisation through the merger with NPF Doverie
- After liquidation of Invest-Project, a former shareholder in NPF SAFMAR, SFI received the remaining stake in NPF SAFMAR and became a 100% owner of the fund's authorised capital
- SFI's share in the authorised capital of Direct Credit Centre increased from 75% to 81.25%
- SFI's Board of Directors extended the share buyback programme

2018

- Acquisition of NPF Doverie. During 2018, SFI controlled NPF Doverie via Invest-Project, which owned 100% of NPF Doverie's authorised capital
- Acquisition of a 75% stake in Direct Credit Centre, a Russian POS lending broker
- Completion of NPF Mospromstroy-Fund reorganisation as a joint-stock pension fund. As part of the reorganisation, 31.7% of NPF Mospromstroy-Fund's shares (100% total issued voting shares) were allocated to SFI

2020

- As part of the share buyback programme, its operator, Weridge Investments Limited, and SFI's subsidiaries consolidated over 50% of the holding company shares

- SFI acquired 10% in PJSC M.video
- SFI's share in the authorised capital of Direct Credit Centre increased from 81.25% to 87.5%

Our strategy

Our strategy seeks to build a high-quality investment portfolio of robust and promising businesses operating in Russia.

Our investment decisions prioritise the companies leading the charge in dedicated market segments and innovative teams that create new markets and shape prospective demand, which we believe is set to give us a competitive edge in the rapidly changing international and economic environment.

Prior to 2020, SFI used to target financial assets. However, we decided last year to start diversifying our investment portfolio. Although we plan to revise our strategy, we still continue to operate in line with the strategic principles approved by the Company's Board of Directors in February 2018.

Key strategic principles

- **Seeking out investment opportunities across the economy**
 - 1) Ongoing monitoring of the M&A market.
 - 2) Putting together a highly professional investment team.
 - 3) Investment decision-making based on the following elements:
 - a) a mature business with stable and foreseeable earnings;
 - b) high credit quality of a prospective investment target (rated BB- or higher or assets with the potential for an upgrade to BB- in the short run).
 - 4) Focus on companies likely to create synergies with SFI's other assets.

- **Strategic portfolio management**
 - 1) For each asset, we pick a team having the best matching competencies to manage it (Board of Directors, management team, CIOs).
 - 2) Assets are managed via the Board of Directors and CIOs without getting down to the operations. The key focus is on:
 - a) defining the asset development and monetisation strategy;
 - b) incentivising the management of portfolio companies in line with the asset development strategy.

- **Investments in portfolio asset development**
 - 1) Monitoring opportunities to minimise cost of funding for portfolio companies.
 - 2) Supporting portfolio companies in raising funds.
 - 3) Short-term funding in line with the asset's development strategy.
- **Maximisation of value through stronger cross-business synergies**
 - 1) Linking portfolio companies with each other to identify and realise synergies.
 - 2) Incentivising the management team to develop synergies.
- **Monetisation of portfolio assets through assets-focused dividend policy and capitalisation growth**
 - 1) Investment horizon: over three years.
 - 2) Dividend yield as a priority for portfolio assets.
 - 3) Monitoring opportunities in line with the new investors attraction strategy.
- **Sustainably growing market capitalisation**
 - 1) Efficient management, ongoing cost control.
 - 2) Transparent corporate governance framework and an ongoing open dialogue with the investment community.

Strategic goals for 3-5 years

- **Maximising value for shareholders** by increasing the Company's capitalisation and resuming dividend payments in line with the approved dividend policy.
- **Maximising synergies** between portfolio assets.
- **Diversification of the asset portfolio by industry**, with available cash to be invested in other segments not represented in the existing investment portfolio.
- **The Company to maintain** an international credit rating at BB- or higher.

PJSC M.video

PJSC M.video was the first non-financial asset where SFI acquired a sizeable minority interest. SFI acquired a 10% stake in the retailer using its own resources and borrowed funds. The deal helped the holding company diversify its asset portfolio, while also ensuring synergies with its existing businesses (in particular, with Direct Credit Centre as M.video's POS lending partner).

M.Video-Eldorado Group (PJSC M.video) is Russia's leading e-commerce and consumer electronics retailer

with a gross merchandise value exceeding RUB 505 bn in 2020 and the only company in its market sector listed on the Moscow Exchange. M.video also tops the list of largest Russian online retailers in its category. In terms of sales, M.Video-Eldorado Group ranks among the Top 10 largest public retailers of household appliances and consumer electronics worldwide.



Investment policy

Our investment policy aims to implement a value creation model focused on the long-term growth and sustainably rising dividend yields. We carry out ongoing monitoring of the M&A market and keep developing best-in-class investment and assets management expertise, while also remaining committed to greater transparency of the investment process and corporate actions.

Key investment considerations

Target industries	Finance, retail, technology
Geography	Mainly Russian and CIS-based assets of nationwide or regional significance
Maturity of the target companies	Rapidly growing companies or mature business models with a steady dividend flow and an international credit rating of at least BB- (or with the potential for an upgrade to BB- in the short run)
Target ownership	A sizeable minority interest or a controlling stake
Investment horizon	Three years or more
Synergy potential	Desirable but not a prerequisite for investment decisions

Key value drivers and strategic goals

Development of every our asset contributes to SAFMAR Financial Investments' overall value.

Investment	Description	Strategic goals	Value creation	2020 results
	<ul style="list-style-type: none"> Largest car leasing company in Russia RUB 90 bn in leasing portfolio net of reserves >75,000 effective lease contracts 107,000 clients 79 representative offices across Russia 	<ul style="list-style-type: none"> Developing financial leasing of motor vehicles as its core product Developing support services to assist the client in car fleet operation Developing channels to offer and sell car leasing services Developing business partnerships Improving customer experience Developing human resources Improving the quality of risk management system Improving accounting and reporting systems Diversifying debt funding 	<ul style="list-style-type: none"> Business growth Dividends 	<ul style="list-style-type: none"> Developing and implementing new leasing products and remote client service channels Entering into new agreements with car makers and related businesses 85% of clients willing to recommend Europlan to their friends The company continued a successful track record in debt funding
	<ul style="list-style-type: none"> NPF SAFMAR is engaged in compulsory pension insurance (CPI) and non-state pension plans (NSPPs) for 3.8 mln accounts RUB 269.6 bn in pension assets managed by both funds 8.8% market share by retirement savings 	<ul style="list-style-type: none"> Maintaining the company's position in the CPI market and ramping up operations in the NSPP segment Improving loyalty of the customer base Streamlining operations of the pension fund Focusing on stable return on the investment portfolio while maximising investment safety 	<ul style="list-style-type: none"> Business growth Dividends^② 	<ul style="list-style-type: none"> Top 5 by the number of CPI accounts NPF SAFMAR delivered 2.14% return on invested retirement savings, while return on pension reserves stood at 6.78% NPF SAFMAR successfully implemented a digital transformation project focused on overhauling customer's personal account functionality, launching mobile apps, enhancing online capabilities and ensuring integration with the Public Services portal and the Faster Payments System
	<ul style="list-style-type: none"> Universal insurance company with a balanced product portfolio comprising more than 200 advanced insurance solutions 5.3% VSK's market share in 2020 RUB 90.9 bn in gross written premiums 	<ul style="list-style-type: none"> Increasing VSK's market share to 11% by 2023 Increasing the client base by more than 1.5 times Maintaining the aggregated loss ratio below 96% Increasing NPS to 50% Ensuring that 90% of transactions are paperless Having the company's credit ratings reaffirmed 	<ul style="list-style-type: none"> Business growth Dividends 	<ul style="list-style-type: none"> Developing the agency sales channel with a breakthrough in voluntary health insurance Expanding the corporate portfolio Collaborations with partners to launch new service insurance products Implementing projects to improve operational efficiency through automation of operational functions Developing the HR brand and the talent management and retention system BB rating from Fitch
	<ul style="list-style-type: none"> Russia's largest POS lending broker 1.9 mln POS loans issued for a total of RUB 74.2 bn Over 10 mln retail loan applications processed 	<ul style="list-style-type: none"> Maintaining leadership in the POS lending market Business diversification and new product launches Monetising synergies with the holding company's other businesses, cross sales 	<ul style="list-style-type: none"> Business growth Dividends 	<ul style="list-style-type: none"> The company's POS lending market share increased to 25% Developing solutions to automate and streamline loan issue Online integration
	<ul style="list-style-type: none"> Russia's leading e-commerce and consumer electronics retailer Top 10 retailer of household appliances and consumer electronics worldwide^① 1,074 stores across 279 locations in Russia M.video and Eldorado have NPS of 86% and 74%, respectively 	<ul style="list-style-type: none"> Increasing the company's gross merchandise value to RUB 1 tn by 2025 Creating a strong dividend history Fully satisfying customers' needs in consumer electronics Moving all sales to the mobile platform Developing a logistics platform making orders available for shipment and self-pickup in just 15 minutes after the order is placed online 	<ul style="list-style-type: none"> Business growth Dividends 	<ul style="list-style-type: none"> The company's gross merchandise value exceeded RUB 505 bn in 2020 2020 dividends will account for 100% of the company's net profit Online sales accounted for 60% of the company's total turnover Expanding the retail network, increasing the number of logistics partners and pick-up points

^① Data from Thomson Reuters.

^② With due regard to the constraints of the applicable Russian laws regulating non-governmental pension funds.

Leasing at no extra charge

new vehicles and machines



Europlan Leasing Company (“Europlan”) is a long-time leader in Russia’s car leasing market and a Top 15 vehicle leasing company in Europe. Launched in 1999, the Company leases out all kinds of cars and special equipment and renders a full range of aftermarket services.



>75,000

effective lease contracts



79

OFFICES

across Russia



RUB 90 BN

leasing portfolio net of reserves



>2,000

employees

>107,000

the Company's client base
as at the end of 2020

**ABSOLUTE CAR
LEASING LEADER**
in Russia



Europlan leasing company

Business overview and key highlights of 2020

 For more details on **Europlan Leasing Company** and its operations, please visit its web site at <https://europlan.ru>

Europlan Leasing Company ("Europlan", the Company) is a long-time leader in Russia's vehicle leasing market and a top 15 vehicle leasing company in Europe. Established in 1999, the Company leases out all kinds of vehicles and special equipment and renders a full range of aftermarket services.



Alexander MIKHAYLOV
CEO, Europlan Leasing Company

"2020 was the most extraordinary year in the history of Europlan and very challenging for both Russia and the entire world. The Company was able to not only adapt quickly to the new reality, but also achieve the best possible results. This was a year of milestones for us. Europlan purchased and leased RUB 110 bn worth of vehicles and equipment to Russian businesses. We grew our leasing portfolio and received as much as RUB 78.9 bn in leasing payments, up 17% y-o-y. Our client base as at the year-end exceeded 107,000."

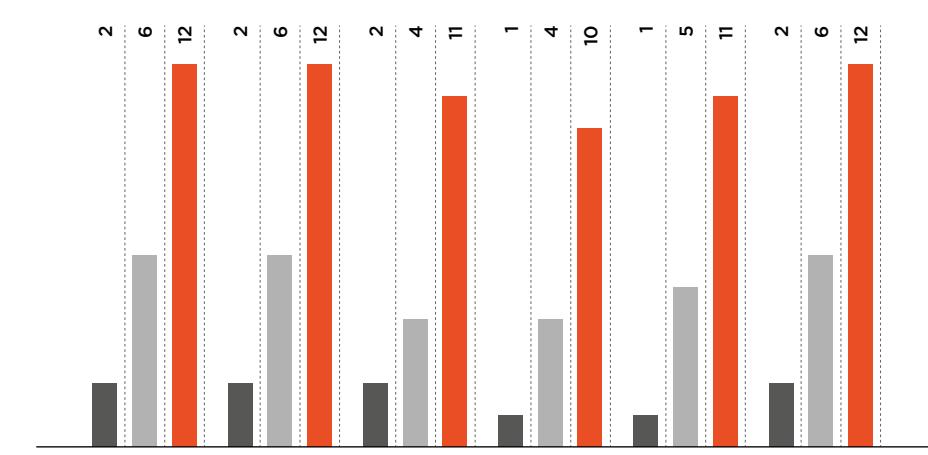


A quality client base as the launch pad for further growth

- The Company serves more than 107,000 corporates and some 2.6 million potential clients (around 38% of all legal entities registered in Russia).
- >75,000 effective lease contracts
- Some lessees are the representative offices of Fortune Global 500 foreign companies.
- The Company boasts a unique track-record of building a high-quality client base and maintaining a low cost of risk.
- The portfolio represents all types of private businesses and industries that share a common trait – they never fail to comply with the lease payment schedule whether in times of stability or stress, which has been proven through several economic cycles.

 **>107,000**  **>75,000**
the Company's client base as at the end of 2020 effective lease contracts

Low leasing portfolio concentration on lessees //



● Top 1 ● Top 10 ● Top 50

Market overview

Vehicle leasing market

As compared to other segments, the vehicle leasing market shows much lower concentrations on both lessors and lessees, with industrial and financial majors keeping a low profile. In addition, this business excels in the number of contracts made, higher standardisation of financial services, higher liquidity of leased assets, and lower average deal values.

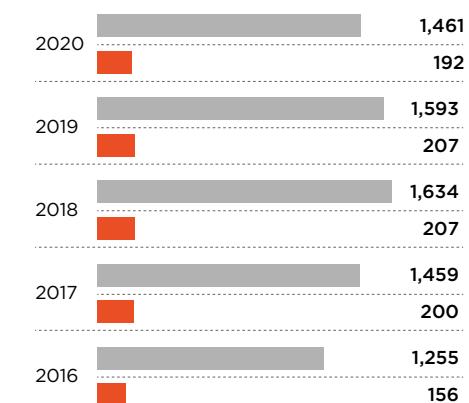
Based on research by the RAEX (Expert RA) rating agency, vehicle

leasing was the most resilient segment in the industry during the recession of 2014–2015 and 2020, according to preliminary data. Due to their high liquidity, vehicles became most sought-after among all leased assets in the current economic environment. In the past few years, this market has seen both incumbent industry leaders and state-owned companies greatly stepping up their operations, with the latter joining the Top 5 by new business volume.

In 2016, the market started to revive and showed solid growth as early as in 2017. In 2018 and 2019, the vehicle leasing market continued to expand even amid sliding car sales. Compared to 2019, the reporting year saw it gain 8% in new business despite the COVID-19 pandemic, while the entire asset leasing market lost 6% in the same period.

commercial vehicles, and 50% for heavy-duty vehicles, according to the AUTOSTAT analytical agency. In 2020, as estimated by AUTOSTAT, passenger car and commercial vehicle markets comprised 1,461 thousand and 192,000 new vehicles, down 8.3% and 7% y-o-y, respectively.

Vehicle sales in Russia in 2016–2020 // '000 pcs



192 THOUSAND
commercial vehicles sold in the Russian market in 2020



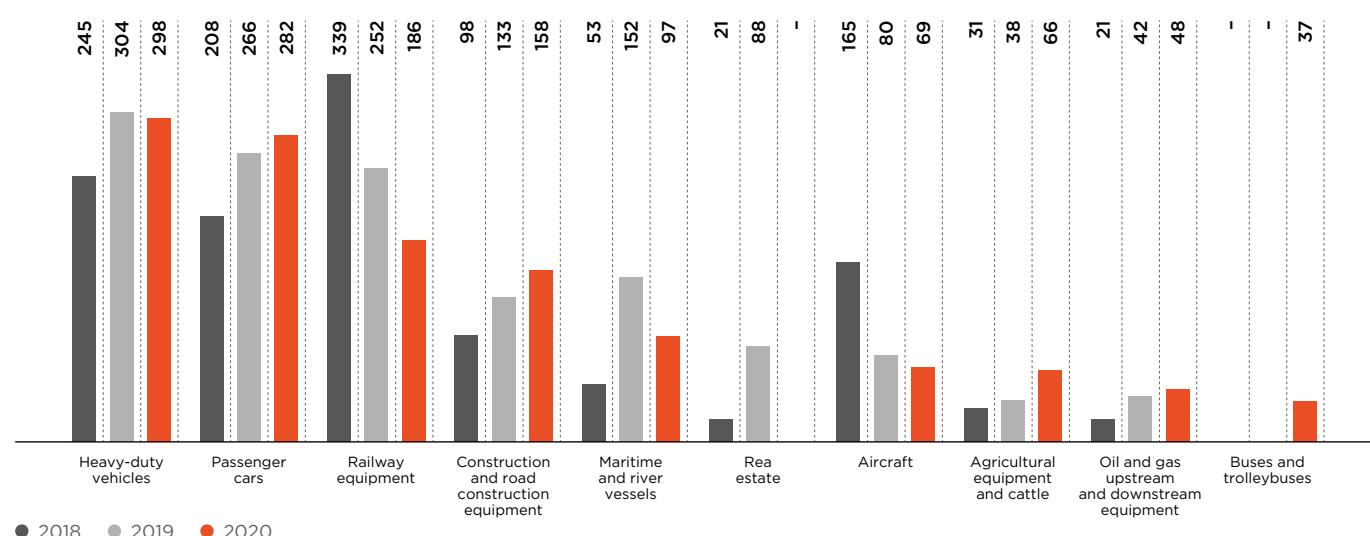
● Passenger cars
● Commercial vehicles

① Source: AUTOSTAT

Leasing segments

LARGEST LEASING SEGMENTS BY VALUE OF DEALS IN 2020

Top 10 segments by new business // RUB bn



● 2018 ● 2019 ● 2020

① Based on RAEX (Expert RA) data for 2020.

1,461 THOUSAND
passenger cars sold in the Russian market in 2020



-8.3%

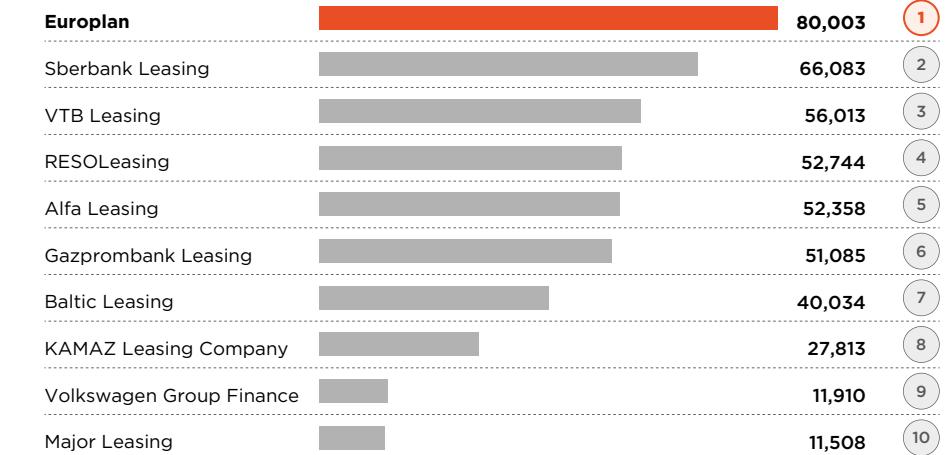
The obsolete fleet and the number of new cars sold create a substantial potential for sales to return to pre-crisis levels. Prior to 2008, for instance, passenger car sales used to enjoy double-digit growth rates, outpacing many European markets, including Eastern Europe. Sales of international

brands scored a CAGR of 65% between 2003 and 2007. In 2009, vehicle sales suffered a drastic decline across all segments before hitting a new high in 2012. In 2017, following four years of decline, the motor vehicle market was on the rise, delivering growth of 12% for passenger cars, 17% for light-duty

Europlan's position in the car leasing market

TOP LEASING COMPANIES IN THE VEHICLE LEASING SEGMENT

New business (asset value) in 2020 // RUB m



① Ranking position

① Based on RAEX (Expert RA) data for 2020.



RUB 80.0 BN
Europlan's new business (asset value) in 2020

Europlan continues to lead in the vehicle leasing market, coming first in passenger car leasing and second in HCV leasing according to the ranking of leasing companies published by Expert RA in 2020. As regards total ranking in vehicle leasing, Europlan is number one.

Based on experts' mid-term estimates, the Russian car leasing market will most likely be driven by:

- link to effective demand;
- higher leasing penetration as an alternative to corporate vehicle purchases;

- stronger focus on retail and SME clients;
- product bundles offering simplified and operating leasing options, along with turnkey solutions (including associated car services);
- higher concentration and stronger competition for the most promising deals.

Strategy and growth paths

30 June 2017 saw the completion of PJSC Europlan's reorganisation (PJSC SAFMAR Financial Investments following the change of the name) in the form of a spin-off into JSC Europlan Leasing Company, a subsidiary with a 100% equity participation of SAFMAR Financial Investments. As a result, starting from 30 June 2017, the universal successor to PJSC Europlan's leasing operations is JSC Europlan Leasing Company.

Europlan seeks to deliver the comprehensive growth of its core operations and retain leadership in the Russian vehicle leasing market by demonstrating high growth rates, operational excellence and financial stability. The subsidiary will remain focused on vehicle leasing to large, medium and small businesses. In line with its long-term strategy, the leasing business will specifically seek to:

- develop channels to offer and sell car leasing services;
- develop business partnerships;
- improve customer experience;
- meet the rising need for skilled workforce through efficient HR recruitment, training, motivation, retention, assessment and development together with business processes automation;
- improve the quality of risk management system;
- improve accounting and reporting systems;
- diversify debt funding.

- develop financial leasing of motor vehicles as its core product;
- develop support services to assist the client in car fleet operation;
- develop operating lease of passenger cars;

Social policy

In its social policy, the Company is guided by the principles of transparency and fairness honouring its social responsibilities as required by the applicable laws. The fundamental principles of the social policy are further detailed in the Company's Regulation on Social Policy, internal labour regulations, employment contracts and other by-laws governing the relations of the Company and its employees. The social policy is part of a higher-level HR policy. Hence, it employs a holistic approach to enhancing both the corporate efficiency and loyalty of each and every employee.

The HR policy seeks to enhance employee loyalty, protect and enforce their rights and social guarantees, and support efficient HR management. Bonuses have been put in place to encourage employees meeting the KPIs or demonstrating outstanding performance. In addition, key executives are entitled to bonuses for their commitment to long-term goals subject to the achievement of business

SOCIAL PROGRAMMES

In addition to the statutory social safety nets guaranteed by the government, the Company runs the following social programmes:

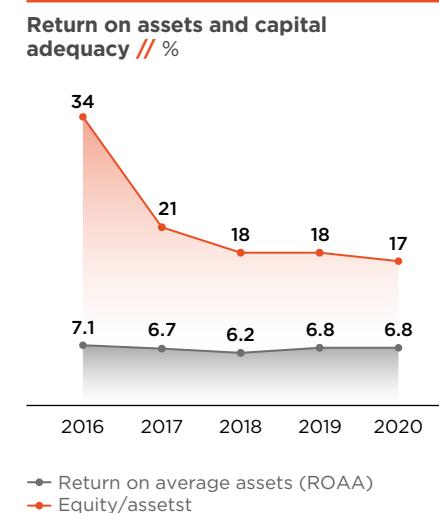
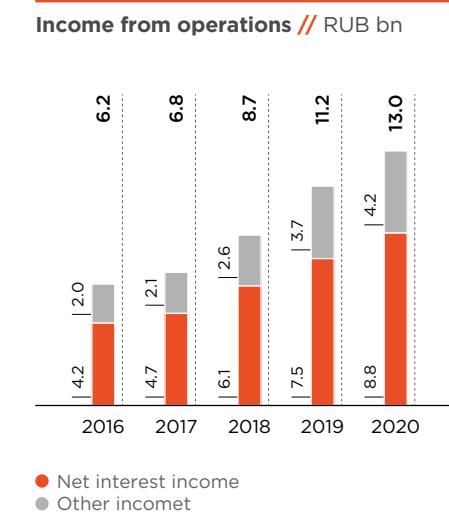
- additional temporary disability benefits;
- voluntary health insurance;
- personal accident insurance;
- financial aid to employees facing various hardships;
- benefits to soon-to-retire employees and those undergoing medical check-ups;
- employee relocation support;
- greetings and gifts to employees to commemorate anniversaries, retirement and other significant dates;
- New Year events for employees' children;
- perks for the best employees and seniority benefits;
- sports and recreation activities, corporate events, PR promotion of significant professional achievements and awards for outstanding performance.

targets confirmed by the annual performance and competency appraisal conducted as per the applicable internal regulations.

Financial performance

Financial highlights in the leasing segment for 2020

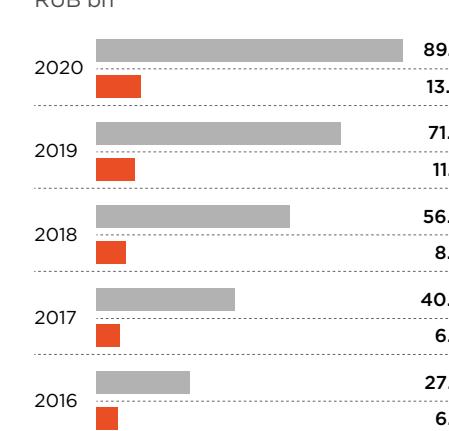
- The new business^① grew to RUB 110 bn, up 18.9% y-o-y.
- The leasing portfolio^② expanded to RUB 90 bn as at 31 December 2020, up 25.4% y-o-y.
- Income from operations increased to RUB 13 bn, up 16.6% y-o-y.
- Net profit went up to RUB 6 bn, up 25.2% y-o-y.



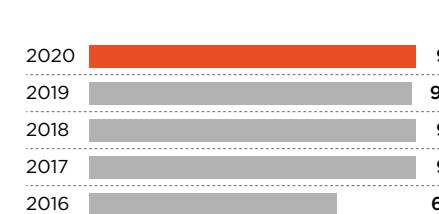
Leasing portfolio

High-margin leasing (net investments in lease - 90.6%) and liquid assets (deposits and cash - 2.6%) account for 93.2% of the Company's portfolio.

Leasing portfolio and income^③ //



NIL share in leasing assets //

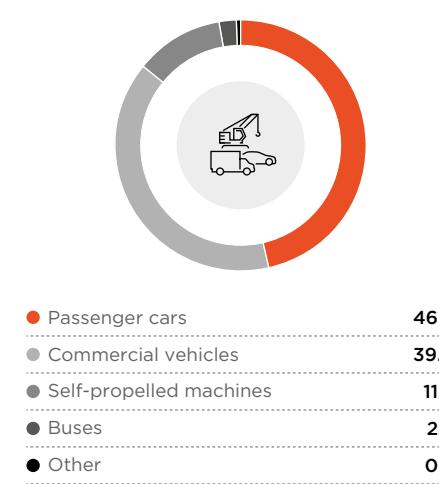


Leasing portfolio by type of leased assets in 2020 //

As at the end of 2020, the leasing portfolio was represented mostly by liquid assets, including passenger cars (46.5%), commercial vehicles, such as LCV, MCV, HCV and trailers (39.4%), self-propelled machines (11.5%), buses (2.3%), and other assets (0.3%).



Leasing portfolio by type of leased assets as at the end of 2020 //



^① Value of assets in lease, including VAT.

^② The IFRS leasing portfolio (net investments in lease) net of provision for expected credit losses.

^③ The leasing portfolio and income from operations are shown before changes in the impairment provisions for interest bearing assets of the leasing segment based on the 2015-2019 IFRS financial statements.

Key risk factors

 In recent years, the industry has seen no material adverse changes in the leasing legislation.

The Russian leasing industry has been around for more than 20 years and is thoroughly regulated by domestic laws. In recent years, the industry has seen no material adverse changes in the leasing legislation. In the current environment, the existing leasing laws may be subject to changes resulting in the regulation

of leasing activities, additional requirements from the Bank of Russia or the establishment of self-regulated entities. If this happens, the Company may face material direct impediments and be forced to reduce the number of new leasing transactions, focusing on the leasing contracts secured by the ownership of leased assets.

Potential material changes in the industry^①

As Europlan operates in the Russian Federation, the key industry-specific risks are related to its operations in the domestic market.

The most significant risks arising from potential deterioration

in the industry (including potential material changes) include:

- risks related to increased competition from leasing companies both state-owned and part of private financial services groups;
- risks related to inflation and fluctuations of the Russian rouble against major world currencies;

- risks related to the deterioration of economic environment in Russia and the resulting slowdown in investments; and
- risks related to the Russian banking system/industry.



^① Europlan Leasing Company's perspective.

Potential response

Europlan puts special emphasis on risk analysis and assessment developing mechanisms to mitigate the risks. The Company's risk management framework is seamlessly integrated into the corporate business processes. To mitigate the risks of increased competition, including the risk of new players coming to the market, the Company undertakes regular benchmarking against its current and potential competitors, assessing the following key competitiveness factors:

- popular leasing products;
- car and other services;
- branch network;
- business process automation.

The existing leasing portfolio is balanced in such a way that the average maturity and structure of the Company's liabilities exceed those of current lease payments.

Hence, due to its strong liquidity position, the Company will be able to repay the debt even if it suspends all new business and focuses solely on the existing leasing portfolio. If these risks materialise, the Company intends to take all the necessary steps to offset and/or mitigate the adverse impact by pursuing a smart and efficient economic policy in its dedicated segment. The Company does not provide leasing services to cash-strapped and newly incorporated businesses. It employs a centralised risk assessment approach, which offers two analysis options:

1) Express analysis based on a scoring model

This procedure is used to assess small businesses. Such clients generally lease passenger cars or heavy-duty vehicles, as well as self-propelled machines.

2) Corporate financing (individual analysis)
This procedure is used to assess big clients if the Express limit is exceeded. The limit per client is capped at 10% of the Company's equity.

In addition to credit and business risks, all projects are duly analysed to identify property and legal risks. This risk management framework helps to reduce the number of defaults. In case of the lessee's default, the Company has the right to recover leased assets. All asset recovery cases are resolved by the Moscow Arbitration Court irrespective of the lessee's domicile.

② RATINGS

Fitch Ratings

BB

In June 2020, Fitch Ratings CIS Ltd. affirmed the BB ratings of Europlan LC with a stable outlook:

- long-term foreign- and local-currency IDR affirmed at BB, stable outlook;
- short-term foreign-currency IDR affirmed at B;
- senior unsecured debt rating affirmed at BB.

ACRA

A+(RU)

In December 2020, Analytical Credit Rating Agency (ACRA) upgraded the rating of Europlan LC to A+(RU) with a stable outlook.

Digital transformation

of the Group's pension assets



The Group's pension assets are SAFMAR Non-Governmental Pension Fund (NPF) and Mospromstroy-Fund that invest customer funds in high-quality assets and meet all pension payment obligations. Their digital transformation drives demand for remote services and ensures comfortable and secure channels for customer interaction.



8.8%
market share
by retirement savings



>20 YEARS
in the pension market



10.3%
market share
by number of clients



RUB 269.6 BN
total pension assets under management
of both funds



A|ru.pf| WITH A DEVELOPING
OUTLOOK
rating from the National Rating Agency



Non-governmental pension funds

Business overview and key highlights of 2020



Denis SIVACHEV

CEO, NPF SAFMAR

"2020 turned out to be one of the most challenging years for the world, for the country, and certainly for the pension assets. The COVID-19 outbreak affected virtually all facets of social life and gave an impetus to all-round digitalisation, which was the only possible way for financial institutions to carry on given the circumstances. NPF SAFMAR has transformed its business model and is introducing remote services that ensure convenience and protection of all client operations. In 2020, we drastically enhanced personal account functionality both in mobile apps and on the Fund's website. Such transformation also adds greater transparency and higher quality to investment portfolios. In February 2020, NPF SAFMAR became one of the first large funds in the market to disclose the composition of its portfolio by issuer. As at the end of 2020, 93.1% of assets in NPF SAFMAR's portfolio were rated BB or higher."

In 2020, the Group's pension assets included SAFMAR Non-Governmental Pension Fund (NPF SAFMAR or the Fund) and Mospromstroy-Fund Non-Governmental Pension Fund (NPF Mospromstroy-Fund).

Established in 1994, NPF SAFMAR (formerly Dobroe Delo, in 2004 was included into Raiffeisenbank Group and renamed NPF Raiffeisen; in 2015, renamed NPF SAFMAR and became part of the Group of the same name) is one of Russia's largest private pension funds. As at the end of Q3 2020,

For more details on **NPF SAFMAR** and **NPF Mospromstroy-Fund** and their operations, please visit their websites at <https://www.npfsafmar.ru>, <http://www.mpsfond.ru>

ASSET AT A GLANCE

NPF SAFMAR

Company Management

- **Avet Mirakyan**
Chairman of the Board of Directors
- **Denis Sivachev**
Chief Executive Officer

RUB 269.2 BN

assets under management
(retirement savings + pension reserves)¹

100%

owned by SAFMAR
Financial Investments³



3.8 MLN

accounts

215

employees

NPF MOSPROMSTROY-FUND

Company Management

- **Avet Mirakyan**
Chairman of the Board of Directors
- **Veronika Knutova**
Chief Executive Officer

RUB 339.3 BN

pension reserves
under management²

100%

owned by SAFMAR
Financial Investments⁴



3,900

accounts

13

employees

it ranked sixth in terms of retirement savings under management and fifth in terms of total pension accounts of clients under compulsory pension insurance (CPI) and non-state pension plans (NSPPs).⁵

In December 2018, NPF Mospromstroy-Fund completed its reorganisation of a non-profit pension fund into a joint-stock pension fund and became part of the SAFMAR pension group. SAFMAR Financial Investments owns 100% of NPF Mospromstroy-Fund (100% of voting shares).

NPF SAFMAR operates solely in the CPI and NSPP segments. NPF Mospromstroy-Fund offers only NSPP services.

As part of their CPI and NSPP operations, the funds accumulate and invest retirement savings and pension reserves, perform accounting functions, calculate and make CPI payments from retirement savings to the insured and pay non-state pensions to NSPP members, as well as make payments to successors of CPI holders and NSPP members and pay transfer values to NSPP members.

As at the end of 2020, total pension assets under management of both funds stood at RUB 269.6 bn, including more than RUB 260.4 bn in CPI contributions and RUB 9.2 bn accumulated under corporate and private pension plans.⁶

Market overview

Russian pension market in 2020

KEY MARKET DRIVERS IN 2020

1. COVID-19 pandemic

In view of the COVID-19 pandemic and its economic effects, non-governmental pension funds enjoyed regulatory forbearance in 2020.

- Until 1 January 2021, they were allowed not to bring their portfolios of retirement savings and pension reserves into compliance with regulatory requirements based on stress test

results, provided that the lack of asset coverage was market driven. For the purposes of stress testing, non-governmental pension funds were also at liberty not to re-assess at fair value the assets acquired before 1 March 2020 and to measure the assets acquired between 1 March and 30 September 2020 at fair value effective on the date of their acquisition.

- Until 1 January 2021, non-governmental pension funds and asset management companies were also allowed not to bring their portfolios in line with the statutory constraints, provided that the differences were market driven and accounted for no more than 50% thereof.

¹ Consolidated data for NPF SAFMAR as at 31 December 2020.

² Data for NPF Mospromstroy-Fund as at 31 December 2020.

³ As at 31 December 2020: <https://www.npfsafmar.ru/docs/npfsafmar-list-of-shareholders.pdf?u=1542>

⁴ http://www.mpsfond.ru/files/MPSF_List_of_actionery.pdf

⁵ The Company's own estimates based on data from non-governmental pension funds.

⁶ Based on information disclosed by both funds in accordance with Bank of Russia Ordinance No. 5175-U On Information to be Disclosed by Non-Governmental Pension Funds, including the Timeframe and Procedure therefor dated 18 June 2019.

- The Bank of Russia amended its Regulation on Investing Retirement Savings (Bank of Russia Regulation No. 580-P of 1 March 2017 as amended on 20 April 2020) by holding off more stringent requirements for investment per issuer and in related parties for one year. Effective as of 1 January 2021, the amendment provides for the reduction in concentration limits on investment of retirement savings in assets of related parties and shares per issuer starting from 1 July 2021 as opposed to the date of 1 July 2020 set previously. The regulator did so to mitigate the pandemic consequences and avoid a fire sale of assets.

The Bank of Russia allowed non-governmental pension funds to measure the securities acquired before 1 March 2020 at fair value effective on 1 March 2020 and the bonds acquired between 1 March and 30 September 2020 at fair value effective on the date of their acquisition. This derogation remained in effect until 1 January 2021, whereby non-governmental pension funds were entitled to exercise a one-time waiver at any moment before 30 September 2020. According to the Bank of Russia, there were but few pension funds that embraced the opportunity. NPF SAFMAR did not. The stock market was favourable making it possible to earn year-end income on bonds rather than fixing their fair value. As for shares, this might have caused auditors to disapprove such an artificial pricing action for the purposes of asset valuation going forward, with the difference in their valuation likely to be deducted from the pension funds' equity

2. Tightened regulatory environment

The Bank of Russia regularly updates its stress testing scenarios. On 30 September 2020, it updated

mandatory stress testing scenarios for non-state pension funds that revised changes in sovereign bond (OFZ) yields and widened the spreads on corporate bond yields. Currently, stress testing is considered passed if 75% of tests run for each scenario show that the fund's assets are sufficient for it to fulfil all its obligations to clients.

The Bank of Russia tightened its eligibility requirements for investment assets to make non-governmental pension funds diversify and improve their portfolios. The scope and granularity of mandatory disclosures are growing. Mandatory requirements to disclose the breakdown of investment portfolios by issuer apply starting 1 July 2021.

The law on fiduciary liability is now in place, whereby non-governmental pension funds are required to invest in assets with an expected risk-weighted return at least equal to that offered by other investment options that were available at the time of making the investment decision. Funds shall also make sure that any assets are acquired and sold on the best terms (including the risk and return ratio) available to them as at the date of the transaction. If a breach of the said duty results in a decline in the value of the retirement savings or pension reserves or in the fund failing

to receive proceeds from the same that it would have received without the breach taking place, the fund shall use its own resources to compensate the decrease in the value thereof or the lost income amount. The decision on whether a breach has taken place and on damages is made by the Financial Surveillance Committee of the Bank of Russia based on informed judgement. The fund may challenge such a decision. The methodology is now in place to monitor bond transactions, while shares are yet to be covered by fiduciary requirements. The Bank of Russia has just presented its methodology for market players to consider.

The Bank of Russia prepared a pension fund rehabilitation bill (adopted in April 2021) that will be similar to rehabilitation laws relating to banks and insurance companies. Pension funds can be rehabilitated through the Pension Sector Consolidation Fund, with resources of consolidation funds both for the banking and pension sectors to be managed by one company that will be injecting capital provided by the Bank of Russia into troubled pension funds. The ownership of rehabilitated funds will transfer to the Bank of Russia. Rehabilitation criteria will include:

- unstable financial position of the fund, namely the actuarial deficit of more than 5% of the fund's total liabilities based on the annual actuarial valuation;
- lack of asset coverage based on stress test results;
- obstruction of the supervisory body's valuation of the fund's assets and liabilities by the fund's management and other employees.

Effective as of 1 January 2021, the Bank of Russia introduced a separate 5% limit on investment of retirement savings and pension reserves in mortgage-backed bonds with a good credit rating and excluded such bonds from the 10% limit on investment in certain assets with additional risk exposures. Starting 1 July 2022, the latter will be gradually decreasing from 10% to 7% by 1 January 2025, but new security purchases will be capped at 7% as soon as from 1 July 2021 onwards. Bank of Russia Ordinance No. 5343-U On Requirements for the Composition and Structure of Pension Reserves dated 5 December 2019 became effective as of 1 January 2021, and it radically tightens investment requirements for pension reserves, bringing them as close as possible to those for retirement savings. Similarly, the new ordinance set a 7% limit on high-risk investments subject to a four-year transition period and introduced a separate



5% limit on investment in mortgage-backed bonds that are to be excluded from the high-risk portfolio. It also covers perpetual bonds that must be taken into account when calculating per issuer limits on shares, with investment decisions to rely on issue or guarantor ratings rather than that of the issuer.

3. Retirement age changes

On 1 January 2019, Russia commenced a phased increase in the retirement age at which people first become

entitled to old age insurance pensions. The retirement age will be gradually raised from 55 to 60 years for females and from 60 to 65 years for males. At the same time, the legal age for receiving CPI payments from retirement savings remained unchanged at 55 years for females and 60 years for males. Under Federal Law No. 61-FZ effective as of 18 March 2020, the legal age also remained unchanged for non-state pensions payable to NSPP members.

4. Moratorium on new retirement savings extended through 2023

The moratorium (new CPI contributions are not accumulated on personal accounts with non-governmental pension funds, but allocated to finance insurance pensions) was first declared as a one-off measure in 2014 and has been regularly extended ever since. In October 2020, the moratorium was extended through 2023. With no new contributions coming in, the available sources of building up CPI assets by non-governmental



pension funds include acquiring clients from other CPI providers, additional insurance contributions to the funded pension and contributions as part of the government co-financing programme, maternity capital, and investment income.

5. Revised terms for changing CPI providers

The law effective as of 1 January 2019 introduced a fundamentally new procedure for the insured to change non-governmental pension funds, whereby an individual has the right to apply for a transfer of their retirement savings to another non-governmental pension fund or from a non-governmental pension fund to the Pension Fund of Russia or back again (including transfers ahead of schedule) by either of two ways: via the Public Services portal or in person (or by proxy) at a local body of the Pension Fund of Russia. The application filed via the Public Services portal is also provided to the Pension Fund of Russia, which has one business day to send its copy to the fund currently holding the applicant's retirement savings under a CPI agreement and the fund they want to transfer such savings to. The insured shall be informed of the consequences of such a transfer (including the amount of lost investment income on the retirement savings in case of an early transfer) prior to the application being filed with the new fund.

According to media reports citing the Pension Fund of Russia, 2020 saw a total of 128,500 applications for changing CPI providers or opting for asset management companies' investment portfolios (vs 345,000 in 2019).

Under the new regulation effective as of 1 January 2020, CPI agreements necessarily require a personal signature of the pension fund's executive officers (CEO or president), which is set to mitigate the risk of the insured being misled and to prevent abusive transfers.

6. No intermediation in pension transfers between non-governmental funds

In late December 2020, Russian President Vladimir Putin signed a law banning intermediation in pension transfers between non-governmental funds that expressly prohibits non-governmental funds from engaging intermediaries (including agents and proxies) to enter CPI agreements between them and the insured. The law also says that an individual may prohibit the Pension Fund of Russia from handling pension transfer applications that are submitted in any way other than in person at a local body of the Pension Fund of Russia. The law specifies the procedure for the Pension Fund of Russia to verify notarised powers of attorney and empowers the Bank of Russia to introduce additional conditions precedent to making CPI agreements.

7. Refund of investment income lost as a result of abusive transfers

As the insured started actively changing CPI providers, abusive transfers by agents concerned also became rampant. According to the Accounts Chamber and the Bank of Russia, the insured lost some RUB 111 bn of investment income as a result of early transfers in 2015 through 2019. In case of an early transfer, the investment

income accrued so far is retained by the respective pension funds as part of their CPI reserves.

To this end, the Russian Ministry of Labour and Social Protection proposes amendments to the Laws On Non-Governmental Pension Funds and On Investments to Finance Funded Pensions requiring that the investment income lost by the insured is refunded from CPI reserves if the court holds a CPI agreement invalid.

8. Non-state pension funds to shift their focus on the promotion of NSPP offering, including both individual and corporate products

In 2020, some non-governmental pension funds launched or continued campaigns to promote customised pension plans on the back of low indexation rates of pensions being paid by the Pension Fund of Russia despite more stringent requirements for granting insurance and social pensions, improved financial literacy among the general public and the pension fund services becoming increasingly digitalised. Amid declining household incomes in Russia driven by the COVID-19 pandemic, NSPP market players registered more interest from certain consumer groups towards financial instruments that help them save money for the future, including first and foremost those individuals that were dissatisfied with falling bank deposit rates.

9. Government to guarantee the safety of retirement savings in the voluntary pension segment

There are two options now available in Russia for having one's retirement savings managed by non-governmental pension funds. The first one includes funded pensions accumulated as part of the compulsory pension insurance system. The safety of pension contributions in the CPI system is guaranteed by the government.

The second option covers non-state pension plans (corporate and individual) where pension liabilities are guaranteed for now only by the pension funds themselves. The Bank of Russia announced its intention to address this situation and started drafting a bill to guarantee the safety of pension reserves accumulated as part of voluntary NSPP contributions.

The concept presented by the Bank of Russia in Q4 2020 requires that non-governmental funds join the guarantee scheme for voluntary pension plan members by 2027. If a pension fund's licence is revoked, its clients may receive up to RUB 1.4 mln in compensation or transfer the money to another fund. Those individuals who already enjoy their pensions shall continue to receive the same from another fund chosen by the Deposit Insurance Agency, with the amount payable not to exceed two social pensions. However, it is still unclear when such a bill will reach the State Duma.

10. Prospective introduction of a guaranteed pension plan

On 29 October 2019, the Ministry of Finance of Russia launched a public discussion over a set of bills introducing a guaranteed pension plan (GPP) seeking to enable individuals to make personal contributions towards non-state pensions and providing for government stimulus and stronger protection of retirement savings. The GPP is expected to increase the retirement income for NSPP members when they become eligible for a pension. The GPP concept is seen as replacement for the previously announced individual pension capital concept.

However, the GPP bill was taken off the table for the time being due to the COVID-19 outbreak and ensuing financial market developments.

 In late December 2020, Russian President Vladimir Putin signed a law banning intermediation in pension transfers between non-governmental funds that also empowers the Bank of Russia to introduce additional conditions precedent to making CPI agreements.

Consolidation in the private pension market^①

- NPF Rostvertol merged with NPF Rostec. Subsequent merger of NPF First Industrial Alliance is also expected.
- NPF Soglasie, NPF Soglasie-OPS and NPF Socialnoe Razvitiye merged with NPF Evolyutsiya.
- NPF Almaznaya Osen merged with NPF Gazfond Pensionnie Nakopleniya.
- NPF UGMK-Perspektiva merged with Rossium Concern. As at the date of this Report, Leningradskoye

Adazhio (part of the Region-Rossium Group) acquired 100% in NPF SAFMAR and filed an application with the Federal Antimonopoly Service of Russia to acquire up to 100% in NPF Livanov Defence Industrial Fund.

- A merger between NPF Atomgarant and NPF Atomfond is contemplated.
- NPF Magnit was fully consolidated and merged with NPF VTB Pension Fund.

- The Russian Funds Group obtained control over Orenburgsky NPF Doverie.
- The media report that NPF Gefest and NPF Stroycomplex are likely to change hands.

^① The changes in the ultimate ownership and group affiliations are based on information published by the funds, media reports and other open web sources, as well as on our own analysis of the funds' operations, and thus may be tentative.

NPF market consolidation (CPI) as at 30 September 2020

Group/NPF	Retirement savings		Clients	
	RUB bn	market share, %	million people	market share, %
NPF Sberbank	649.3	22.1	8.8	23.6
Gazprom Group	583.6	19.9	6.5	17.4
GAZFOND Pensionnie Nakopleniya	579.5	19.8	6.4	17.3
Almaznaya Osen	4.1	0.1	0.0	0.1
Otkritie	525.7	17.9	7.0	18.9
Region-Rossium Group	460.5	15.7	6.4	17.2
Future	266.2	9.1	4.2	11.4
Evolyutsiya	175.1	6.0	2.0	5.3
UGMK-Perspektiva	11.5	0.4	0.1	0.3
Telekom-Soyuz	1.4	0.0	0.0	0.0
Federation	6.2	0.2	0.1	0.2
VTB Group	277.9	9.5	3.0	7.9
VTB Pension Fund	263.8	9.0	2.7	7.3
Magnit	14.1	0.5	0.2	0.6
SAFMAR	258.9	8.8	3.8	10.3
Bolshoi	48.1	1.6	0.4	1.2
National	24.8	0.8	0.3	0.8
Socium	23.2	0.8	0.3	0.8
Khanty-Mansiysky	16.6	0.6	0.1	0.4
Surgutneftegaz	11.2	0.4	0.0	0.1
Transneft	10.7	0.4	0.0	0.1
Atomfond	8.0	0.3	0.1	0.2
Orenburgsky NPF Dovorie	7.5	0.3	0.1	0.3
Defence Industrial Fund	5.8	0.2	0.1	0.1
Volga-Capital	5.0	0.2	0.1	0.2
Rostec Group	4.1	0.1	0.0	0.1
First Industrial Alliance	2.1	0.1	0.0	0.1
Rostec	2.0	0.1	0.0	0.0
Gefest	3.5	0.1	0.0	0.1
Stroycomplex	3.5	0.1	0.0	0.1
Professionalny	2.3	0.1	0.0	0.1
Akvilon	1.1	0.0	0.0	0.0
Alliance	0.9	0.0	0.0	0.0

① Source: Bank of Russia data

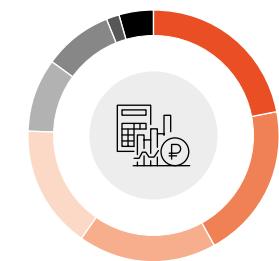
RUB 2.9 TN

retirement savings
in 2020

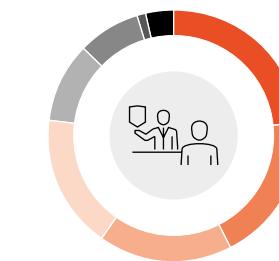
37.2 MLN

clients in 2020

Retirement savings // %



Clients // %



● NPF Sberbank	22.1
● Gazprom Group	19.9
● Otkritie	17.9
● Region-Rossium Group	15.7
● VTB Group	9.5
● SAFMAR	8.8
● Bolshoi	1.6
● Other NPFs	4.4

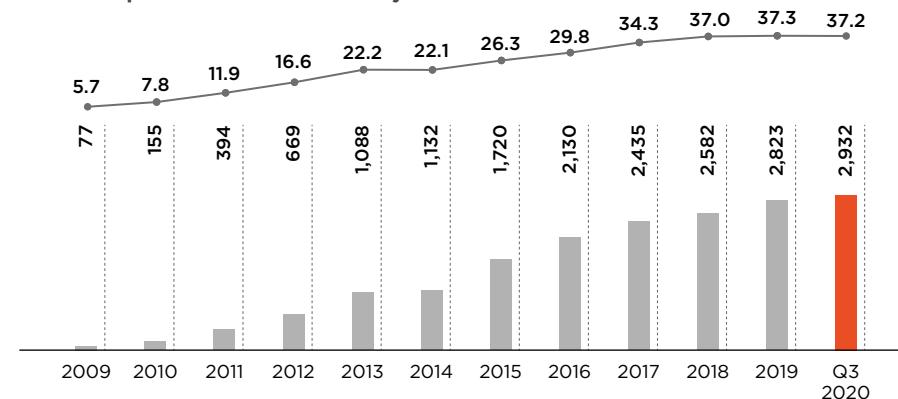
Evolution of the pension market

CPI MARKET EVOLUTION

Based on data of the Bank of Russia, total retirement savings in non-governmental pension funds stood at RUB 2.9 tn in Q3 2020.①

Total retirement savings and pension reserves under management of non-governmental pension funds reached RUB 4.4 tn, while total pension assets in the national economy (including retirement savings managed by the Pension Fund of Russia) stood at RUB 6.4 tn.

Historical performance of the CPI system



① Source: Bank of Russia data

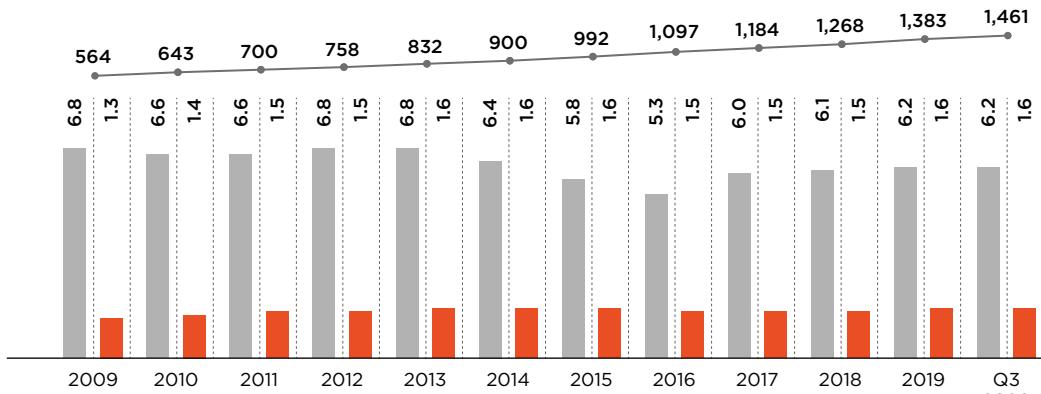
According to preliminary media reports citing the Pension Fund of Russia, 2020 saw a total of 128,500 applications for changing the method of investing retirement savings, with routine transfers without the loss of investment income accounting for 9% thereof. These include:

- 43,000 applications for transfers between non-governmental pension funds;
- 18,000 applications to transfer retirement savings from the Pension Fund of Russia to non-governmental pension funds.

Such a low total number of applications (some of which will not be satisfied based on the results of recent transfer campaigns) is due to revised terms for changing CPI providers and alerts of possible financial losses in case of an early transfer occurring before the expiry of the five-year term.

NSPP MARKET EVOLUTION

Historical performance of the NSPP system



Based on data of the Bank of Russia, total pension reserves in non-governmental pension funds exceeded RUB 1.5 tn in Q3 2020.②

① Based on Kommersant daily's data: <https://www.kommersant.ru/doc/4628202>

② Based on Bank of Russia data: <http://www.cbr.ru/RSCI/statistics/>

NPF SAFMAR's position in the pension market

NPF SAFMAR's position in the pension market of services^①



No. 6

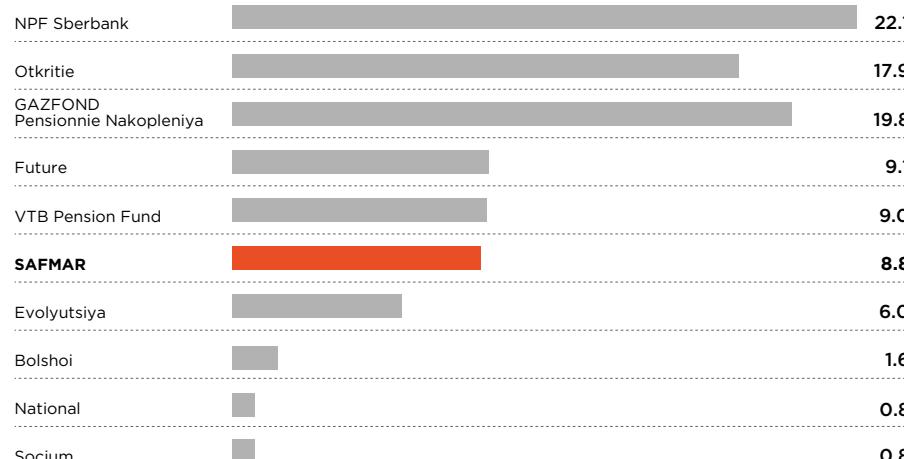
by retirement savings under management



No. 5

by number of clients

NPF SAFMAR's ranking by retirement savings in 2020 // %



^① Source: Bank of Russia data

Key achievements in 2020

Since 2019, NPF SAFMAR has been working to promote transparency and openness of investments, a balanced investment policy, increased client loyalty and digitalisation. The Fund sees its primary goals in strengthening its pension market position, expanding the client base, focusing on the development of individual and corporate pension plans, and leveraging digital technology to enhance client experience.

In early October 2020, NPF SAFMAR launched two investment plans, Return and Return+, with an up to 7% minimum return guaranteed in the first year. Investment income accrues annually on personal accounts and is added to the amount invested. All investments are protected against

enforced seizure pursuant to Federal Law No. 75-FZ On Non-Governmental Pension Funds dated 7 May 1998. All contributions and accrued income become part of a cash value payable back in 4-5 years depending on the investment plan terms. The plans rely on tailor-made investment strategies seeking to invest in secure sovereign and corporate bonds with high credit ratings.

In 2020, NPF SAFMAR focused its efforts on digital transformation. As part of the project commenced in 2019, the Fund relaunched all of its digital services and channels. Back then, the personal account and mobile app functionality was limited to newsfeed and information purposes, enabling users to check their pension accounts.

// The digital transformation was also driven by new economic realities amid the COVID-19 pandemic, which gave an impetus to all-round digitalisation.

With new pension products, competitive bank deposits and investment accounts coming in, online services and sales became increasingly relevant.

The digital transformation was also driven by new economic realities amid the COVID-19 pandemic, which gave an impetus to all-round digitalisation.

Digital transformation milestones



1

OVERHAULING PERSONAL ACCOUNT FUNCTIONALITY AND LAUNCHING MOBILE APPS

NPF SAFMAR laid the groundwork for further digitalisation by switching its remote client service channels to a state-of-the-art architecture, which helped improve compliance with regulatory requirements for client data safety and provided for functionality upgrades.

2

APPLYING FOR PENSIONS ONLINE

Our clients can now apply for funded pensions online. This is a simple process where the client only needs to check their details and sign an application with a code from a text message.

3

CHANGING PERSONAL DETAILS ONLINE

It is important that the client's personal details are up to date when applying for pensions. Now it is a matter of a few minutes thanks to the personal account and mobile app functionality.

6

FASTER PAYMENTS SYSTEM

The functionality is now in place to pay for the Fund's products via a personal account or mobile apps.

NPF SAFMAR was shortlisted at Rusbase Awards 2020 for its achievements in digital transformation.

5

OMNICHANNEL CONTACT CENTRE

In order to deploy an omnichannel contact centre, the Fund had to overhaul its business processes and redesign security systems in compliance with regulatory requirements. The piloting of the centre started in late 2020.

4

SIGNING IN VIA THE PUBLIC SERVICES PORTAL OR TWO-FACTOR AUTHENTICATION

NPF SAFMAR now allows users to sign in, sign up and restore access to their personal accounts and mobile apps via the Public Services portal. This is a safe and secure way of confirming the client's identity.

With service and financial functionalities becoming part of remote channels, the need arose for enhanced security protocols, so two-factor authentication was introduced (with the second factor being a one-time code from a text message). As a result, the Fund can now rely on a massive database of verifiable mobile phone numbers, which takes client communications to a whole new level.

^① Bank of Russia data as at 30 September 2020.

Financial performance

IFRS financial highlights



Key indicators of NPF SAFMAR's financial performance as at the end of 2020 are presented below:

- assets: RUB 288.9 bn as at 31 December 2020 vs RUB 297.3 bn as at 31 December 2019;
- liabilities: RUB 260.7 bn as at 31 December 2020 vs RUB 260.5 bn as at 31 December 2019;
- equity: RUB 28.2 bn as at 31 December 2020 vs RUB 36.8 bn as at 31 December 2019;
- net profit / (loss): RUB (6.6) bn in 2020 vs RUB 3.3 bn in 2019;
- profit from investment activities: RUB 6 bn vs RUB 20 bn in 2019.

Portfolio breakdowns are disclosed as at 1 April 2021. Right now, the information on the composition of NPF SAFMAR portfolios at the issuer level is publicly available at the Fund's website (retirement savings at <https://www.npfsafmar.ru/about/savings> and pension reserves at <https://www.npfsafmar.ru/about/reserves>), which has breakdowns by investment targets, industries and credit ratings.

The scope of disclosure on the issuers of securities covers their shares and credit ratings.

are invested in over 15 industries; the issuers with the largest shares in the investment portfolio include Rosneft, Gazprom Neft, Transneft, Russian Railways, Sberbank, etc.

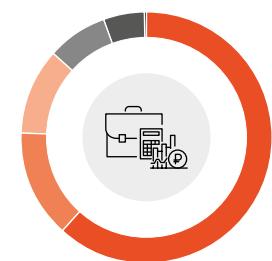
As at 31 December 2020:

- over 93.1% of assets in NPF SAFMAR's portfolio are rated BB or higher (equivalent to the S&P Ratings scale); 65.4% of these assets are rated BBB-;
- pension assets under the Fund's management

Investment activities

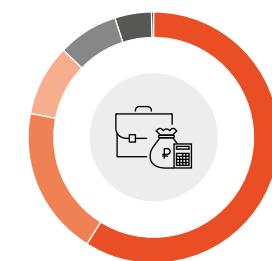
NPF SAFMAR implements a balanced investment strategy aimed at preserving the capital. In 2020, retirement savings and pension reserves were invested via nine asset management companies selected by the Fund. Their solid expertise in pension assets minimises multiple financial and operational risks associated with pension investments.

NPF SAFMAR retirement savings portfolio structure^① // %



	61.89
Corporate bonds	
Sovereign bonds	13.94
Cash and cash equivalents	10.88
Equity instruments	8.01
Sub-federal and municipal bonds	5.25
Deposits	0.03

NPF SAFMAR pension reserves portfolio structure^① // %



	59.10
Corporate bonds	
Sovereign bonds	18.96
Cash and cash equivalents	9.17
Equity instruments	8.01
Sub-federal and municipal bonds	4.73
Deposits	0.02

RETURN ON INVESTED RETIREMENT SAVINGS AND PENSION RESERVES ACCRUED TO CLIENT ACCOUNTS IN 2020

In 2020, NPF SAFMAR delivered a return of 2.14% p.a. for CPI clients. As regards NSPP, returns accrued to baseline accounts ranged between 4.99% and 6% p.a., exceeding the inflation rate (4.9%), while returns accrued to balanced accounts stood at 6.78%.

The NSPP participants and depositors whose contracts fall under the investment strategy with a guaranteed minimum return got 4.29% p.a.

Annual return^② on investment of retirement savings accrued to client accounts // %

Fund	2015	2016	2017	2018	2019	2020	Accumulated 2009-2020
NPF SAFMAR	8.85	8.74	1.81	(11.02)	6.70	2.14	68.43

^① Source: NPF SAFMAR accounting data

Annual return^② on investment of pension reserves accrued to client accounts // %

Fund	2015	2016	2017	2018	2019	2020	Accumulated 2009-2020
NPF SAFMAR (balanced accounts)	10.82	10.36	8.65	2.17	9.51	6.78	136.97
NPF Mospromstroy-Fund	10.92	15.33	4.31	5.53	11.07	6.95	161.20

^② Source: NPF SAFMAR accounting data

COMPANIES MANAGING RETIREMENT SAVINGS

- IQG Asset Management
- Investment Management Company
- REGION SM Asset Management
- Raiffeisen Capital
- AGANA Asset Management
- ZAO Lider
- TKB Investment Partners
- VTB Capital Asset Management
- Sber Asset Management

COMPANIES MANAGING PENSION RESERVES

- Raiffeisen Capital
- IQG Asset Management
- Investment Management Company

DISCLOSURE ON INVESTMENT PORTFOLIOS AT THE ISSUER LEVEL

NPF SAFMAR initiated the disclosure of its portfolio split by issuer much earlier than required by the Bank of Russia regulations (1 July 2021). Information on the portfolio composition will be updated on a regular basis.

SPECIAL DEPOSITORY

Reliability and capital maintenance are the top priorities in the pension industry. Here the Fund is clearly one step ahead of other collective investment vehicles as it employs

additional controls: all investments are monitored on a case-by-case basis along with follow-up control by a special depository, Unified Specialised Depository.

^① As at 1 January 2021.

^② NPF SAFMAR returns are calculated for insured persons and pension plan holders.

Key risk factors

Industry risks associated with the operations of NPF SAFMAR and NPF Mospromstroy-Fund

These risks may affect the Issuer's financial performance. If the risks materialise, they may affect the indicators of the Issuer's consolidated financial statements and hence the value of its ordinary shares. The risks that the Issuer considers the most significant in its CPI and NSPP operations are listed below along with descriptions.

NPF SAFMAR and NPF Mospromstroy-Fund do not run operations outside the Russian Federation, therefore risks relating to possible changes in the international market environment are not described or assessed, and the information below refers only to the risks in the Russian Federation.

KEY RISKS

1. FINANCIAL RISKS

- Credit risk, including credit risk for fixed-income instruments, counterparty credit risk, and risk of deterioration in the value of transaction collateral.
- Market risk, including the price, interest and FX risks, as well as the market liquidity risk.
- Liquidity risk, including the current liquidity and the long-term liquidity risks.

2. NON-FINANCIAL RISKS

- Operational risks, including the risks of internal or external fraud, risks related to employment practices and workplace safety, clients, products and business practices, risks of damage to tangible assets, risks of operating system migration, loss of key employees, etc.
- Compliance risks and risks related to tightening of laws, including the risks associated with the extension of the moratorium on payment of mandatory insurance contributions to finance insurance pensions.
- Actuarial risks.

It should be noted that the materialisation of these risks can reduce the expected return on equity of the holding company and lead to substantial depreciation of financial investments in NPFs' investment portfolio.

There are also potential negative events related to NPFs' government regulation to consider. These risks may not only affect the market value of shares, but also make it impossible for the funds to carry on certain operations in their capacity of an NPF.

At the same time in the context of ongoing pension reform and lack of state intentions transparency regarding management of pension funds and regulation, it is impossible to mitigate this risk.

To mitigate NPF-specific risks, the Company thinks it relevant to:

- Develop a portfolio of high-quality assets with a good credit rating in line with the existing investment strategy.
- Limit risks based on a framework of internal limits and key risk indicators.

- Diversify the client base and investment portfolios.
- Timely perform compliance procedures, specifically by monitoring pension industry laws, and comply with regulatory orders.

Special mention needs to be made of actuarial risks that are inherent to any pension fund. With the above approaches in effect, the funds assess the actuarial risks to be minimised.

// NPF SAFMAR and NPF Mospromstroy-Fund do not run operations outside the Russian Federation, therefore risks relating to possible changes in the international market environment are not described or assessed.



Rating

In February 2021, the National Rating Agency affirmed the Fund's Reliability Rating at A|ru.pf| on the national

rating scale for non-governmental pension funds, changing the outlook to developing.



Partnership and trust

all types of insurance



VSK Insurance House (VSK, VSK Group or the Company) was established in 1992 as a universal insurance company offering services to retail and corporate clients across Russia. The Company has consistently ranked among the country's Top 10 insurance players. In 2020, VSK Insurance House led the way among the major Russian insurers in terms of voluntary health insurance (VHI) growth.



RUB 90.9 BN

written insurance premiums



>200

advanced insurance solutions



5.3%

VSK Group's market share in 2020



>7,000

employees

AMONG TOP 10

Russian insurance majors
across the key segments



/// VSK Insurance House

Business overview and key highlights of 2020



Alexander TARNOVSKY

Chief Executive Officer
of VSK Insurance House

“Despite the global pandemic in 2020, VSK Insurance House delivered solid financial performance, while also increasing its assets and demonstrating capital growth. Last year, the Company led the way among Russian insurance majors in terms of VHI growth and showed considerable expansion in the retail MHI segment. VSK once again won praise from the expert community: following the annual review of Russian and international rankings, the leading rating agencies reaffirmed the financial stability and reliability of VSK Insurance House. The strong performance of the Company was driven by the development of digital services, implementation of new technologies in business processes, and the high professionalism of the team. Thanks to the development strategy adopted by VSK in early 2020, we were able to stand up to the challenges of this tumultuous year and work out the best risk mitigation solutions.”

VSK Insurance House (VSK, VSK Group or the company) was established in 1992 as a universal insurance company offering services to retail and corporate clients across Russia. The Company has consistently ranked among the country's Top 10 insurance players. In 2020, VSK Insurance House led the way among the major Russian insurers in terms of voluntary health insurance (VHI) growth.

More than 30 million people and over 500,000 corporate clients have benefited from the VSK products and services by now. The Company's regional distribution network has over 500 offices in all Russian regions, which enables VSK to effectively support insurance contracts across the country. The reliability and financial stability of VSK are confirmed by the ratings from the leading Russian and international agencies. On 20 January 2020, the Company's General Meeting of Shareholders elected Alexander Tarnovsky as the Chief Executive Officer of VSK.

In this role, he focused on the objectives set out in the updated strategy

● ASSET AT A GLANCE

Company management

- **Sergey Tsikalyuk**
Chairman of the Board of Directors
- **Alexander Tarnovsky**
CEO, Chairman of the Management Board

A TOP 10 Russian insurance major across the key segments

 **90.9 BN**
RUB written insurance premiums

 **>200**
advanced insurance solutions

 **>7,000**
employees



For more details on **VSK Insurance House** and its operations, please visit its website at <https://www.vsk.ru>

of VSK Insurance House and the goals calling for a number of fundamental changes, including creation of a brand new technology infrastructure and development of information technologies, deployment of optimum management tools, and enhancement of the HR potential within the VSK team.



Insurance market overview

Despite the pandemic, the Russian insurance market demonstrated growth in 2020. Quarterly performance was mixed due to the periods of lockdown and economic volatility. Q2 of 2020 suffered the hardest blow as it saw the toughest restrictions and a decline in premium income. As the coronavirus restrictions were being lifted in Q3 and Q4 of 2020, the insurance market began its recovery to close the year in the positive territory.

The key factors that significantly influenced the insurance market in 2020:

- growth of mortgage lending on the back of the government-subsidised mortgage programme as the key driver behind the rising premium income in the bank insurance segment (up 8% in 2020 compared to 2019);

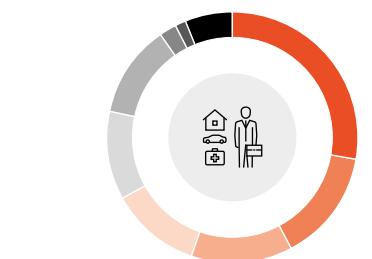
- progressive vehicle fleet renewal by individual and corporate clients, with the ensuing premium income growth in MHI (up 2.9%) and CMTPL (up 2.4%);
- endowment life insurance and insurance segments related to lending. With the downward pressure on deposit rates, people started looking for alternative saving and investment tools that can offer higher profitability. This gave upside to the banks' efforts in promoting endowment life insurance products;
- the pandemic had a material negative impact on the VHI market (down 2%) due to the falling disposable incomes and reduced corporate spending on employee benefit packages, including health insurance.

 Progressive vehicle fleet renewal by individual and corporate clients, with the ensuing premium income growth in MHI and CMTPL.

Insurance market in 2020

The volume of the insurance market reached RUB 1,538.7 bn (vs 1,481.2 bn in 2019). In relative terms, the insurance market grew by 3.9% in 2020.

Insurance market breakdown in 2020 // %



● Life insurance	28.0
● CMTPL	14.3
● Personal accident and health insurance	13.1
● VHI	11.5
● MHI	11.4
● Personal and corporate property insurance	12.0
● Civil liability insurance	2.3
● Cargo insurance	1.3
● Other	6.0

Gross premiums mainly came from life insurance (RUB 430.5 bn), VHI (RUB 177 bn), accident and health insurance (RUB 202.3 bn), MHI (RUB 175.4 bn), personal and corporate property insurance (RUB 184.8 bn), CMTPL (RUB 220 bn) and civil liability insurance (RUB 35.8 bn).

The non-life insurance market expanded by 3.4%.

In 2020, the key types of insurance saw the following changes:

- the life insurance segment rose by 5.2%;
- premium income in the CMTPL market increased by 2.4%;
- premium income in the MHI segment went up by 2.9%;
- VHI and cargo insurance saw declines of 2.0% and 7.8%, respectively;
- corporate property insurance and personal accident and health insurance grew by 9.5% and 8.0%, respectively;
- premium income in personal property insurance declined by 0.3%.

The key cross-industry trend is the digitalisation of business

processes driven, among other things, by the lockdown period during the pandemic. Insurance companies embarked on the active digitalisation of key processes and started migrating the majority of their products online. The market shows major technological advances, above all in online sales. As one example, the online channel brought 28% of CMTPL insurance premiums in 2020.

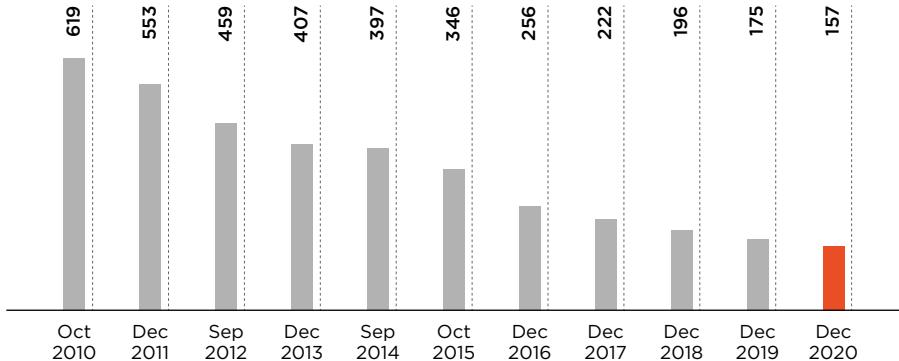
Consolidation is still ongoing in the insurance market, with the number of players consistently shrinking. In 2020, only 157 insurance companies were listed in the Unified State Register of Insurers, with 18 firms having pulled out of the market since the beginning of 2020. The reasons for that include failure to comply with regulatory requirements for insurers' financial stability, bankruptcies, and voluntary withdrawals from the business. There were no major players among those going out of business, so industry concentration in terms of insurance premiums stayed virtually flat. In 2020, the Top 10 insurers controlled 71.2% of the market.

Insurance market consolidation // %



● Top 100	71.2
● Other	28.8

Number of players in the insurance market



VSK position in the insurance market

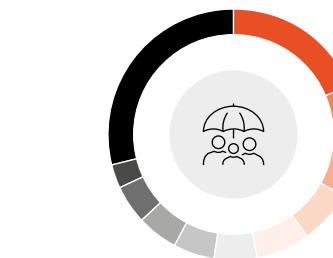
With a market share of 5.3% (7.3% in the non-life insurance segment), VSK Insurance House has invariably ranked among the Top 10 Russian insurance players across all key products, including as a Top 5 motor insurer with a share of 9.9% and 11.5% in CMTPL and MHI, respectively. In 2020, VSK experienced a slight decline in premium income (down 1.7% y-o-y). The Company restructured its CMTPL portfolio, making a deliberate decision to decrease its presence in this segment throughout the year. As a result, we witnessed a controlled decline in premium income from CMTPL insurance (down 6.6%). On the positive side, VSK demonstrated significant growth in its core segments – VHI and retail MHI. In VHI, VSK recorded the highest growth rate among the key insurance players (up 28%) despite overall market contraction (down 2%), ranking seventh in the Top 10.

In retail MHI, the growth was also significantly higher than the market average (up 12% vs the market average of 3.8%), with the Company coming in fourth in the ranking of the segment's largest players.

 **+28%**

the highest growth rate in the VHI segment among the key insurance players in 2020

Market share of the major players in 2020 // %



● SOGAZ	18.7
● Alfa	7.5
● RESO	7.0
● Ingosstrakh	6.9
● Sberbank Life	6.9
● RGS	5.5
● Alfa Life	5.5
● VSK	5.3
● SOGAZ-Life	4.9
● Renaissance Life	3.0
● Other	28.8



Strategy and growth paths

 The main investment goals of the Company are to receive investment income on an ongoing basis and to increase the value of assets.

The choice of an investment strategy for VSK is underpinned by its goals, which harness asset management tools to:

- ensure solvency and high liquidity of assets;
- secure the recoverability of investments and thereby mitigate multiple associated risks; and
- ensure competitive returns on the investment portfolio.

The main investment goals of the Company are to receive investment income on an ongoing basis and to increase the value of assets. The Company invests its equity and insurance reserves in accordance with the principles of diversification, liquidity, return and profitability.

To achieve the above, the following conditions must be met:

- the potential investment value grows faster than inflation;
- the investment instruments meet the criteria for being recognised as assets accepted for coverage of insurance reserves and equity to the extent regulated by the Bank of Russia; the investment instruments meet the liquidity requirements;

- the unsystematic component of risk is levelled through broad diversification and investment in various asset classes;
- when evaluating the balance of risk to return, greater weight is given to the level of risk.

The selected strategy helped achieve the 2020 targets and ensured higher portfolio returns compared to the key competitors of VSK. The investment asset management targets have not changed for 2021, with the Company planning to stick to the same strategy going forward.

IMPLEMENTATION OF THE VSK STRATEGY

The Company completed the development of a new three-year strategy which seeks to:

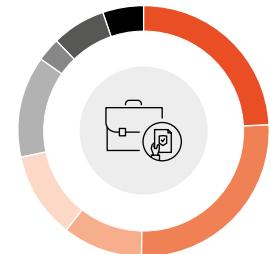
- increase VSK's market share to 11% by 2023;
- increase the client base by more than 1.5 times;
- ensure an aggregated loss ratio of 96% or less;
- increase NPS to 50 %;
- make sure that 90% of transactions are paperless;
- maintain personnel engagement at above 77%.

The above will be achieved through the following:

- strategic programmes across conventional business lines (development of the agency sales channel, breakthrough in VHI, corporate portfolio expansion, mainstream provision of customised offers);
- initiatives promoting new business models (platform-based ecosystem, digitalisation of customer journey, collaborations with partners to launch new service insurance products, availability of insurance and non-insurance products within the Company's own ecosystem);
- projects improving operational efficiency through automation and robotisation across most operational functions, centralisation and relocation of support and operational functions;
- deployment of a new microservices-based platform;
- introduction of agile methods to implement changes;
- development of HR brand and the talent management and retention system.

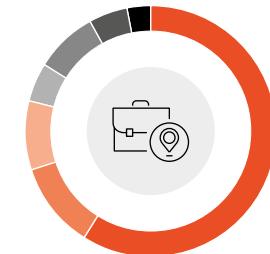
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- deployment of a new microservices-based platform;
- introduction of agile methods to implement changes;
- development of HR brand and the talent management and retention system.

VSK insurance portfolio breakdown by product // %



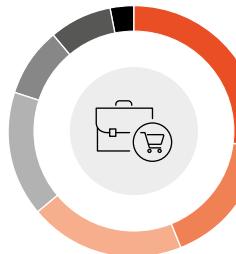
CMTPL	24
MHI	26
VHI	10
Corporate property insurance	11
Personal accident and health insurance	13
Liability insurance	3
Personal property insurance	7
Life insurance	5

VSK insurance portfolio breakdown by region // %



Federal Districts	
Central	59
Volga	11
Northwestern	9
Siberian	5
Southern and North Caucasian	8
Urals	5
Far Eastern	3

VSK insurance portfolio breakdown by distribution channel // %



Direct	27
Agents	17
Dealers	20
Banks	16
Non-financial intermediaries	9
Leasing	8
Online	3

Staff training and education

In 2020, the Company continued the planned development of its training system for employees from various sales channels and functional units, agents and partners. 3,188 training sessions were held (classroom-based and delivered by video conferencing), bringing together 60,469 people. The Company's employees and agents successfully completed 46,558 digital courses on VSK's corporate portal. 126 digital courses were either developed from the scratch or upgraded. A number of important tasks were accomplished.

- We developed new functional competences for each sales channel and business unit for the purposes of the 2021 assessment and automated the system for competence-based assessment and individual employee development planning. Moreover, we launched High Potential, an updated version of the talent pool project, with 59 employees of the branch
- We placed a particular emphasis on training in insurance products,

network and the head office included in the pool.

- We developed and implemented a programme to enhance digital skills in Top 1, 2 and 3 level managers. The programme included 42 educational courses and covered 149 employees.
- We successfully completed the implementation of the VSK 2020: Second Intake programme for branch directors and their deputies, Top 2 and Top 3 level managers, and line managers of the head office. It was developed jointly with the Higher School of Corporate Governance of the Russian Presidential Academy of National Economy and Public Administration to establish uniform management standards, nurture managerial skills and help the Company achieve its strategic goals. A total of 977 people took part in the programme.
- We developed new functional competences for each sales channel and business unit for the purposes of the 2021 assessment and automated the system for competence-based assessment and individual employee development planning. Moreover, we launched High Potential, an updated version of the talent pool project, with 59 employees of the branch

 **>60,000**

people took part in educational initiatives in 2020

 **525**

educational initiatives for the VSK partners (banks, car dealers, non-financial intermediaries) were implemented in 2020

and development of sales and negotiation skills in employees from across the sales channels, as well as the Company's agents and partners. 1,466 educational initiatives were implemented for the employees and agents of VSK, with another 525 ones organised for the VSK partners (banks, car dealers, non-financial intermediaries).



Organisational management and development

In 2020, the Company's headcount went down by 2% to 6,300 people. The decline in headcount came against the backdrop of high employee performance standards, which resulted in FTE performance improving by 2% against 2019. The churn rate in 2020 decreased by 4.5% against 2019 in line with the general trend for lower churn rates amid the pandemic.

In 2020, the Company proceeded with the implementation of its organisational development plan. The organisational changes translated into higher efficiency of the Company's management due to fewer subordinate levels, standardisation, reduction of positions and establishment and approval of standard spans of control.

We developed several job optimisation options for the period of home-based work, with the headcount requirements determined and technically based performance standards established

for all of the Company's functional units.

We continued the implementation of the responsibility matrix identifying the functions and responsibilities of the Company's subdivisions.

In 2020, we approved an HR strategy aimed at supporting the Company's new business strategy. It includes initiatives covering the entire range of HR priorities and providing for the automation of HR services. We developed and implemented a dedicated assessment and bonus system

We developed the core for a chat bot designed to increase the speed and sharpen the focus of our HR communications, with plans to invest in its continued learning and development.

In 2020, the employee engagement index added three points compared to 2019 and rose to 73%.

This figure is higher than the average for the insurance industry, which is indicative of strong employee engagement and loyalty despite the pandemic-related restrictions.

Our Performance Management System also saw further upgrades: with the quarterly

Financial performance

IFRS financial highlights¹

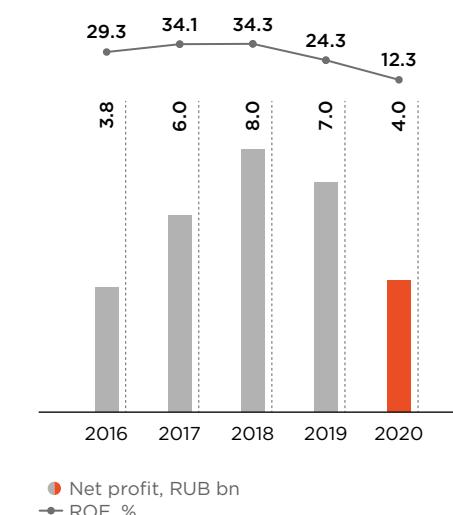
In 2020, VSK Group demonstrated solid performance.

- Written insurance premiums totalled RUB 90.9 bn (down 3% y-o-y).
- Insurance payouts stood at RUB 45.8 bn (up 33% y-o-y).
- The portfolio's loss ratio (key quality metric for the insurance portfolio, reinsurance coverage, and tariffs) was 56.9%.
- Net profit totalled RUB 4 bn (down 43% y-o-y).
- ROE came in at 12.3%.
- Investment income less interest expenses on debt securities outstanding totalled RUB 8.8 bn.
- Combined loss ratio for 2020 stood at 106.3% (including life insurance).

 **RUB 90.9 BN**

written insurance premiums in 2020

Evolution of net profit and ROE



Written insurance premiums // RUB bn

2020	90.9
2019	93.3
2018	96.3
2017	73.8
2016	53.3

● Net profit, RUB bn
● ROE, %

Insurance payouts // RUB bn

2020	45.8
2019	34.3
2018	31.3
2017	30.3
2016	26.1

● Loss ratio
● Acquisition expense ratio
● Operating expense ratio
● Combined ratio

¹ VSK Group's consolidated financial statements for 2020 include the performance of its subsidiaries: Insurance Company Interi (formerly Insurance Company Europlan), VSK-Liniya Zhizni, B&N Insurance, VSK-Miloserdiye, and SINKHRO.

 For the full text of the **IFRS consolidated financial statements of VSK for 2020**, please visit its website at https://www.vsk.ru/about/today/financial_report/

Equity

In 2020, VSK Group's equity exceeded RUB 33.3 bn, accounting for 21% of the liabilities on the balance sheet.

The equity breakdown as at the end of 2020 is as follows:

- revalued authorised capital under IFRS: RUB 3.9 bn (11.7% of equity);
- retained earnings and other reserves: RUB 29.4 bn (88.3% of equity).

Insurance reserves

The structure and volume of VSK Group's insurance reserves adequately match its insurance liabilities. The insurance reserves stand at RUB 108.3 bn and make up 68.1% of the liabilities on the balance sheet.

The insurance reserves breakdown as at the end of 2020 is as follows:

- unearned premium reserve: RUB 52.9 bn (48.8% of insurance reserves);
- reserves for claims: RUB 18.1 bn (16.7%);
- reserves for life insurance: RUB 37.4 bn (34.5%).

Key risk factors

Despite a decline in Russia's road accident rates, CMTPL continues to be the most volatile segment of the insurance market.

The key risks affecting the insurance industry include:

- stronger competition, price dumping in certain segments, and the rising role of captive insurance;
- increased role of intermediaries (monopolisation) as core distribution channels: higher agency fees, lower margins;
- market consolidation;
- underwriting risks: risks of deterioration in the quality and structure of insurance portfolio (assessment of risks to be insured, efficiency of the underwriting policy, optimal tariffs, compliance with sales rules, effective pre-contract background checks);
- risks related to third party abuses: loss adjustments (risks of policyholder and third party abuses to benefit from unjustified payouts), support and facilitation of key business processes (risks of internal fraud);
- further sanctions and rising hostility towards Russia: limited access to international reinsurers;
- actuarial risks;
- risks related to compulsory motor third-party liability insurance;
- amendments to laws and regulations governing the insurance business, including those related to:

- easing or lifting of restrictions applied to foreign insurers and their branches in the Russian Federation;
- review of tariffs and conditions in heavily regulated segments (including compulsory motor third-party liability insurance; compulsory liability insurance of hazardous facility owners; compulsory carrier liability insurance against travel damages to the lives, health and property of passengers; developer liability insurance), which is likely to put pressure on gross premiums and margins;

- instability in the insurance market caused by the bankruptcy of small insurers;
- increase of state participation in the authorised capital of insurers, including as part of rehabilitation;
- emergence of alternative mutual protection mechanisms.

Risks related to compulsory motor third-party liability insurance

Despite a decline in Russia's road accident rates and entry into force of the amendments to Federal Law No. 40-FZ (as amended on 8 December 2020) On Compulsory Motor Third-Party Liability Insurance dated 25 April 2002 (with amendments and additions that became effective since 1 March 2021) that were designed to facilitate tariff liberalisation, CMTPL continues to be the most volatile segment of the insurance market. In 2020, the portfolio loss ratio was negatively affected by a y-o-y increase in the average loss figures due to the revision of price guides used in line with the United Methodology for Determining the Cost of Repairing a Damaged Vehicle under CMTPL.

Risks related to limited access to international reinsurers

The global reinsurance market is highly concentrated in four key markets, which comprise up to 90% of the total:

- continental Europe (Munich Re, Swiss Re, Hannover Re, SCOR, etc.);
- London (Lloyds, etc.);
- Bermuda (PartnerRe, etc.);
- USA (Berkshire Hathaway, etc.).

Alternative markets mainly include India, China, South Korea, and oil-rich nations of the Middle East. There is a risk that alternative markets will be lacking capacity required to cover Western sanctions-related risks if the access to the key reinsurance markets is limited.



Insurance operations are also exposed to **actuarial risks**. Those are assessed and managed based on the actuarial policy, which aims to:

- determine tariffs for new insurance products;
- monitor portfolio quality across existing insurance products and lines of business;
- assess insurance liabilities;
- assess the quality of the portfolio's reinsurance coverage;
- determine the optimal level of net retention and fair price of reinsurance;
- forecast the volume of insurance payouts, insurance reserves and the quality of insurance portfolio for budgeting purposes.

For an insurance company, industry risks also include **investment risks**, i.e. risks related to the investment activities of insurers, above all the process of investing insurance reserves. These risks include:

- risk of mismatch between assets and liabilities in terms of liquidity/maturity and currency;
- market risk – the risk of losses caused by adverse changes in macroeconomic market factors (exchange rates, interest rates, price indices, etc.);
- credit risk – the risk of losses caused by changes in the creditworthiness of the counterparty, issuer or debtor;
- asset liquidity risk – the risk of losses caused by the inability to promptly sell an asset at its current market value;

Today, VSK has a system of obligatory reinsurance contracts that effectively protect its portfolio from a wide variety of risks.

If any of the adverse changes in the industry described above materialise, earnings growth may slow down and even a loss might occur (worst-case scenario).

To mitigate the above risks, the Company employs the insurance and reinsurance strategies to protect its insurance portfolio.

The **insurance strategy** aims to diversify the portfolio of insured risks so that it could comprise a wide variety of unrelated risks. It also seeks to maximise diversification for each risk type (i.e. each risk is assigned to a portfolio sufficient to minimise the risk of random deviations from the projected number and gravity of insured events).

The **reinsurance strategy** serves to partially reinsure the insured risks in order to limit the insurer's exposure to a specific insured event or its cumulative losses from the simultaneous onset of multiple identical events. Reinsurance is one of the keys to maintaining financial stability. The Company carefully analyses reinsurance companies and their financial stability to choose the most reliable partners.

Today, VSK has a system of obligatory reinsurance contracts that effectively protect its portfolio from a wide variety of risks. The contracts are signed with the leading reinsurers, including Swiss Re (AA- by S&P), Hannover Re (AA- by S&P), Partner Re (A+ by S&P), SCOR (AA- by S&P), Lloyd's syndicates (A+ by S&P), Catlin Re (AA- by S&P) and Aspen Insurance (A by S&P).

As at 31 December 2020, non-resident reinsurers with an S&P rating of A- or higher and resident reinsurers with an Expert RA rating of ruA- or higher made up 98% of the Company's insurance portfolio. As at 31 December 2020, non-resident reinsurers with an S&P rating of A- or higher and resident reinsurers with an Expert RA rating of ruA- or higher accounted for 97% of the Company's reserves.

The efficiency of reinsurance protection is proved by the hefty reinsurance payouts received by the Company to cover major losses incurred vis-à-vis its insured and reinsured clients. As at 31 December 2020, the reinsurers' share in the reserve for claims stood at RUB 0.8 bn. In 2020, reinsurance payouts exceeded RUB 0.5 bn.

VSK also relies on the following **risk mitigants**:

- regular analysis of terms and conditions offered by competitors while maintaining competitiveness of the product range;
- efficiency improvement and cost control;

- business diversification; expansion and development of business segments, product range, geography and sales channels; development of proprietary sales network, insurance portfolio restructuring to ensure diversification or withdrawal from selected types of insurance;
- regulatory compliance, including activities to ensure compliance if licensing requirements are toughened for selected types of insurance operations;
- managing underwriting risks through risk limits and risk assessment, targeted reviews of insurance contracts that are inside the limits, automated and formalised procedure to assess risks and issue/amend policies for mass insurance products; making decisions on complicated risks by a dedicated committee;
- integrated anti-fraud system (when signing, managing and extending insurance contracts and also in loss adjustments);
- managing investment risks by means of a highly formalised process to initiate applications to make investments, consider and make decisions, make investments and ensure centralised record keeping; compliance with regulatory ratios for risk assessment based on approved methodologies; setting limits for legal entities that act as counterparties and issuers; monitoring the financial status of banks, securities issuers and other corporate borrowers.

© RATINGS

Fitch Ratings

BB

In October 2020, Fitch Ratings affirmed VSK's Insurer Financial Strength (IFS) rating at BB. The agency assesses the Company's profitability as strong but potentially volatile. According to Fitch, VSK has a healthy business profile in the Russian non-life insurance market. The Company's non-life portfolio is adequately diversified in many respects, including the business structure, presence in the retail and corporate segments, and sales channels.

Expert
ruAA

In October 2020, the RAEX (Expert RA) rating agency affirmed VSK's credit rating at ruAA. The outlook is stable.

RAEX described the Company's current and adjusted net insurance liquidity ratios as robust. Other rating drivers include solid above-normal solvency margin and excessive spare capital. The Company has a high return on equity and investment and moderately strong returns on sales. RAEX also commented on the Company's strong reinsurance protection.

Another contributing factor is the Company's high quality of assets. The investment portfolio comprises mainly deposits in banks with reliable credit ratings, government securities, and liquid securities of leading corporate issuers. The agency also noted no asset concentration in related parties.

ACRA
AA(RU)

In October 2020, Analytical Credit Rating Agency (ACRA) affirmed VSK's credit rating at AA(RU) with a stable outlook.

The rating reflects the Company's robust business profile and financial performance coupled with adequate management quality. Key rating drivers include strong market position and solid operating performance.

The robust business profile is underpinned by the Company's strong market position and high operating performance. Given the low share of major corporate customers in the insurance portfolio and the wide geographical footprint of the retail portfolio, VSK's client base is viewed as well diversified. The asset quality is assessed as high. ACRA believes VSK is able to meet the market demand for insurance protection against both major property risks and risks to individuals.

High operating performance is based on VSK's forecast data. In 2019, the combined ratio amounted to 0.94. It is expected to rise to 0.96–0.98 going forward.

Increased loss ratios in the motor insurance segment and high acquisition expenses put operating efficiency under pressure. That said, ACRA believes that in the mid-term the Company will be able to maintain its combined loss ratio below 1, while also protecting its market share despite a tighter competition with other large and medium-sized players.

High opinion of the Company's financial profile is underpinned by positive assessments of its capital adequacy, asset quality and liquidity position.

The Company's management structure and actuarial function also won praise from the agency.

POS lending

advanced solutions



Direct Credit Centre (“Direct Credit” or “DCC”) is a fintech company developing POS lending projects and providing POS lending services. The Company partners with major federal and regional networks, online and offline retail points of sale on the one hand, and banks and insurers providing loans and services associated with insurance against borrower risks on the other hand.



RUB **74.2** BN

total loans issued via Direct Credit platform



RUB **2.2** BN

revenue



25%

DCC market share in Russia's POS lending market in 2020



>10 MILLION ACCOUNTS

Direct Credit retail client base

1.9 MILLION

POS loans issued

NO. 1

comprehensive
POS lending service
in Russia



*Компания Директ Кредит впервые в России интегрировала онлайн-ПОС-банки, а также была первым агрегатором онлайн-кредитования. Директ Кредит является лидером рынка благодаря передовому ИТ-решением и высокопрофессиональной команде разработчиков, менеджеров и кредитных

Facebook Вконтакте Instagram Twitter

Direct Credit Centre

Business overview and key highlights of 2020



Andrey GURIN
Managing shareholder, DCC

"In 2020, DCC strengthened its leadership in the POS lending aggregator market thanks to the acceleration of e-commerce and online lending growth during the pandemic. Our platform helped us to provide over RUB 74.2 bn in loans. It has been a challenging year for everyone in the POS lending market. Since the Company was founded, when DCC was one of the first to develop a lending solution for the e-commerce market, we have not stopped working on it and today we believe that our solution is one of the best in the industry in terms of technology, which allowed us to significantly increase our market share in 2020. We also continued to work on our mission to make getting a POS loan easier. Even more convenient solutions for mobile commerce are on the way: a loan extended via the client or agent app, where the application form is filled out through passport recognition function, and the contract is signed through an SMS signature".

Direct Credit Centre ("Direct Credit") is a fintech company developing POS lending projects and providing POS lending services^①. The company partners with major federal and regional networks, online and offline retail points of sale on the one hand, and banks and insurers providing loans and services associated with insurance against borrower risks on the other hand.

DCC's client base includes more than 10 million individuals who have ever obtained or attempted to obtain a loan with our help. In 2019, every third person applying for a loan at DCC's partner stores was a repeat customer.



For additional information about **Direct Credit Centre** and its activities visit the website <http://www.dc2b.ru>

ASSET AT A GLANCE

Company Management

- **Avet Mirakyan**
Chairman of the Board of Directors
- **Andrey Gurin**
Managing shareholder

87.5%

owned by
SAFMAR Financial Investments



Russia's largest^② POS lending broker

25%

DCC market share in Russia's POS lending market in 2020

1.9 M

POS loans issued

RUS 74.2 BN

total loans issued via Direct Credit platform

^① POS lending is a type of consumer loan issued directly at a point of sale, at a higher rate and in a shorter lead time.
^② As estimated by the management.



Market overview

POS lending market in 2020

According to expert estimates, the POS lending market totalled some RUB 300 bn in 2020, down 25% y-o-y. The Top 5 lenders were Post Bank, OTP Bank, Home Credit & Finance Bank, Renaissance Credit, and MTS Bank.

Market growth drivers in 2020

- The main market trend in 2020 was a drop in loans issued offline, especially in the segments most affected by the lockdown, such as tourism, fashion, fitness and furniture. Also, the market

slightly redistributed among banks, with Post Bank having issued the biggest volume of loans, taking the lead from Home Credit and Finance Bank.

- The statistics do not show loans granted via instalment cards (Sovest, Halva, etc.) thus understating the actual POS lending to a certain extent. A part of volumes traditionally lent by banks translates into POS loans issued by microlenders. These loans are not covered by statistics of POS lending market.

The statistics do not show loans granted via instalment cards (Sovest, Halva, etc.) thus understating the actual POS lending market to a certain extent.

Direct Credit Centre's position in the brokerage and aggregation market

According to the management's estimates, DCC remains the leader in the POS brokerage sector, both in the volume of loans and online lending, its key business segment.

The share of online loans issued through the Company's software continued to grow and reached 34%. In 2020, DCC held about 25% of Russia's POS lending market. Besides DCC, other major market players include Vsegda Dal!, POSCREDIT, and Kreditny Otdel.

Direct Credit Centre's share in the POS lending market in 2017-2020 // %

2020	25
2019	20
2018	19
2017	13

 **34%**

the share of online loans issued through the Company's software

 The Company is No. 1 both in the volume of loans and online lending, its key business segment.

Strategy and growth paths

Based on the management's mid-term estimates, the Russian POS lending and loan aggregation market will most likely be driven by:

1) for banks and microlenders

- a) sale of instalment cards instead of or together with POS loans, which is a continuation of the trend. The number of banks offering the card-based POS product will increase;
- b) loan application with integration across the whole range of loan products;
- c) using a simple electronic signature to sign loan documentation. The share of such loans is expected to grow;
- d) granting a higher loan limit than required for the purchase for applications submitted at POS;
- e) greater role of biometric technology in countering fraud;

c) development of proprietary solutions based on own credit and microcredit entities (Wildberries, Yandex, Ozon);

d) online technologies are gaining ground – somewhere they are actively rolled out, and somewhere just piloted in offline sales. Examples include sales through RTD (real-time dealing) function at M.Video. Offline lending processes are hardly a perfect solution for these relatively new types of customer service, and eventually the best online lending technologies will gain traction in traditional retail too;

e) customised instalment and lending limit offerings available on customer's personal account or in retailer's app;

3) for POS brokers

- a) product diversification – focusing on non-targeted lending, credit cards, and car loans;
- b) higher concentration and stronger competition. We expect that Yandex will soon launch new online lending solutions in the market and assume that more and more banks will develop their own POS brokers.

The Company retains its focus on POS lending and strategic development of this business across the following areas:

- maximum automation and simplification of loan issue:
 - developing a lending solution for retailers' mobile apps,
 - electronic signing,
 - data recognition from a photo or scanned copy;
- promoting support services associated with lending, primarily insurance;
- adapting the Company's POS products to DIY and clothing segments;
- improving customer experience (monitoring the NPS);

As we announced earlier, to diversify its business, the Company intends to launch a new product – non-targeted cash loan. In view of the pandemic, such loans are to be piloted in 2021, rather than in 2020, as previously indicated.

Social policy

In its social policy, the Company is guided by the principles of transparency and fairness towards its employees. Being a part of a major financial holding, Direct Credit will strive to improve labour relations, promote career growth, social welfare and workplace discipline, create comfortable working environment, establish a corporate culture, and enhance employee loyalty. The company does its best to accommodate the interests of its staff.

The key focus of social benefits is the investment in professional growth, further training and health of the employees.

SOCIAL PROGRAMMES

In addition to the statutory social safety nets guaranteed by the government, the company runs the following social programmes:

- voluntary health insurance and accident insurance;
- financial aid to employees facing various hardships;
- greetings and gifts to employees to commemorate anniversaries and other significant dates, including weddings and birth of children;
- New Year events for employees' children;
- perks for the best employees and seniority benefits; and
- sports and recreation activities, corporate events, PR promotion of significant professional achievements and awards for outstanding performance.



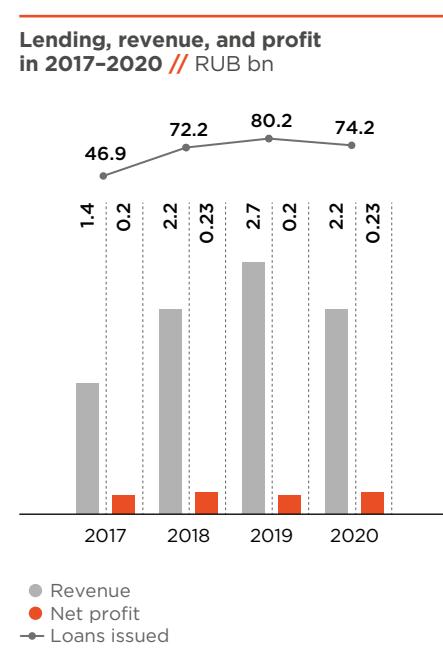
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Financial Performance

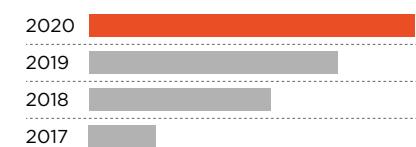
IFRS financial highlights

In 2020, Direct Credit Centre demonstrated stable financial results, which were achieved through timely response to the threats of reduced economic activity related to the coronavirus infection. Thanks to its flexible business model, the Company was able to promptly reduce operating costs while maintaining the level of service.

- The lending volume decreased by 8% to RUB 74.2 bn.
- The revenue totalled RUB 2.2 bn, down 16% y-o-y.
- The online lending volume was up 24% y-o-y achieving a 34% share in the whole business.
- The net profit totalled RUB 226 m, up 10% y-o-y.
- Net assets stood at RUB 370 m as at 31 December 2020.



Share of online lending in the whole business in 2017-2020 // %



24%
growth of online lending volume vs 2019

RUB 370 M
net assets as at 31 December 2020



Key risk factors

The market of financial services provided through intermediaries is not regulated by the Bank of Russia. At the same time, the recently adopted Federal Law No. 211-FZ dated 20 July 2020 On the Execution of Financial Transactions Using a Financial Platform allows to make the DCC information system a financial platform, and DCC to become a financial platform operator and thereby expand the Company's activities and remove legal uncertainty in the status of a financial intermediary.

POTENTIAL RESPONSE

A financial platform operator is required to have RUB 100 m of capital and be incorporated as a joint stock company. The Company is now considering how the transformation into a financial platform will help it improve the quality of its services and strengthen its competitive position. The decision on that matter is expected to be made in 2021.

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The management's perspective on material changes in the industry

- High debt burden on the population and the possible resumption of efforts by the Bank of Russia to cool the lending market after economic growth resumes.
- Higher competition and, accordingly, lower profitability of intermediary business.
- Impact of instalment cards on the POS lending market.

POTENTIAL RESPONSE

To mitigate risks associated with a tighter market, Direct Credit Centre actively invests in product development with regular benchmarking to keep its services ahead of the competition.

In particular, the benchmarking helps the Company modify and add accompanying services for its agents and employees to offer to their customers together with loans.

The management conducts regular SWOT analyses and treats risk management as a process reviewing not only risks but also market opportunities. The Company keeps a watchful eye on the brokerage market in related sectors and analyses the prospects of expanding its product range beyond POS lending. Direct Credit Centre makes efforts to integrate instalment cards into its product range and is currently introducing the issue of such cards either with a POS loan or separately, as a possible alternative to the POS loan.

Financial results

In late 2020, the SFI management started to mull an exit from the pension business and entered into negotiations with market participants regarding the potential sale of NPF SAFMAR.

As the deal was closed in Q1 2021, as at the date of drafting the IFRS financial statements SFI classified the NPF SAFMAR-related portion of operations in the pension market as discontinued and those of NPF Mospromstroy-Fund and other segments (financial lease, insurance and advising on financial intermediation) as continuing.

Despite the COVID-19 pandemic in 2020 and a slump in business activity in most markets, SFI subsidiaries classified in the financial statements as continuing operations, delivered a sustainably strong performance, enabling SFI to increase income from continuing operations for the year.

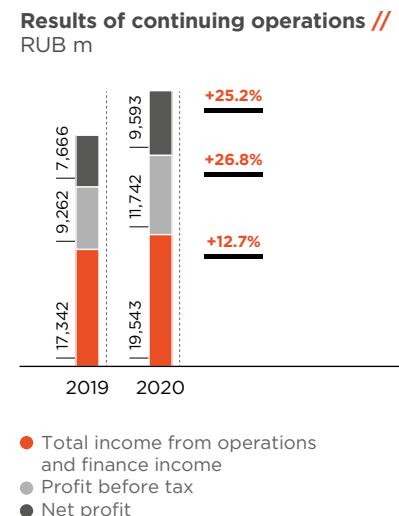
SFI subsidiaries delivered a sustainably strong performance, enabling SFI to increase income from continuing operations for the year.



Overview

- **Total income from operations and finance income** from continuing operations for 2020 grew by 12.7% y-o-y from RUB 17.3 bn to RUB 19.5 bn, while income from leasing and insurance operations for the year totalled RUB 10.9 bn and RUB 3.4 bn, respectively.
- **Net profit** from continuing operations in 2020 stood at RUB 9.6 bn, up RUB 1.9 bn y-o-y (using the same calculation methodology).
- **The holding company's consolidated net loss** including loss from discontinued operations was RUB 3.7 bn.

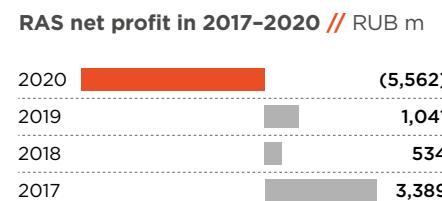
RUB 9.6 M
net profit from continuing operations in 2020



RAS performance

The holding company's operating profit increased by RUB 0.88 bn to RUB 7.6 bn, driven by higher income from dividends paid by subsidiaries and investment activities coupled with lower general expenses and cost of sales.

SFI's total result was impacted by the revaluation of investments in NPF SAFMAR worth RUB 14.8 bn and higher interest expenses on the loan raised for SFI's share buyback. As a result, SFI posted a net loss of RUB 5.56 bn under RAS for the year.





Risk Management

In line with our development plans, a robust risk management framework designed to adequately assess existing risks, prevent risk exposure, and mitigate adverse effects (if risks materialise) is crucial to delivering on our strategic goals.

In this Annual Report, SFI defines material risks and uncertainties. Due to the nature of the Company's business, this list cannot be exhaustive. Other risks not listed in the Annual Report may also be material and have an adverse effect on the Company's performance.

The Company's risk management policy seeks to limit its risk appetite and make sure it manages capital efficiently, among other things, by minimising unexpected risk-related losses based on the risk/return ratio acceptable for both the shareholders and the Company's management.

The Company manages its risks continuously using a vertically integrated approach that involves the Board of Directors, executive bodies, the management and employees of the Company and its subsidiaries and controlled entities. This process embraces all of the Company's operations, focusing on the identification, analysis and assessment of risks, development and implementation of risk management initiatives, and risk monitoring.

The Board of Directors' Audit Committee ensures the reliability and effectiveness of the risk management system. On a quarterly basis, the management teams of SFI and its subsidiaries submit the Internal Audit's summary reports to the Audit Committee to share with its members relevant risk management recommendations and risk assessments based on the findings of the Internal Audit's inspections.

Reporting covers all kinds of risks so that the SFI management can ensure the information provided for each decision-making level is complete, fair and comparable. This approach supports risk management controls and decision-making processes top down and bottom up across the holding company depending on the risk priority and criticality.

SFI constantly strives to improve the efficiency of its risk management framework as a way to deliver stable business growth for the benefit of its shareholders and investors.

Key elements of the risk management system

- Risk identification and analysis
- Risk assessment and prioritisation
- Risk management planning and coordination
- Identifying the risk appetite (risk appetite management is reserved to the Investment Committee)
- Monitoring and controls across all kinds of risks and business units

Key goals of the risk management policy

- Integrating risk accounting into all aspects of the Company's business to build a crisis-resistant model ensuring healthy growth across all business lines;
- securing a stable return on capital for shareholders and investors;
- ensuring the security and availability of shareholders' funds, including when stress scenarios materialise;
- improving competitive advantages by increasing capital management efficiency and the market value of the Company thanks to adequate risk assessment and management.

Review of key risks

Industry risks

As SFI's core business is the management of assets representing various financial segments, industry risks actually reflect relevant risks of portfolio companies.

The material risks of SFI's subsidiaries are listed in the Annual Report's relevant sections on pages 16–25 (Europian Leasing Company), 26–41 (NPF SAFMAR), 42–55 (VSK), and 56–63 (Direct Credit Centre)

Country and regional risks

The Company is registered and carries on its core business in the Russian Federation, meaning that its key country risks are Russia-specific. However, due to an increasing economic globalisation and the impact of the COVID-19 pandemic on most countries, changing resource consumption patterns across the world may affect Russia's economic growth. The shrinking exports of Russian-made goods may translate, among other things, into a lower demand for the products and services of SFI's portfolio assets, ultimately deteriorating the holding company's overall financial standing.

The sovereign ratings assigned to the Russian Federation by global credit rating agencies reflect the decline in international commodity prices, heavy economic dependence on the commodity sector, and heightened political risks. The downward revision of investment ratings and outlooks by the world's leading rating agencies poses a risk of economic isolation, with Russia's options to tap into international debt markets significantly reduced. In its turn, this may have dramatic economic and financial consequences for Russia's creditworthiness.

The commodity-based national economy and its strong dependence on the investor stance towards emerging markets, including Russia, give rise to the following risks material for the economy and, ultimately, the Company's future operations:

- significant drop in prices for oil, metals, coal and other natural resources;

- new sanctions imposed by the EU and the United States that restrict access to international capital markets;
- ongoing capital flight, further depreciation of the Russian rouble vs the US dollar and euro;
- decelerated GDP growth and business activity; and
- increased inflation, reduced purchasing power.

These factors may significantly limit the Company's access to funding sources in Russia and negatively impact clients' purchasing power and the overall business of portfolio companies.

The internal political situation is currently stable, with the public having trust in the ruling party and the president. Hence, we expect no serious changes in the country's balance of power and, consequently, the government's economic policy.

Financial risks

The Company's operations have inherent financial risks that depend on changes in the economic and financial environment. Risks that may affect the Issuer's performance are market, credit and currency ones.

- **Market risk** means the risk of adverse consequences in case of changes to certain market parameters, including such risk types as currency risk, interest rate risk, and equity instrument pricing risk. The interest rate risk is linked to changes in the interest rates on the Issuer's assets and liabilities. As they mainly bear fixed interest rates, the Issuer is unexposed to interest rate risks.

- **Credit risk** is defined by the Issuer as the risk of loss resulting from contractors' default on, or untimely or incomplete performance of contractual financial obligations towards the Issuer. The Company estimates its exposure to these risks as low as it invests surplus cash only in deposits in established financial institutions with high credit ratings.

- **Equity instrument pricing risk:** the Issuer is not exposed to this risk as it invests in equity instruments issued by subsidiaries and affiliates not listed on stock exchanges.
- **Currency risk** relates to the impact of FX rate fluctuations on the financial position and cash flows. The Issuer has a low exposure to currency risks as the share of foreign currency-denominated assets is immaterial compared to its total assets. The Issuer's main source of revenue is dividends from subsidiaries paid in Russian roubles.

Legal risks

The legal risks affecting the Company's operations are the risks related to changes in tax and currency control legislation in Russia.

While the Company's exposure to the currency control risk is minimal, its relevance will be greater in case of massive capital flight or weakening of the Russian rouble. If raising funding in external markets, the holding company will be exposed to currency control risks in the relevant jurisdictions.

Recent developments in Russia suggest that its tax authorities may be taking a more assertive approach in their interpretation and application of tax legislation (including the transfer pricing laws), tax audits and additional tax assessments, which is likely to result in claims on previously acceptable transactions or accounting methods. Thus, significant tax amounts, fines and penalties may be assessed. Amounts of potential claims not filed yet and the probability of an unfavourable outcome cannot be determined. The tax authorities are entitled to conduct on-site audits to verify tax calculations and payments, provided that fiscal periods remain open to such tax audits for three calendar years preceding the year when the decision about the audit is made. Under certain conditions, financial statements over earlier fiscal periods may also be audited.

In 2016, the Bank of Russia toughened regulation of non-credit financial institutions by putting in place an improved and more centralised control framework. The insurance and pension lines of business are now subject to the following requirements:

- the establishment of a clear procedure for the insurance organisations to calculate the statutory liabilities to equity (capital) ratio;
- the establishment of a clear procedure to transfer the insurance portfolio in cases where insurance organisations become subject to bankruptcy prevention measures or licence withdrawal;
- the establishment of a special depository responsible for promptly identifying the insurance organisations' breaches of the applicable laws through daily monitoring of compliance with the requirements for the composition and structure of the assets accepted for coverage of insurance provisions and equity (capital) of an insurer, and with the rules applying to the investment of insurance provisions and equity (capital) of an insurer;
- introduction of additional requirements for the funds' risk management systems;
- transition to a unified chart of accounts for non-credit financial institutions;
- transition to an electronic reporting form based on the XBRL technical standards in line with the best international reporting practices.

Reputation risk

A reputation risk for the Company means the risk of losses as a result of the shrinking client base caused by the public's negative perception of SFI's or its portfolio assets' financial health or the nature of SFI's operations in general. Since its inception and in the reporting period, the Company saw no threats to their business reputation. The Company and its portfolio businesses take all steps to support a fair view of their financial health, in due time disclose full and reliable information in accordance with the applicable Russian laws, along with additional information, including press releases on key events, comments for the media and the investment community, publication of other materials, information and explanations. On an ongoing basis, we maintain a dialogue with the media, investors, analysts, clients and contractors, government and local authorities, industry associations and other stakeholders.

Strategy risk

This risk implies that the Company may face losses due to mistakes or deficiencies in making decisions on its business and development strategy. They may result in a failure to identify or substantiate its key business opportunities, provide (or adequately provide) financial, physical, technological or human resources and take appropriate organisational and management decisions that are required to deliver on its strategic objectives and plans.

Short and mid-term planning is in place to ensure the efficient assessment and implementation of strategic decisions, with contributions from respective functions, which seek to analyse the current performance of the Company, set out priority areas, develop strategic plans, and monitor their implementation. In delivering on the Company's established objectives and plans, certain strategies, under the influence of changes in the external and/or internal market environment, in the event deviations of the calculated criteria from estimates are identified in any segment, adjustments in the Company's strategic plans and/or activities can be made.

Other operating risks

• Risks related to ongoing litigations

The Company is not currently involved in litigations that may have a considerable adverse impact on its performance. However, in its ordinary course of business the Company may become a party to various legal

and tax proceedings or receive claims some of which are related to market evolution and changes in the taxation and regulatory environment in which the Company operates. As a result, the Company's obligations arising from any potential litigations, other legal proceedings or in connection with other matters may have a significant impact on its financial position, performance or liquidity.

• Risks related to inability to extend the licence for a certain type of activity or to use items that are limited in circulation (including natural resources)

The Company's core business from 30 June 2017 to the date of this Report has been investment activity as a holding company by way of investing in securities of / stakes in business entities for the purpose of owning significant stakes or interests. It is not subject to licensing. The Company is not exposed to risks associated with changes in the requirements for licensing the rights to use items (including natural resources) that are limited in circulation, because it does not possess any of such rights.

• Risks related to possible liability for debts of third parties, including subsidiaries

The Company does not have any liability for debts of third parties (including its subsidiaries) at the date of publishing this Annual Report. In the Company's opinion, such liability is unlikely to occur as a default on obligations by subsidiaries is possible only if their financial position and the overall situation in their industry deteriorate significantly.

Corporate Responsibility and Charity

 For more details on **SAFMAR CF**, including its governance bodies, please visit our website at <http://safmar.ru>

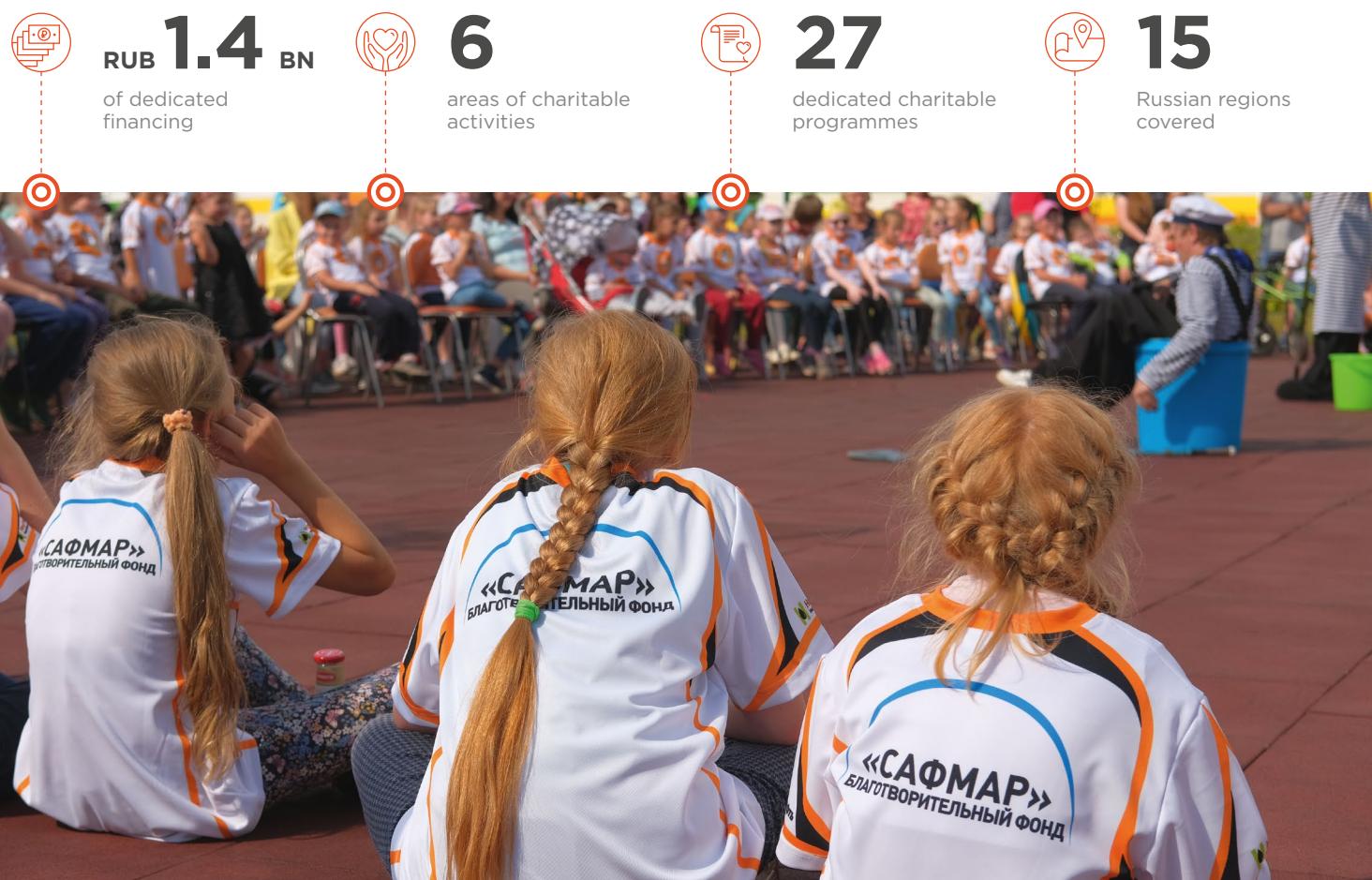
SAFMAR Financial Investments and other companies of SAFMAR Group pursue socially important projects supporting culture, sports, healthcare, arts, education and spirituality via SAFMAR Charitable Foundation (SAMFAR CF, or the Foundation) established by PJSC RussNeft at the request of Russian businessman, philanthropist and public leader Mikhail Gutseriev.

These projects mainly aim to support complex personal development of individuals, promote healthy lifestyles, and develop large-scale fitness and sports activities. All

programmes of the Foundation meet the criteria of transparency, clear articulation of strategy, and consistency in implementation. In the course of its activities, the Fund leverages

best Russian charitable practices. In 2020, SAFMAR CF essentially focused on combating the COVID-19 outbreak and its effects.

SAFMAR CF IN 2020



Key regions of SAFMAR CF's operations



In 2020, SAFMAR CF essentially focused on combating the COVID-19 outbreak and its effects.



- 1 Moscow and the Moscow Region
- 2 St Petersburg
- 3 Republic of Udmurtia
- 4 Orenburg Region
- 5 Saratov Region
- 6 Krasnoyarsk Territory
- 7 Krasnodar Territory
- 8 Volgograd Region
- 9 Republic of Mordovia
- 10 Amur Region
- 11 Yaroslavl Region
- 12 Republic of Chechnya
- 13 Republic of Ingushetia

The Fund is supervised by the Foundation Council, the Board of Trustees and the Revision Commission. SAFMAR CF is part of Donors Forum, a non-profit grant-making

partnership that unites the largest charitable foundations in Russia. The members of Donors Forum strive to bring about a professional charitable community in Russia and promote best charitable practices.

PRINCIPLES OF CHARITABLE ACTIVITIES

The Foundation implements its programmes in accordance with the following principles:

- Targeted aid.
- Expert-based approach.
- Meaningful social impact.

Key areas of charitable activities of SAFMAR CF in 2020

Culture

SAFMAR CF supports vibrant cultural forums in Russia, with celebrities of international acclaim among the attendees. In 2020, the Foundation helped stage the Winter International Arts Festival in Sochi directed by Yuri Bashmet and a concert celebrating the 75th anniversary of the Victory on Mamayev Kurgan in Volgograd. Both events made the headlines in Russia.

Sponsored by SAFMAR CF, the Winter Arts Festival in Sochi presented as many as three world premieres of opuses by Oscar Bianchi, Toshio Hosokawa and Nicola Campogrande and the first gala concert of opera stars as part of the Opera for Peace international project. The festival also included numerous educultural projects, lectures, workshops and interactive activities hosted by various venues.

Sports

On 24 June 2020, Mikhail Gutseriev's foundation helped stage a concert celebrating the 75th anniversary of the Victory in the Great Patriotic War in the heroic city of Volgograd that took place on the foothills of the world-famous Motherland Calls monument on Mamayev Kurgan. The concert featured the All-Russian Youth Symphony Orchestra directed by Yuri Bashmet, as well as Denis Matsuev, Igor Butman and other opera, theatre and movie stars. They performed a unique musical programme based on songs and poems from the war years.

The guests of honour included veterans, city residents who witnessed the Battle of Stalingrad, and relatives and friends of those who took part in it. The unique concert was broadcast live for everyone to watch.

In this domain, SAFMAR CF provides assistance in building sports infrastructure, organising competitions, buying sports equipment and gear for young athletes, and promoting youth sports in Russian regions. The Foundation has been sponsoring youth teams and running programmes set to promote mass sports and fitness in the Krasnodar Territory, Amur Region and other places across Russia.

by SAFMAR CF. The latter became the town's main sporting venue for grassroots sports such as ice hockey, figure skating, and curling. The sports facility will offer a plenty of training grounds for children and adults, including ice hockey, figure skating, rhythmic gymnastics, martial arts, and basketball.

In 2020, SAFMAR CF helped buy and fully equip two rinks for young hockey players in the Amur Region.

With its aid, the Foundation helps preserve the health of young generations, develop mass sports, and promote healthy lifestyles.

Healthcare

In 2020, SAFMAR CF essentially focused on preventing the COVID-19 outbreak and combating its effects. The Foundation and the Bakulev National Medical Research Centre of Cardiovascular Surgery joined efforts to implement the Stop Coronavirus dedicated charitable programme.

SAFMAR CF helped the Centre create a separate unit for patients with COVID-19 by re-equipping one of its facilities and deploying red zone wards. Amid severe shortages, the Foundation was also purchasing protective gear and suits, equipment and medicines on its own and donating them to the Centre.

The Foundation also continued to support disabled children with serious health conditions. More than 200 kids benefited from a range of programmes, including costly check-ups

and combination therapy at the National Medical Research Centre for Children's Health under the Russian Ministry of Health and rehabilitation at Russia's major health providers, such as the Adeli Centre in Izhevsk, which SAFMAR CF helped commission and provide with unique equipment. In 2020, the Foundation helped purchase medical and rehabilitation equipment for children with cerebral palsy, autism and other developmental disabilities.

Each year, SAFMAR CF helps Russian medical workers save hundreds of children and adults. Its programmes are designed to enhance facilities and resources of healthcare providers and make high-quality healthcare affordable.



Education

In 2020, the Foundation continued to cooperate with leading universities, with all programmes being jointly revised and going online as far as possible. Awareness-building lectures, scientific conferences and presentations continued to take place. During the pandemic, all basic educational activities remained available to the public. In 2020, SAFMAR CF ran joint projects with New Economic School, Gubkin Russian State University of Oil and Gas, and European University at Saint Petersburg. The Foundation also helped the Graduate School of Innovative Business at Lomonosov Moscow State University purchase a NEXT II automated scanning probe microscope.

SAFMAR CF has been a contributor to enhancing facilities and resources of educational institutions, improving the education process and promoting a friendly training environment to nurture talent.

Churches

SAFMAR CF lends a helping hand in reviving holy sites, building and restoring churches, mosques and synagogues. Such support is essential to churches, as many of them are of great architectural value and therefore require the utmost care and top restoration talent.

In 2020, the Foundation provided support for icon painting at the Central Cathedral of the Resurrection of Christ, which is the crown jewel of the Saint Barsanuphius Monastery in the Republic of Mordovia. This is a ten-domed snow-white cross-in-square church with a bell tower that offers a picturesque view of the vast countryside. Hundreds of pilgrims from all over Russia come to venerate its relics every year.

SAFMAR CF provided funds to paint the murals of the Cathedral of the Resurrection of Christ with the images of saints such as Saint

Anthony of the Caves, Sarah of Egypt, Paisius Nyametsky, Paul of Thebes, Theodosius the Great, and others. The majestic murals became a true decoration of the Cathedral, making it look heavenly.

The aid by Mikhail Gutseriev's foundation made it possible to preserve this Orthodox shrine as an important spiritual attraction for Orthodox Christians in the Republic of Mordovia.

Spiritual values

SAFMAR CF runs a number of projects and programmes to support cultural and educational activities, help preserve the system of core ethical values, and bolster tolerance and humanity. It has built strong partnerships with non-profit, religious and mentoring organisations such as the Religious Board of Muslims of the Russian Federation, the Moscow Jewish Community Centre, Torah MiTzion, a local Orthodox Judaism organisation, etc.

The Foundation has been sponsoring international exhibitions, contests and events, including those aimed at instilling ethical and patriotic values in younger generations. Another important focus area for SAFMAR CF is supporting publishers. It provides financial aid to support publishing of socio-cultural and literary and art magazines (including children's) and fiction books with a view to donating them to schools, libraries, non-governmental organisations and orphanages across Russia.

In 2020, SAFMAR CF helped publish and distribute 16 books with a total circulation of 12,200 copies.

The Foundation has been a contributor to reanimating and popularising the reading culture, instilling ethical and patriotic values in younger generations, and creating new opportunities for the public to shape consciously patriotic attitudes to, and views on the national history, culture and literature.

Special projects

In this domain, SAFMAR CF has been rolling out a wide range of relevant initiatives covering various facets of social life. In an effort to preserve and develop national cultural and historic traditions and the culture of cherishing one's native land, the Foundation has been sponsoring vibrant cultural and historical forums, environmental contests, festivals, and traditional Russian celebrations.

In 2020, SAFMAR CF implemented a number of projects to celebrate the 75th anniversary of the Great Victory and to perpetuate the memory of those years and the heroism of common people who were the main force behind it, including by developing the Alley of Heroes memorial site in Sorochinsk, Orenburg Region, preparing and handing over gifts to veterans, etc.

The Foundation also helped purchase seedlings of spruce, lime, chestnut, apple, jasmine, mountain ash, snowball, sod, thuja and other trees

SAFMAR CF seeks to strengthen the link between generations, preserve the unique Russian culture, and make the treasures of musical arts available to wide audiences.

as part of an environmental campaign in the Krasny Kommunar settlement, Orenburg Region. The planting of greenery created an additional green shield for the village and improved the environmental situation there.

SAFMAR CF seeks to strengthen the link between generations, preserve the unique Russian culture, make the treasures of musical arts available to wide audiences, and set an example of a responsible attitude towards the nature.



Corporate Governance Framework

In the course of its operations, the Company relies on the principles of corporate conduct set out in the Code of Corporate Governance, which was approved on 21 March 2014 by the Board of Directors of the Bank of Russia, and based on the applicable laws of the Russian Federation.



The Company followed the recommendations set forth by the Bank of Russia's Letter No. IN-06-52/8 dated 17 February 2016 On Disclosure of Compliance with the Principles and Recommendations of the Code of Corporate Governance in Annual Reports by Public Joint Stock Companies as the methodology to assess its compliance with the principles of corporate governance set out in the Bank of Russia's Code of Corporate Governance. The Company analysed the compliance of its Charter and internal documents as well as corporate governance practices with the principles and recommendations of the Bank of Russia's Code

of Corporate Governance. The assessment results are described in the Corporate Governance Code compliance report. (See [Appendix 1](#) to this Annual Report). Since the Company's ordinary registered shares are included in the Level 1 (A1) Quotation List of the Moscow Exchange, the Company also abides by the principles of corporate governance and the independence criteria for the members of the Board of Directors which are required to be observed by the Listing Rules of the Moscow Exchange. In order to maintain its shares in the Level 1 (A1) Quotation List, the Company submits quarterly compliance reports to the Moscow Exchange.

Corporate Governance Map

In accordance with its Charter, PJSC SAFMAR Financial Investments had the following governance bodies:

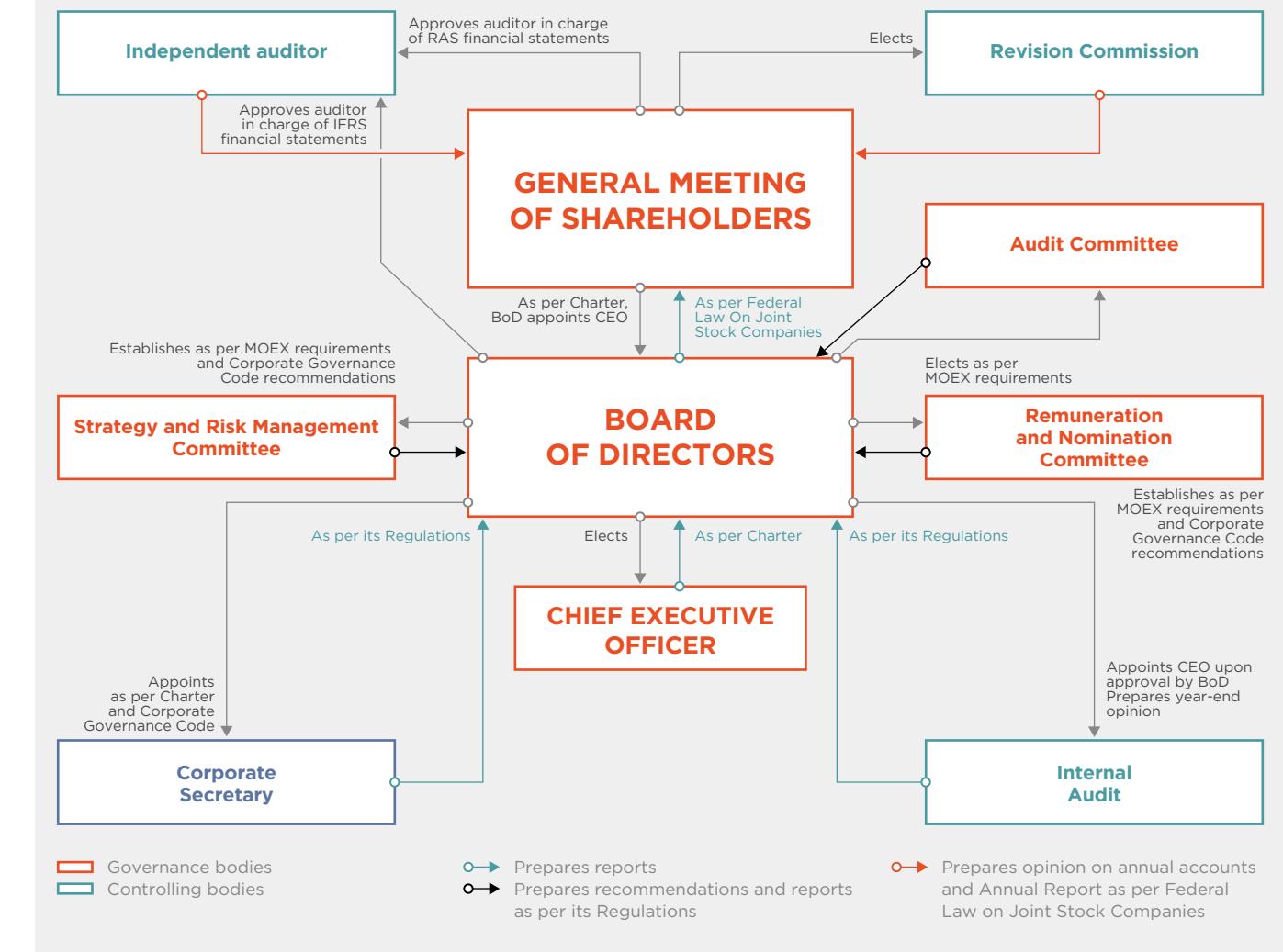
- General Meeting of Shareholders;
- Board of Directors;
- Management Board (collective executive body)^①; and
- Chief Executive Officer – CEO (sole executive body).

Details of powers of governance bodies are described in PJSC SAFMAR Financial Investments Charter and Company's quarterly reports.



Corporate governance structure of PJSC Safmar Financial Investments

// as at 31 December 2020



^① In the reporting year, the Management Board was not formed.

BoD – Board of Directors, CEO – Chief Executive Officer

General Meeting of Shareholders

Underlying principles

Pursuant to the Federal Law On Joint Stock Companies and the Charter of the Company, the General Meeting of Shareholders is the Company's supreme governance body. The activities and the remit of the General Meeting of Shareholders are governed by the joint stock company laws of the Russian Federation, Charter provisions, and the Regulation on the Procedure for Convocation and Holding of General Meetings of Shareholders of PJSC SAFMAR Financial investments (version 2). Notices to shareholders on the upcoming meeting include voting ballots.

The remit of the General Meeting of Shareholders includes the following:

- amending and supplementing the Company's Charter and approving the revised Charter (except as provided for in Article 12 of the Federal Law On Joint Stock Companies);
- reorganising the Company;
- liquidating the Company, appointing the liquidation commission and approving the interim and final liquidation balance sheets;
- determining the number of the Company's directors, electing them and terminating their powers early;
- resolving on the delegation of powers vested in the Company's sole executive body to a business entity (management company) or a sole proprietor (manager) under a contract; resolving on the early termination of the powers of the management company or the manager;
- determining the number, nominal value, type (class) of the authorised shares and rights they confer;
- reducing the Company's authorised capital through reducing the par value of shares, through the Company's purchase of part of the shares to reduce their total number, and through redemption of the acquired or repurchased shares;
- increasing the Company's authorised capital by raising the par value of its shares;
- increasing the Company's authorised capital by offering additional shares through a private subscription;
- increasing the Company's authorised capital through an open subscription for ordinary shares comprising more than 25% of the outstanding ordinary shares;
- offering, through an open subscription, issue-grade securities which may be converted into ordinary shares comprising more than 25% of the outstanding ordinary shares;
- increasing the Company's authorised capital by offering additional shares funded out of the Company's assets;
- offering the Company's convertible issue-grade securities through a private subscription;
- electing members of the Company's Revision Commission (Revision Officer) and terminating their powers early;
- approving the Company's Auditor in charge of the Company's accounts (financial statements) under the Russian Accounting Standards (RAS);
- approving annual reports and annual accounting (financial) statements, as well as distribution of the Company's profits, including payment (declaration) of dividends, and losses for the reporting year;
- establishing the procedure for the General Meeting of Shareholders;
- splitting and consolidating the Company's shares;
- paying (declaring) dividends following the results of the first quarter, first half, and first nine months of the reporting year;
- resolving on granting consent to or subsequent approval of transactions in cases stipulated by Article 83 of the Federal Law On Joint Stock Companies (except as provided for in Clause 2 of Article 81 of the Federal Law On Joint Stock Companies);
- resolving on reimbursing the persons or bodies initiating an Extraordinary General Meeting of Shareholders, at the Company's expense, for the costs of preparing and holding thereof;
- approving internal regulations governing the Company's bodies, namely Regulations on the General Meeting of Shareholders, on the Board of Directors, on the Revision Commission (Revision Officer) and on the executive bodies of the Company;
- resolving on granting consent to, or subsequent approval of major transactions in cases stipulated by Article 79 of the Federal Law On Joint Stock Companies (except as provided for in Clause 3 of Article 78 of the Federal Law On Joint Stock Companies);
- repurchasing the Company's outstanding shares as prescribed by the Federal Law On Joint Stock Companies;
- resolving on the Company's participation in financial and industrial groups, associations and other unions of business entities;
- resolving on filing for delisting of the Company's shares and/or issue-grade securities convertible into shares;
- resolving on remunerating the Revision Committee members (Revision Officer) and/or compensating them for expenses incurred while discharging their duties during their term in office, as well as on the amount of such remunerations and compensations;
- resolving on remunerating the Board of Directors members (Revision Officer) and/or compensating them for expenses related to their functions as members of the Board of Directors during their term in office, as well as on the amount of such remunerations and compensations;
- resolving on other matters prescribed by the Federal Law On Joint Stock Companies.



as provided for in Clause 3 of Article 78 of the Federal Law On Joint Stock Companies);

- repurchasing the Company's outstanding shares as prescribed by the Federal Law On Joint Stock Companies;
- resolving on the Company's participation in financial and industrial groups, associations and other unions of business entities;
- resolving on filing for delisting of the Company's shares and/or issue-grade securities convertible into shares;
- resolving on remunerating the Revision Committee members (Revision Officer) and/or compensating them for expenses incurred while discharging their duties during their term in office, as well as on the amount of such remunerations and compensations;
- resolving on remunerating the Board of Directors members (Revision Officer) and/or compensating them for expenses related to their functions as members of the Board of Directors during their term in office, as well as on the amount of such remunerations and compensations;
- resolving on other matters prescribed by the Federal Law On Joint Stock Companies.

The activities and the remit of the General Meeting of Shareholders are governed by the joint stock company laws of the Russian Federation, Charter provisions, and the Regulation on the Procedure for Convocation and Holding of General Meetings of Shareholders of PJSC SAFMAR Financial Investments (version 2).

Protection of shareholder rights



The Company is committed to ensuring full protection of shareholder rights to take part in the management of the Company: their rights to engage in the work of the General Meeting of Shareholders and to cast their votes on the General Meeting's agenda items,

as well as their right to receive profit through dividends.

In order to safeguard the shareholder right to participate in the General Meeting of Shareholders in line with the Charter of PJSC SAFMAR Financial Investments, all materials relevant to the agenda of the General Meeting are available at the Company's office and are circulated to the Company's Registrar and National Settlement Depository pursuant to the Company's Charter and within the time period specified in the laws and the Company's Charter. Shareholders can fill out the ballot and mail it at the address specified therein to SAFMAR Financial

Investments before the General Meeting. The ballots of such shareholders are counted during the tally of the votes. Shareholders can also vote online if their depository provides this service.

Each shareholder also has the right to, personally or by proxy, participate in the General Meetings and to vote on the agenda directly at the General Meeting (if the meeting is held in the form of joint presence). The outcome of the vote on the agenda items of the General Meeting held in the form of joint presence is announced at the meeting before its closure.

Proposing items for the General Meeting agenda and nominating candidates to the Company's management bodies

Persons with substantial shareholdings (at least 2% of the authorised capital) may propose items for the General Meeting agenda and nominate candidates to the Company's management and control bodies. Shareholders that hold 10% or more of the Company's voting shares also have the right to request convocation of an Extraordinary General Meeting of Shareholders.

Proposed items for the agenda of the Annual General Meeting of Shareholders, together with any supplementary materials which are required under the Regulation on the Procedure for Convocation and Holding of General Meetings

of Shareholders of PJSC SAFMAR Financial Investments (version 2) and other internal documents of the Company are submitted in writing within 60 days after the end of the fiscal year.

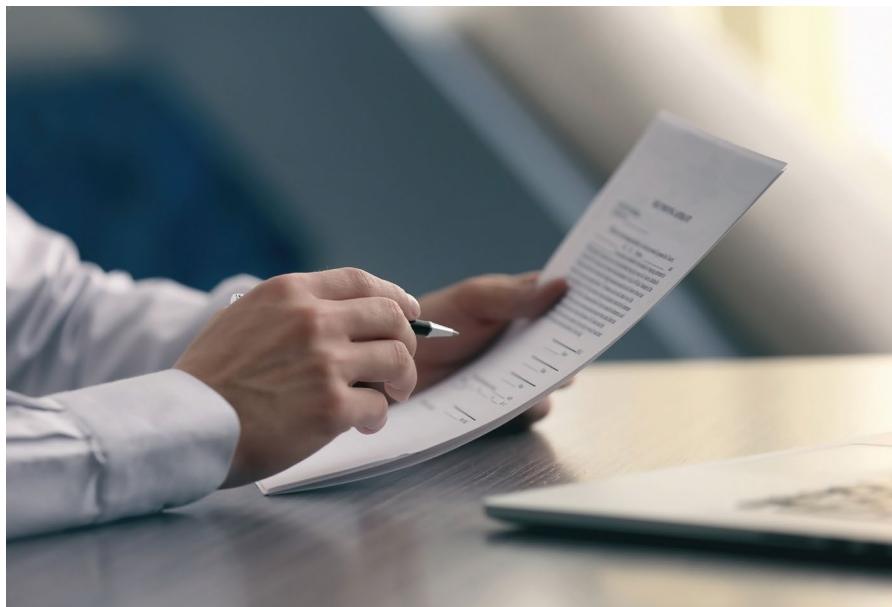
Should election of the Board of Directors be on the Extraordinary General Meeting's agenda, persons that hold a sufficient shareholding shall have the right to propose nominees to the Board. Written proposals should be submitted to the Company no later than 30 days prior to the date of the respective meeting. The nominees to the management and control bodies of the Company proposed by shareholders are first reviewed

by the Remuneration and Nomination Committee of the Board of Directors of SAFMAR Financial Investments.

To observe the shareholder right to participate in profits through dividends, the Company declares the amount of the dividends recommended by the Board of Directors in advance, as well as the record date for the payout. This gives shareholders the opportunity to manage their shares based on the expected dividend payout.

Providing shareholders with the Company's documents

The right to access documents that SAFMAR Financial Investments is required to provide under the Federal Law On Joint Stock Companies is an important guarantee for the shareholder right to participate in managing the Company. In order to exercise this right, shareholders need to request access to the relevant documents in writing, whereupon the time of granting access will be agreed and the shareholders will be provided with the documents. If shareholders need copies of the requested documents, they reimburse the cost thereof at RUB 5 per page.



General Meetings of Shareholders held in 2020

Type	Date	Agenda	Approved decisions
Extraordinary	11 March 2020	1) Approval of an interested-party transaction. 2) Consent to, and subsequent approval of a major interested-party transaction (interrelated transactions) in line with Chapters X and XI of the Federal Law on Joint Stock Companies, as well as in accordance with the requirements of the Company's Charter and other regulations.	Link to material disclosures (in Russian only)
Annual	10 June 2020	1) Distribution of profits (including payout (declaration) of dividends) and losses for 2019. 2) Election of members of the Board of Directors. 3) Election of the Company's Revision Commission. 4) Approval of the Auditor responsible for reviewing the Company's 2020 RAS accounts (financial statements). 5) Approval of a new version of the Company's Charter (version 23). 6) Approval of a new version of the Regulation on the Board of Directors (version 5). 7) Approval of a new version of the Regulation on the Procedure for Convocation and Holding of General Meetings of Shareholders of PJSC SAFMAR Financial Investments (version 3). 8) Approval of the Regulations on Provision of Information by Shareholders of PJSC SAFMAR Financial Investments. 9) Consent to, and subsequent approval of a major interested-party transaction (interrelated transactions) in line with Chapters X and XI of the Federal Law on Joint Stock Companies, as well as in accordance with the requirements of the Company's Charter and other regulations.	
Extraordinary	07 October 2020	Approval of a new version of the Company's Charter (version 24). 	

Board of Directors

The Board of Directors is the main body of the Company's corporate governance framework.

 The full list of the Board of Directors' responsibilities is specified in **the Charter and the Q4 2020 Report**, which are available on the disclosure website at <https://safmarinvest.ru/en/>





The key goals of the Board of Directors are long-term growth in the Company's assets value, protection of rights and interests of the shareholders and providing complete, accurate and timely public information about the Company. The Board of Directors is responsible for passing

resolutions on top priority matters for the Company, including setting key goals and defining the development strategy, making decisions on the general organisational structure and approving transactions.

Members of the Board of Directors

 Details of the five years' track record of members of the Board of Directors are described in **SAFMAR Financial Investments' Q4 2020 Report**, which is disclosed on the corporate website at <https://safmarinvest.ru/en/>



The Board of Directors is a balanced and professional body that ensures sustained long-term growth of the Company. The current composition of the Board of Directors of SAFMAR Financial Investments was established pursuant to the resolution of the Annual General Meeting of Shareholders dated 28 May 2019 and includes 11 members:

- 1) Oleg Andriyankin;
- 2) Oleg Vyugin – Chairman of the Board of Directors;
- 3) Alla Gryaznova;
- 4) Mikail Gutseriev;
- 5) Said Gutseriev;
- 6) Avet Mirakyan;
- 7) Ilya Mikhaylenko;
- 8) Alexander Myakenky;
- 9) Sergey Nazarov;
- 10) Bilan Uzhakov;
- 11) Sergey Tsikalyuk.

As resolved by the Annual General Meeting of Shareholders on 10 June 2020, the elected members of the Board of Directors remain unchanged.

Members of the Board of Directors as at 31 December 2020

Oleg VYUGIN

Chairman of the Board of Directors



Oleg was re-appointed as member and Chairman of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as Chairman of the Board of Directors from June 2017).

Year of birth: 1952

// Does not hold Company shares

Education and qualifications. Oleg graduated from Lomonosov Moscow State University majoring in Mechanics and Mathematics. Master of Physical and Mathematical Sciences. Author of more than 20 research papers and publications on the theory of probability and macroeconomic model building.

Career. Currently Oleg is Chairman of the Supervisory Board and independent director at the Moscow Exchange, member of the Board of Directors and independent director at Rosneft Oil Company, and professor at HSE University. He holds positions at governance bodies of other legal entities, such as National Association of Securities Market Participants (Chairman), Unipro (member of the Board of Directors, independent director), Centre for Strategic Research (Board member), National Council on Corporate Governance (member of the Presidium).

At different points in his career he held positions of First Deputy Minister of Finance of the Russian Federation, First Deputy Governor of the Bank of Russia, Head of the Federal Service for Financial Markets, External Advisor to the Prime Minister of the Russian Federation, Executive Vice-President of Investment Company Troika Dialog, Senior Advisor on Russia and CIS of Morgan Stanley Bank, Chairman of the Board of Directors of MDM Bank, and member of the Board of Directors of B&N BANK.

He was awarded with the title "Honoured Economist of the Russian Federation".

Oleg ANDRIYANKIN

Chief Financial Officer



Oleg was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020.

Year of birth: 1981

// Does not hold Company shares

Education and qualifications. Oleg graduated from the State University – Higher School of Economics in 2003.

Career. Oleg came to SAFMAR GROUP in January 2016 from MDM Bank where he had started to work in 2010 and grown from the Head of the IFRS Department to the Chief Financial Officer. He has more than ten years of experience in financial management with the largest foreign and Russian companies, in particular, with the EY, TNK-BP and Sberbank Capital.

He currently serves as CFO of PJSC SAFMAR Financial Investments responsible for strategic planning, budgeting, controlling, preparing management statements, and capital and liquidity management.

Legend //
effective as at the Report date

 Committee Chairman

 Member of the Audit Committee

 Member of the Remuneration and Nomination Committee

 Member of the Strategy and Risk Management Committee^①

^① The Committee composition was approved by the resolution of the Board of Directors dated 25 June 2020.

Members of the Board of Directors as at 31 December 2020 (continued)
Mikail GUTSERIEV

Non-executive Director



Mikail was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from August 2017).

Year of birth: 1958

// Does not hold Company shares

Education and qualifications. Graduated from the Dzhambul Technological Institute of Light and Food Industry in Dzhambul (Kazakh SSR) majoring in Chemical Process Engineering, Gubkin University majoring in Oil and Gas Engineering and Technology, Finance Academy under the Government of the Russian Federation majoring in Finance and Credit, and Saint-Petersburg University of Law majoring in Civil Law. Completed a postgraduate program at Saint-Petersburg University of Law (majoring in Criminal Procedural Law) and defended his thesis for Master of Laws. Defended his thesis (majoring in Free Economic Zones) at Plekhanov Russian University of Economics and became Doctor of Economics.

Career. In 1975, Mikail started his career as a freight handler in the city of Grozny. From 1976 to 1982 he worked his way up from a reel operator to a foreman at Dzhambul Factory of Arts&Crafts (Kazakh SSR).

From 1982 to 1985, he served as a process engineer, later becoming a senior process engineer, then a department supervisor, moving up to a senior foreman, and finally a chief engineer at the Grozny Production Association at the Ministry of Local Industry of RSFSR, Grozny. From 1986 to 1992 – CEO of the Association.

In 1991, he was elected Chairman of the Entrepreneurs Association of Chechen-Ingush ASSR.

In 1992, Mikail founded and headed the financial-industrial company B&N in Moscow and Joint Stock Commercial Bank B&N in 1993, becoming the first President of the latter.

In 1994, he was elected President of B&N Consortium, which included industrial enterprises, trading and consulting companies, financial institutions, and oil enterprises.

In 1995-2000, he was twice elected deputy to the State Duma of the Russian Federation, held the position of Deputy Chairman of the Duma.

In February 2000 at the extraordinary meeting of shareholders of Russian-Belarusian State Oil and Gas Company Slavneft he was elected President of the Company.

In February 2001, Mikail was elected Vice-President of the Russian Union of Industrialists and Entrepreneurs.

In September 2002, he founded and headed oil and gas company RussNeft.

From 2007 to 2010, he lived and worked in the UK. During these years he successfully implemented a number of large-scale oil and gas projects in Azerbaijan, Kazakhstan and African countries.

June 2010 to February 2015 – President of RussNeft.

In February 2015, due to the large-scale expansion of two oil companies that he owned (RussNeft and Neftisa), he became Chairman of the Board of Directors of these companies, focusing on strategic asset management.

Mikail Gutseriev was honoured with the following titles: Honoured Oilman of Russia, Honoured Economist of Russia, and Honoured Functionary of Fuel and Energy Complex.

For his extensive charity aid to religious organisations, peacekeeper veterans, orphanages, education and cultural organisations he was awarded with order signs, diplomas and letters of gratitude from President of the Russian Federation, President of the Republic of Belarus, Patriarch of All Russia, Chairman of the Russian Council of Muftis, Chief Rabbi of Russia and the board of the Jewish Community Federation, officials of a number of Russian regions, as well as from public, state, and power organisations of the country.

AWARDS

Holder of numerous government and public honour awards:

- Order of Friendship;
- Honor Sign Order;
- I Grade Order of Sergiy Radonezhsky;
- II Grade Order of Sergiy Radonezhsky;
- III Grade Order of Sergiy Radonezhsky;
- I Grade Order of Daniil Moskovsky;
- II Grade Order of Daniil Moskovsky;
- III Grade Order of Glory and Honesty;
- II Grade Order of Prince Vladimir;
- I Grade Al-Fakhr Order of Honor;
- Order of the Community of Interparliamentary Assembly of the CIS;
- Medal For Labor Virtue;
- Medal For Labor Distinction;
- Medal For Distinguished Services in Special Operations;
- four times honoree of autographed weapons for completing special missions of the Russian Government.

Legend //
 effective as at the Report date

 Committee Chairman

 Member of the Audit Committee

 Member of the Remuneration and Nomination Committee

 Member of the Strategy and Risk Management Committee

Members of the Board of Directors as at 31 December 2020 (continued)

Alla GRYAZNOVA

Independent director



Alla was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from October 2015).

Year of birth: 1937

// Does not hold Company shares

Education and qualifications. Alla graduated from Moscow Technical School of Finance in 1955, then from Moscow Finance Institute in 1959 majoring in Finance and Credit, Master of Economics (since 1964), Doctor of Economics (since 1976).

Career. President of the Financial University under the Government of the Russian Federation, First Vice-President of International Financiers Guild, Honoured Scientist of the Russian Federation, Professor.

From 1964, she has made a successful career in teaching and research: head of a theoretical economics department for 12 years, Vice-Rector on Scientific Research and International Communications from 1976, Rector from 1985, and President of the Financial University under the Government of the Russian Federation from 2007.

Said GUTSERIEV

Non-executive Director



Said was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from August 2017).

Year of birth: 1988

// Does not hold Company shares

Education and qualifications. Graduated from Plymouth Business School, Plymouth University in 2011. Graduated from St Peter's College, University of Oxford, with an MA degree in 2014.

Career. Since 2014, Said has held the position of Chief Executive Officer of FortelInvest. He is also the Chairman of the Board of Directors of Preobrazhenskneft, Oilgaztet and Geoprospect.

He is a member of the Board of Directors at RussNeft, Orsknefteorgsintez, Neftisa, Russian Coal, A.N.D. Corporation, Specialised Developer A101, Kuzbass Fuel Company and many others.

Avet MIRAKYAN

Chief Executive Officer



Avet was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from June 2016).

Year of birth: 1974

// Holds 648 Company's ordinary registered shares (0.0006% of the authorised capital)

Education and qualifications. In 1996, Avet graduated from Erevan State University majoring in International Economic Relations. He is a Certified Public Accountant of the USA (CPA), holds a Russian certificate for audit and certificates of the Federal Service for Financial Markets (first and fifth degree).

Career. Avet started his career in 1995 at the Department of Monetary Policy of the Central Bank of the Republic of Armenia and later moved to the Banking Supervision Department. From 1997, he joined a Russian private commercial bank. For ten years from 1998 he had worked for audit companies Arthur Andersen and Ernst & Young (EY) where he rose from an assistant to the partner in the Financial Markets Department.

In 2007, he served as Senior Vice-President and CFO at B&N BANK.

In 2008-2009, he held the same position at BNP Paribas Bank (CIB, Russia). From 2010 to 2015, he was Partner and Leader of the Transaction Advisory Team, CIS Financial Markets, at EY.

Since January 2016, Avet has held the position of the Chief Executive Officer of SAFMAR GROUP.

Ilya MIKHAYLENKO

Non-executive Director



Ilya was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from August 2017).

Year of birth: 1973

// Does not hold Company shares

Education and qualifications. Ilya graduated from Moscow State Institute of International Relations (MGIMO University) of the Ministry of Foreign Affairs of the Russian Federation in 1996 (International Law School); PhD in Law.

Career. 2008 till present, he has held the position of CEO at Corporate Investments and Technologies specialising in consulting services.

Legend // effective as at the Report date

- Committee Chairman
- Member of the Audit Committee
- Member of the Remuneration and Nomination Committee
- Member of the Strategy and Risk Management Committee

Legend // effective as at the Report date

- Committee Chairman
- Member of the Audit Committee
- Member of the Remuneration and Nomination Committee
- Member of the Strategy and Risk Management Committee

Members of the Board of Directors as at 31 December 2020 (continued)

Alexander MYAKENKY

Independent director



Alexander was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from October 2015).

Year of birth: 1947

// Does not hold Company shares

Education and qualifications. An independent expert accredited by the Ministry of Justice of the Russian Federation to carry out expert review of propensity for corruption. An expert of Mir bezopasnosti (World of Security) analytical media portal, member of the Russian Union of Journalists. In 1975, he graduated from the All-Union Correspondence Institute of Law (now Moscow State Law University) majoring in Law, in 1984 - the All-Union Institute of Advanced Training for Senior Officials of Gosnab of USSR. From 1991 to 2008 he attended several bank seminars on legal issues and economic security.

Career. From 1969 to 1976, Alexander served at the Ministry of Internal Affairs of USSR. From 1977 to 1979, he served as people's judge of Moscow. From 1979 to 1988, he was Head of the Contractual and Legal Department of Gosnab of USSR. From 1989 to 1991 he worked as Head of the Legal Department at TASS under the Council of Ministers of USSR. From 1991 to 1993 he was appointed Head of the Legal Department (member of the Management Board) at Finist Bank, Vserossijskiy Birzhevoj Bank (All-Russian Exchange Bank) and MAPO Bank. From 1994 to 1996, he became Chief Executive Officer at ELMED. From 1997 to 2008, he held the position of Vice-President at B&N BANK. In 2008, he headed the legal department of Slav-service. From 2010 to 2011, he was Chief Counselor of the All-Russian non-governmental organisation "Association of Russian Lawyers". From 2010 to 2014, he served as the Vice-Rector of the Russian Academy of Lawyers and Notaries.

Sergey NAZAROV

Independent director



Sergey was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from June 2016).

Year of birth: 1973

// Does not hold Company shares

Education and qualifications. Sergey graduated from Khabarovsk State University of Economics and Law (bachelor's degree with honors). He has a professional international CFA qualification.

Career. From 2013 to 2016 he was Managing Director of the Moscow office of Standard & Poor's responsible for business development, supervision of operations in Russia and former USSR countries and cooperation with state authorities.

Sergey gained an extensive experience in investments and attracting foreign investments to the Russian financial sector at leading international financial organisations (EBRD and Renaissance Capital). He also sat at the boards of directors of Russian banks and non-bank financial companies.

Bilan UZHAKHOV

Non-executive Director



Bilan was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from August 2017).

Year of birth: 1987

// Does not hold Company shares

Education and qualifications. In 2010, he graduated from the University of Hamburg, in 2012 - from Plekhanov Russian Academy of Economics, in 2015 - from National Research University - Higher School of Economics, and in 2017 - from Sberbank Corporate University in cooperation with London Business School (development programme for the key management).

Career. From November 2010 to October 2012, Bilan worked at RussNeft as a credit expert and head of the Department of Credit and Capital Markets.

From October 2012 to June 2013, he was Chief Financial Officer (Deputy CEO) at Russian Coal.

From July 2013 to May 2017 was Chief Executive Officer at Russian Coal.

Bilan is Chief Executive Officer at MVM, M.video Management and Eldorado.

Since 23 July 2020 Bilan has held the position of Chief Executive Officer at KTK.

Sergey TSIKALYUK

Non-executive Director



Sergey was re-appointed as member of the Board of Directors of PJSC SAFMAR Financial Investments in June 2020 (has served as member of the Board of Directors from August 2017).

Year of birth: 1959

// Does not hold Company shares

Education and qualifications. Graduated from a military school and the Military Academy. Studied finance at the Plekhanov Russian Academy of Economics. In 1992-1993, he received professional training in insurance at leading insurance companies in Germany.

Career. From 1976 to 1992 he did military service in the Russian army.

In 1992, he founded VSK and took the position of its CEO. Since May 2007, he has served as Chairman of the Board of Directors at VSK.

He holds a number of state awards:

- Distinguished Service Medal;
- Fourth-class Order of Merit for the Motherland;
- Order of Alexander Nevsky;
- He was repeatedly honoured as one of the most professional managers in the insurance business.

Legend //
effective as at the Report date

- Committee Chairman
- Member of the Audit Committee
- Member of the Remuneration and Nomination Committee
- Member of the Strategy and Risk Management Committee

Legend //
effective as at the Report date

- Committee Chairman
- Member of the Audit Committee
- Member of the Remuneration and Nomination Committee
- Member of the Strategy and Risk Management Committee

Board of Directors' report

Oleg Vyugin remained the Chairman of the Board of Directors throughout 2020 after being successfully re-elected at the first meeting held by the Board of Directors as a follow-up to the Annual General Meeting of Shareholders reviewing results for 2019.

The Board of Directors and the Board Committees are fully compliant with the Moscow Exchange requirements for corporate governance of issuers included in the Level 1 (A1) Quotation List and the recommendations of the Bank of Russia's Corporate Governance Code.

The reporting year saw the Board of Directors hold



15 MEETINGS,

including six in-person ones.

Attendance at meetings of the Board of Directors and Board Committees

The total number of meetings in 2020 slightly increased compared to 2019. The number of in-person meetings of the Board of Directors rose proportionally, which proves that the Board of Directors is eager to work hard to meet the Company's objectives.

Taking into account the situation in 2020, the Board of Directors and its committees widely used video conferencing facilities at their meetings to arrange for a full-fledge discussion of the issues and access to meeting

All members of the Audit Committee and the Remuneration and Nomination Committee are independent directors. Both committees were chaired by independent members of the Board of Directors.

In 2020, the Board of Directors held 15 meetings, including six meetings held in person, and eight committee meetings.

During the reporting period, the Board of Directors addressed key matters, including the convocation of the annual and extraordinary general meetings of shareholders, and looked into the Board of Directors' recommendations on the agenda of the general meeting, which covered, among other things, the approval of major interested-party transactions and the adoption of a new Charter. Throughout the year the Board of Directors passed resolutions regarding the approval of the Annual Report and accounting statements,

main areas of the Company's development, the budget and quarterly CEO reports on the Company's performance and budget implementation, adoption of recommendations regarding the mandatory tender offer for the Company shares, guidance for the governance bodies of subsidiaries and affiliates, determination of the Company's share buyback price, approval of the Company's internal documents, determination of fees payable to the external auditor in charge of RAS financial statements and approval of the auditor in charge of IFRS financial statements, approval of transactions and Internal Audit's inspection reports and plans, while also considering other matters reserved to the Board of Directors.

The Board Committees previewed meeting materials and prepared recommendations on some of the most critical matters for the Board of Directors to resolve on them as part of its meetings.

materials while ensuring the safety of participants.

The number of directors who attended the meetings and their participation in discussions allows us to conclude that the Board of Directors was sufficiently active and the Chairman of the Board of Directors demonstrated a high level of organisation.

Over the reporting period, there was a quorum for each item of the meeting agendas, including the decisions made

by a qualified majority of the Board of Directors.

The Company also has a Strategy and Risk Management Committee, established by the resolution of the Board of Directors dated 25 June 2020. The Committee operates as a working group and does not review matters reserved to the Board of Directors or issue any recommendations.

Attendance at meetings of the Board of Directors and Board Committees

Name	Independent director	Meetings attended		
		Board of Directors (11 meetings)	Audit Committee (4 meetings)	Remuneration and Nomination Committee (4 meetings)
Oleg Andriyankin	-	15/15	-	-
Oleg Vyugin (Chairman of the Board of Directors)	-	15/15	-	-
Alla Gryaznova	+	15/15	4/4	4/4
Mikail Gutseriev	-	14/15	-	-
Said Gutseriev	-	14/15	-	-
Ilya Mikhaylenko	-	15/15	-	-
Avet Mirakyan	-	15/15	-	-
Alexander Myakenky	+	15/15	4/4	4/4
Sergey Nazarov	+	15/15	4/4	4/4
Bilan Uzhakov	-	15/15	-	-
Sergei Tsikalyuk	-	10/15	-	-

Remuneration and compensation for governance bodies

Board of Directors

In 2019, directors were entitled to remuneration and compensation determined in accordance with the Remuneration and Compensation Policy for the Board of Directors approved by a resolution of the General Meeting of Shareholders.

The amount of remuneration payable to independent directors is linked to:

- performance of director's duties related to the membership in the Board of Directors; and
- performance of other duties related to the membership in the Board committees.

The annual remuneration payable to an independent director comprises the fixed base and fixed additional components. The fixed base component of the annual remuneration is payable to an independent director for the performance

of the director's duties related to the membership in the Board of Directors and totals RUB 2.5 m (before taxes). The fixed additional component of the annual remuneration is payable to an independent director for the performance of duties related to the membership in the Board committees. The fixed additional component of the annual remuneration payable for the membership in the Board committees amounts to RUB 0.5 m (before taxes) per committee.

The actual amounts of the fixed remuneration accrue pursuant to clauses 4.4–4.6 of the Policy pro rata the number of meetings attended by an independent director.

Any member of the Board of Directors and the Board committee may select to waive the remuneration payable



RUB 10.5 M
total remuneration paid to the Board of Directors in 2020



The annual remuneration payable to an independent director comprises the fixed base and fixed additional components.



Board Committees

">// The Board of Directors has established the Remuneration and Nomination Committee, which pre-reviews the key matters regarding the Board of Directors' remuneration.

for the membership in the Board of Directors and the Board committee by submitting the respective waiver to the Board of Directors.

The Board of Directors has established the Remuneration and Nomination Committee which pre-reviews the key matters regarding the Board of Directors' remuneration, supervises the relevant policy and its implementation, and pre-approves the terms and conditions of the contract with the sole executive body.

No other short- or long-term financial incentives are available to members of the Board of Directors. Each member of the Board of Directors may receive the compensation of travel expenses incurred in connection with their participation in the Board of Directors meetings or performance of duties related to the membership in the Board of Directors, including negotiations,

meetings, presentations and other events run by the Board of Directors, based on the rates established for the employees of SAFMAR Financial Investments.

No additional amounts or compensations are payable to members of the Board of Directors in the event their powers are terminated early.

In 2020, the total (aggregate) remuneration paid to members of the Board of Directors before taxes stood at RUB 10.5 m vs RUB 9.135 m in 2019 and RUB 11,661,630 in 2018.

The increase is due to the participation of independent directors who receive remuneration, in all meetings of the Board of Directors and committees in accordance with the Regulations on Remuneration of Members of the Board of Directors and Compensation of Expenses of Members of the Board of Directors.

Management Board

No remuneration was paid to the Management Board as there was none formed in 2019.

Sole executive body

The Company has no information about remuneration paid to the sole executive body for its management duties or participation in governance bodies of the Group companies. Information about such remunerations may be sourced from reports of companies obliged to make public disclosures.

 Information about companies where Avet Mirakyan, CEO of SAFMAR Financial Investments, holds positions in the governance bodies, is available in **the Company's reports**.


Following the Annual General Meeting of Shareholders held on 10 June 2020 to review the results for 2020, members of the following committees were elected at the Company:

- Audit Committee;
- Remuneration and Nomination Committee.

Both committees are made up exclusively of independent directors. Consequently, their Chairs were elected from among independent directors as well.

Audit Committee

Composition of the Committee as at 31 December 2020:

- Sergey Nazarov (Chairman of the Committee);
- Alla Gryaznova;
- Alexander Myakenky.

Composition of the Audit Committee effective as at 31 December 2020 was approved by the resolution of the Board of Directors of SAFMAR Financial Investments dated 25 June 2020. The Committee was made up of three independent directors.

The Committee complies with the Moscow Exchange requirements for corporate governance of Issuers included in the Level 1 (A1) Quotation List and is fully in line with the provisions of the Corporate Governance Code.

In 2020, the Audit Committee held four meetings, all of them in person. The Committee reviewed the following matters, which come within its authority:

- annual accounts of the Company for 2020 (with the Committee expressing its opinion on the external Auditor's report and submitting it to the Annual General Meeting of Shareholders);
- targets under the Company's risk management and internal control system;
- reports on outstanding loans and fulfilment of covenants;
- reports on Internal Audit inspection results for Q1, Q2 and Q3 of 2020 and 2019;
- nomination of the external Auditor for 2020 (with a recommendation submitted for approval by the Annual General Meeting of Shareholders);
- a report on the Committee's performance in 2019-2020 and plan for 2021.

For the biographies of the members of the Audit Committee, please see pages [83-89](#)

For the information on the Audit Committee meeting attendance, please see page [91](#)

Based on the discussions, the Committee adopted the following:

- recommendations on the Company's risk management and internal control system;
- recommendations on the Internal Audit performance report for 2019;
- recommendations on nomination of the Company's Auditor for 2020;
- an opinion on the Auditor's report focusing on the Company's 2019 annual accounts.

4 MEETINGS

held by the Audit Committee in 2020

Remuneration and Nomination Committee

For the biographies of the members of the Remuneration and Nomination Committee, please see pages 83-89

For the information on the Remuneration and Nomination Committee meeting attendance, please see page 91



4 MEETINGS

held by the Remuneration and Nomination Committee in 2020

Composition of the Committee as at 31 December 2020:

- Alexander Myakenky (Chairman of the Committee);
- Alla Gryaznova;
- Sergey Nazarov.

Composition of the Remuneration and Nomination Committee effective as at 31 December 2020 was approved by the resolution of the Board of Directors of SAFMAR Financial Investments dated 25 June 2020. The Committee was made up of three independent directors.

The Committee is fully compliant with the Moscow Exchange requirements for corporate governance of Issuers included in the Level 1 (A1) Quotation List and with the provisions of the Corporate Governance Code.

In 2020, the Remuneration and Nomination Committee held four meetings (three of them in person) to discuss and make

decisions on relevant agenda items. The Committee reviewed the following matters, which come within its authority:

- nominees proposed for election to the Board of Directors and Revision Commission of the Company were assessed for compliance with the Moscow Exchange and Corporate Governance Code requirements;
- incentives for employees of SAFMAR Financial Investments;
- staff turnover metrics.

Based on the discussions, the Committee adopted recommendations regarding the following:

- nominees recommended for election to the Board of Directors and the Revision Commission of the Company;
- the organisational structure of the Company;
- promotion of the corporate culture, HR coordination, and employee incentive system.

Strategy and Risk Management Committee

For the biographies of the members of the Strategy and Risk Management Committee, please see pages 83-89

Composition of the Committee as at 31 December 2020:

- Oleg Vyugin;
- Mikhail Gutseriev;
- Said Gutseriev;
- Avet Mirakyan;
- Sergey Nazarov;
- Bilan Uzhakov.

The Corporate Secretary of SAFMAR Financial Investments ensures compliance of the Company's governance bodies and officers with the procedures stipulated by laws of the Russian Federation, the Charter and internal documents of the Company as a way to protect the rights and interests of the Company's shareholders.

The Corporate Secretary also facilitates interaction between shareholders, the Board of Directors, and other corporate stakeholders. The Corporate Secretary is responsible for:

- preparing and running general meetings of shareholders (the "General Meeting") as provided for by the applicable Russian laws, the Company's Charter and internal documents;
- providing support to the Board of Directors and Board Committees, preparing and running Board meetings;
- contributing to the implementation of the Company's information disclosure policy, as well as ensuring the safekeeping of the Company's corporate documents;
- ensuring the interaction between the Company and its shareholders and holders of other issue-grade securities of the Company (corporate and exchange-traded bonds), and contributing to the prevention of corporate conflicts;

- contributing to the improvement of the Company's corporate governance framework and practices;
- ensuring the implementation of procedures prescribed by the Russian law and the Company's internal documents as a way to protect the rights and legitimate interests of shareholders, and supervising compliance therewith;
- promptly notifying the Board of Directors of any revealed violations of the law and the Company's internal documents as regards the scope of responsibilities of the Corporate Secretary, submitting issues related to such violations and proposed corrective actions for consideration by the Board of Directors;
- other functions provided by laws of the Russian Federation and the Company's internal documents.

The Corporate Secretary of SAFMAR Financial Investments is subject to the following requirements:

- a university degree (law or economics) or a degree in business (including MBA / Executive MBA);
- at least three years of experience in corporate governance or in a managerial position;
- knowledge of corporate and securities market laws, including rules of disclosure by issuers and procedures for professional participants of the securities market;
- knowledge of Russian and international best practices in corporate governance;
- no record of conviction or disqualification under the Russian Code of Administrative Offences;
- an impeccable reputation.

Education: a university degree.

Career. All positions held by the person in the Issuer and other organisations over the past five years up to now, including on a part time basis:

- January 2016 – August 2017: Corporate Secretary at Europlan;
- August 2017 – present: Corporate Secretary at SAFMAR Financial Investments

Mikhail GORBACHEV

Corporate Secretary



Year of birth: 1978

// Does not hold Company shares

Internal Control over Business and Financial Operations



The powers of the Internal Audit function are described in the **Regulation on the Internal Audit Function**, approved by the Board of Directors on 15 February 2018 (version 3) and available at www.e-disclosure.ru, www.safmarinvest.ru/en/



The powers of the Audit Committee are described in the **Regulation on the Audit Committee of the Board of Directors of SAFMAR Financial Investments (version 2)**, approved by the Board of Directors on 15 February 2018 and available at www.e-disclosure.ru, www.safmarinvest.ru/en/

The Company has both the Revision Commission consisting of three members and the Internal Audit function. The Board of Directors has set up an Audit Committee. The powers of the Revision Commission are set out in the Company's Charter (Section 14 of the Charter of SAFMAR Financial Investments (version 22)).

Composition of the Revision Commission in 2020

1. Andrey GOROKHOV

Deputy CEO for Accounting, Reporting and New Projects, Corporate Investments and Technologies LLC

Year of birth: 1980
 // Does not hold Company shares

2. Alexey ROZHKOVSKY

Head of Finance, Deputy CFO, SAFMAR Financial Investments

Year of birth: 1984
 // Does not hold Company shares

3. Stanislav TURBANOV

Deputy Head of Finance, SAFMAR Financial Investments

Year of birth: 1974
 // Does not hold Company shares

The Revision Commission had been operating since its election at the Annual General Meeting of Shareholders on 28 May 2019, with all its members re-elected for a new term at the Annual General Meeting of Shareholders on 10 June 2020.

Composition of the Internal Audit function in 2020

1. Elena EVDOKIMOVA

Head of Internal Audit

Year of birth: 1970
 // Does not hold Company shares

Remuneration and Compensation for Members of Control Bodies

Revision Commission

In 2020, no compensation was paid by the Company for the expenses related to the performance of the members' duties with the Revision Commission.

Internal Audit

In 2020, the remuneration amount (salary) of the Internal Audit personnel stood at RUB 3.525 m. In 2020, no compensation was paid by the Company for the expenses related to the performance of the members' duties with the Internal Audit function.



RUB 3.5 M

remuneration of the Internal Audit personnel in 2020

External Audit

The Company selects auditors through bidding whereby it requests and compares auditors' proposals.

When comparing auditors' proposals, the Company relies on the following criteria:

- whether an offerer has a professional, highly qualified, experienced working group;
- whether the fee is acceptable; and
- whether the offerer is willing to meet the Company's deadlines.

The Company designates and authorises its employees and, if required, other experts and specialists to review the proposals, which includes evaluation and follow-up negotiations, if necessary. At the evaluation stage, the Company evaluates, compares and ranks proposals by relevance based on the above criteria.

On 25 June 2020, the Board of Directors set the fees payable to Ernst & Young LLC for the 2020 reporting period at RUB 13.5 m (including VAT). The y-o-y decrease in payments for audit services (RUB 14.58 m in 2019) came on the back of the cost-cutting initiatives included in the Company's procurement policy.



The y-o-y decrease in payments for audit services (RUB 14.58 m in 2019) came on the back of the cost-cutting initiatives included in the Company's procurement policy.

// Share capital

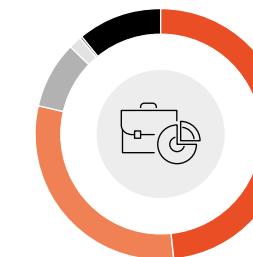
As at 31 December 2020, the authorised capital of SAFMAR Financial Investments amounted to RUB 74,797,319.97 and consists of 111,637,791 ordinary registered shares with a par value of RUB 0.67 each. On 23 March 2017, all issues of ordinary registered shares were merged into a single issue under state registration No. 1-02-56453-P. The Company has no preferred stock. The Government has no share in the Company's authorised capital.

In 2020, SFI carried on with its share buyback programme approved by the Board of Directors in late 2019. On 3 June 2020, the programme operator Weridge Investments Limited consolidated over 45.2% of the holding company's shares, with the resulting stake including that of SFI subsidiaries exceeding 50%. As per the Federal Law On Joint Stock Companies, Weridge Investments Limited prepared a mandatory offer to minority shareholders. On 15 July 2020, the SFI Board of Directors considered the offer prepared by Weridge Investments Limited and approved by the Bank of Russia. The Board of Directors meeting recognised the offer terms as compliant with the applicable laws and drafted relevant recommendations for shareholders.

According to the terms, Weridge Investments Limited is ready to buy back up to 100% of SFI shares, including the stakes of its affiliates currently amounting to 86.53%, at RUB 534.33 per share for a total of up to RUB 8.035 bn. The bank guarantee for the mandatory offer was provided by VTB Bank.

Over the year, the approval of a number of transactions entitling minority shareholders that did not vote or voted against them to tender for buyback by the Company was twice put to the vote by general meetings of shareholders. Some shareholders exercised this right.

Share capital of SAFMAR Financial Investments as at 31 December 2020 //



SAFMAR Group companies, including:	89.16
● Weridge Investments Limited	48.49
● SAFMAR Group holding companies	30.37
● NPF SAFMAR	8.59
● VSK Insurance House	1.7
● PJSC SAFMAR Financial Investments	0.008
● Other shareholders (individuals and legal entities)	10.84



861

the number of shareholders registered in the share register as at 31 December 2020

As a result, Weridge Investments Limited's stake in SFI as at 31 December 2021 was 48.49%, with SFI itself holding 9,140 own shares (0.008% of the authorised capital).

// Stock exchange performance

The Company's ordinary shares are included in the Level 1 (A1) Quotation List of the Moscow Exchange.

Stock exchange profile of SFI ordinary shares (Moscow Exchange)

Parameter	Description
Ticker	SFIN
Type/category of securities	Ordinary share
Listing level	1
Par value, RUB	0.67
State registration number	1-02-56453-P
Trading start date	04 December 2015
Inclusion in index baskets	Broad Market Index, Finances Index

Stock exchange performance of SFI ordinary shares in 2020 (Moscow Exchange)

Parameter	Description
Maximum closing price, RUB	396.40
Minimum closing price, RUB	539
Price at the end of reporting period, RUB	493.2
Capitalisation at the end of the reporting period, RUB m	55,059.76

① Source: Moscow Exchange

Share register

Since 5 October 2015, the register of holders of the Company's registered securities has been maintained by a specialised Registrar – JSC Servis-Reestr, OGRN 1028601354055 / INN 8605006147, located at 12 Sretenka St., Moscow, 107045, Russia.

Registrar licence No. 045-13983-000001 was issued on 2 March 2004. The register of holders of the Issuer's registered securities was transferred pursuant to resolution No. 11-2015 of the Company's sole shareholder dated 18 September 2015.

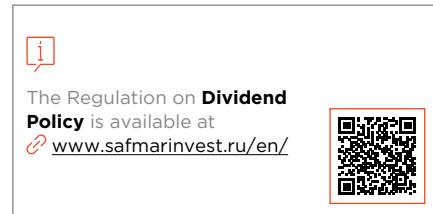
Market makers



In 2020, the Company signed market making agreements with a number of investment and brokerage firms, including IT Invest, FINAM and UNIVER Capital.

Dividend policy

The new version of the Regulation on Dividend Policy of SAFMAR Financial Investments was approved by the resolution of the Board of Directors in April 2019.



The recommended amount of dividend payments is determined by the Company's Board of Directors based on the financial performance during the year. Target dividend payments shall be no less than 75% of the smaller of two values below:

- net profit according to the RAS accounting (financial) statements of the Company for the reporting year; or
- free cash flow of the Company for the reporting year, subject to the availability of dividend income from subsidiaries/affiliates.

Pursuant to the Russian laws, dividends are paid from the Company's net profit for the reporting period or retained earnings from prior years as reported in the RAS statements. The main source of income of SAFMAR Financial Investments as a financial

holding is dividends from subsidiaries and affiliates. Under RAS, dividends are recognised as income upon their receipt, forming the holding company's profit base and allowing it to pay dividends to its shareholders. Profit can also come from positive revaluation of the Company's investments, but it does not generate a corresponding cash flow which can serve as a base for shareholder payouts. In order to eliminate this ambiguity, the Company's Board of Directors resolved to use the lesser of either RAS net profit or free cash flow to calculate the target level of dividend payouts.

The Company could increase returns to shareholders implementing the share buyback programme with the Board of Directors taking into account current availability and adequacy of cash assets, operating performance, Company's needs, and the overall situation in the financial market.

When determining the amount of the dividend recommended to the General Meeting of Shareholders, the Board of Directors takes into account the current financial and competitive

position of the Company, as well as its growth prospects, including forecasts of operating cash flow and capital expenditures, and other factors that affect the preservation of financial stability and a flexible capital structure.

Due to the buyback programme and under effective credit facility agreements, the Annual General Meeting of Shareholders held on 10 June 2020 resolved not to pay dividends for 2019.

The Company publishes the resolutions of its General Meeting of Shareholders concerning dividend payments on its corporate website at www.safmarinvest.ru/en/ or online on the disclosure website at <http://www.e-disclosure.ru/portal/company.aspx?id=11328>, and communicates relevant information to its shareholders through publications prescribed by the applicable Russian laws.

Dividends paid by SFI (PJSC Europian before 2017) for the last five years

Reporting year	Type/category of securities	State registration number of the issue	Total dividends per share, RUB
2015-2016	Ordinary share	1-02-56453-P	0.00
2017	Ordinary share	1-02-56453-P	30.25
2018	Ordinary share	1-02-56453-P	14.50
2019	Ordinary share	1-02-56453-P	0.00

Dividends from subsidiaries and affiliates

Stable dividend flows from subsidiaries and affiliates are SFI's key source of income and a metric used to calculate dividends to shareholders.



RUB 6.67 BN

total dividends received by SFI from its subsidiaries and affiliates^①

Information policy

The Company makes disclosures in a regular, consistent, and timely manner, ensuring accessibility, reliability, completeness and comparability of the information.

The Company makes disclosures on its securities, business and financial operations as follows:

- Company makes disclosures on its securities, business and financial operations as follows:
- information at the stage of securities issue as well as statements of material facts;
- prospectuses;
- quarterly reports (Issuer's reports);
- annual reports;
- the Charter and internal regulations;
- information that may have a material effect on the market value of its securities; and
- information on its affiliates.

The Corporate Governance Code compliance report prepared pursuant to the Bank of Russia's Letter No. IN-06-52/8 dated 17 February 2016 On Disclosure of Compliance with the Principles and Recommendations of the Code of Corporate Governance in Annual Reports by Public Joint Stock Companies is available in [Appendix 1](#) hereto.

^① As at 31 December 2020 and over the year.

Consolidated statement of financial position as at 31 December 2020

// in thousands of Russian rubles, unless otherwise stated

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	7	3,610,255	4,133,725
Financial instruments at fair value through profit or loss	8	13,222,258	183,449,887
Deposits with banks	10	–	4,038,670
Net investment in leases after impairment allowance	11	89,747,087	71,563,218
Reverse repurchase agreements and accounts receivable	12	486,976	84,123,767
Assets purchased and advances to suppliers for lease operations	13	1,725,235	1,017,275
Deferred acquisition costs	14	–	7,255,652
Assets held for sale	9	283,235,635	–
Current income tax prepayment		160,362	225,039
Deferred tax assets	34	89,854	126,420
VAT recoverable		1,685,851	836,999
Property and equipment and right-of-use assets	15	1,693,000	1,893,853
Investments in associates	16	25,295,296	24,285,166
Goodwill	17	154,787	25,139,058
Other assets	18	4,688,653	20,196,329
Total assets		425,795,249	428,285,058
Liabilities			
Liabilities under compulsory pension insurance contracts	19	–	251,442,867
Liabilities under non-state pension arrangements	19	264,337	8,342,552
Borrowings	20	74,085,085	51,711,528
Advances received from lessees		1,987,492	2,209,451
Bonds issued	21	19,575,903	18,159,518
Liabilities directly related to assets held for sale	9	260,721,927	–
Current income tax payable		187,080	443,875
Deferred tax liabilities	34	3,149,864	2,589,162
VAT payable		140,794	91,513
Lease liabilities	40	662,274	957,926
Other liabilities	22	3,787,775	4,041,022
Total liabilities		364,562,531	339,989,414
Equity			
Share capital	23	74,797	74,797
Additional paid-in capital	23	67,297,565	67,312,441
Treasury shares	23	(34,664,371)	(11,355,122)
Compulsory pension insurance reserve and insurance reserve	23	8,147,036	9,200,782
Retained earnings		20,337,334	23,000,703
Total equity attributable to shareholders		61,192,361	88,233,601
Non-controlling interests		40,357	62,043
Total equity		61,232,718	88,295,644
Total liabilities and equity		425,795,249	428,285,058

Approved for issue and signed on behalf of PJSC "SAFMAR Financial investments" on 29 April 2021.

Avet MIRAKYAN
 CEO
 of PJSC "SAFMAR Financial investments"

Oleg ANDRIYANKIN
 CFO
 of PJSC "SAFMAR Financial investments"

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

Consolidated statement of profit or loss and other comprehensive income as at 31 December 2020

// in thousands of Russian rubles, unless otherwise stated

	Note	2020	2019 ^①
Continuing operations			
Interest income calculated using the effective interest rate	24	221,781	152,774
Other interest income	24	14,222,952	12,838,099
Interest expense	24	(6,791,181)	(4,972,934)
Net interest income		7,653,552	8,017,939
Expected credit loss expense	25	(251,644)	(236,615)
Net interest income after expected credit loss expense		7,401,908	7,781,324
Pension contributions	26	1,259	–
Pension payments	27	(78,105)	(75,541)
Net (loss)/gain of pension funds from placement of own funds and pension reserves	28	(23,132)	68,566
Change in pension liabilities	29	56,889	39,521
Share in net profit of associates	16	1,952,312	3,430,626
Income from financial intermediation services	30	2,234,321	2,665,635
Net gains from financial instruments at fair value through profit or loss		3,835,451	–
Net other income	31	4,314,118	3,819,340
Net other expenses		(340,253)	(163,317)
Net foreign exchange gains/(losses)		188,422	(223,850)
Total income from operations and finance income		19,543,190	17,342,304
Staff expenses	32	(5,728,821)	(5,803,060)
Other operating expenses	33	(1,761,486)	(1,981,198)
Other losses from impairment and provisions	25	(111,973)	(94,706)
Other income		9,174	6,600
Other expenses		(207,788)	(208,224)
Profit before income tax from continuing operations		11,742,296	9,261,716
Income tax expense	34	(2,149,252)	(1,595,841)
Net profit from continuing operations		9,593,044	7,665,875
Discontinued operations			
(Loss)/profit before tax from discontinued operations	9	(13,203,067)	2,229,358
Income tax expense	9	(66,706)	(647,334)
Net (loss)/profit from discontinued operations		(13,269,773)	1,582,024
Net (loss)/profit for the period		(3,676,729)	9,247,899
Net (loss)/profit attributable to:			
Shareholders		(3,719,197)	9,196,507
Non-controlling interests		42,468	51,392
Other comprehensive income to be subsequently recognized in profit or loss			
Share of other comprehensive income of associates	16	37,818	790,972
Result from financial instruments in cash flow hedges		(35,736)	–
Other comprehensive income for the period		2,082	790,972
Total comprehensive (loss)/income for the period		(3,674,647)	10,038,871
Total comprehensive (loss)/income attributable to:			
Shareholders		(3,717,115)	9,987,479
Non-controlling interests		42,468	51,392
(Loss)/earnings per share (expressed in Russian rubles per share)	23	(55.34)	96.11
Earnings per share from continuing operations (expressed in Russian rubles per share)	23	142.11	79.58

^① The amounts do not correspond to those in the consolidated financial statements for the year ended 31 December 2019 as they reflect adjustments made in connection with the termination of the respective activities as described in Note 9.

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

Consolidated statement of changes in equity for the year ended 31 December 2020

// in thousands of Russian rubles, unless otherwise stated

Note	Share capital	Treasury shares	Additional paid-in capital	Compulsory pension insurance reserve and insurance reserve	Retained earnings	Total equity attributable to shareholders	Non-controlling interests	Total
Balance at 1 January 2019	74,797	(7,577,737)	67,310,103	7,776,470	15,826,471	83,410,104	55,533	83,465,637
Net profit	—	—	—	—	9,196,507	9,196,507	51,392	9,247,899
Other comprehensive income	—	—	—	—	790,972	790,972	—	790,972
Total comprehensive income for the period	—	—	—	—	9,987,479	9,987,479	51,392	10,038,871
Acquisition of non-controlling interests	—	—	—	—	—	—	(25,302)	(25,302)
Acquisition and sale of treasury shares	—	(3,777,385)	2,338	—	—	(3,775,047)	—	(3,775,047)
Dividends paid	23	—	—	—	(1,388,935)	(1,388,935)	(19,580)	(1,408,515)
Changes in reserves for pension liabilities	—	—	—	1,424,312	(1,424,312)	—	—	—
Balance at 31 December 2019	74,797	(11,355,122)	67,312,441	9,200,782	23,000,703	88,233,601	62,043	88,295,644
Net (loss)/profit	—	—	—	—	(3,719,197)	(3,719,197)	42,468	(3,676,729)
Other comprehensive income	—	—	—	—	2,082	2,082	—	2,082
Total comprehensive income for the period	—	—	—	—	(3,717,115)	(3,717,115)	42,468	(3,674,647)
Acquisition of non-controlling interests	—	—	—	—	—	—	(25,610)	(25,610)
Acquisition and sale of treasury shares	23	—	(23,309,249)	(14,876)	—	(23,324,125)	—	(23,324,125)
Dividends paid	23	—	—	—	—	—	(38,544)	(38,544)
Changes in reserves for pension liabilities	—	—	—	(1,053,746)	1,053,746	—	—	—
Balance at 31 December 2020	74,797	(34,664,371)	67,297,565	8,147,036	20,337,334	61,192,361	40,357	61,232,718

Consolidated statement of cash flows for the year ended 31 December 2020

// in thousands of Russian rubles, unless otherwise stated

	2020	2019
Cash flows from operating activities		
Interest received	13,536,045	12,147,045
Gains of pension fund from placement of own funds, pension savings and pension reserves	16,651,516	17,299,057
Gains from insurance operations	1,908,363	1,715,635
Proceeds from financial intermediation services	2,723,439	3,368,174
Proceeds from disposal of repossessed assets	2,778,330	1,870,664
Interest paid	(6,366,732)	(5,209,334)
Cash paid to employees and payroll related taxes paid	(6,538,897)	(6,296,671)
Acquisition costs	(7,046)	(216,083)
Other receipts	2,004,992	2,139,494
Other payments	(3,191,418)	(2,747,583)
Cash flows from operating activities before changes in working capital	23,498,592	24,070,398
Changes in operating assets/liabilities		
Financial instruments at fair value through profit or loss	(75,618,003)	37,298,005
Deposits with banks	6,725,000	(6,750,000)
Net investment in leases	(22,828,963)	(16,855,116)
Reverse repurchase agreements and accounts receivable	57,163,123	(33,781,207)
Payments received on leases	163,007	268,972
Other assets	858,069	831,336
Pension liabilities	(4,715,579)	(6,051,022)
<i>Including: contributions received due to DIA's transfer of liabilities of JSC NPF "TIP Fund", JSC NPF "MECHEL-FUND" (Note 19)</i>	<i>9,787</i>	<i>33,061</i>
Other liabilities	649,381	100,977
Net cash used in operating activities before income tax	(14,105,373)	(867,657)
Income tax paid	(1,823,333)	(1,071,651)
Net cash used in operating activities	(15,928,706)	(1,939,308)
Cash flows from investing activities		
Proceeds from sale of property and equipment	8,157	16,417
Purchase of property and equipment (Note 15)	(458,419)	(711,072)
Dividends received	1,706,852	769,477
Net cash from / (used in) investing activities	1,256,590	74,822
Cash flows from financing activities		
Borrowings received	45,236,225	30,655,942
Borrowings repaid	(23,238,566)	(11,007,932)
Bonds issued	3,090,192	11,396,137
Bonds repaid	(1,721,188)	(5,305,896)
Lease liabilities	(250,653)	(217,925)
Purchase of treasury shares	(6,590,827)	(3,947,143)
Advance payments for purchase of treasury shares	(2,800,000)	(17,100,000)
Proceeds from issue of treasury shares	366,702	172,096
Dividends paid	(38,544)	(1,408,515)
Acquisition of non-controlling interests	—	(25,201)
Net cash from financing activities	14,053,341	3,211,563
Effect of exchange rate changes on cash and cash equivalents	569,060	(9,020)
Effect of expected credit losses on cash and cash equivalents	4,205	(3,769)
Net (decrease)/increase in cash and cash equivalents	(45,510)	1,334,288
Cash and cash equivalents at the beginning of the period	4,133,725	2,799,437
Cash and cash equivalents at the end of the period (Note 7)	4,088,215	4,133,725

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

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

/// Glossary

AEB	Association of European Businesses
CF	charitable foundation
GDP	gross domestic product
AA	annual accounts
GPP	guaranteed pension plan
A&S	affiliates and subsidiaries
VHI	voluntary health insurance
UBS	Unified Biometric System
UIAS	Unified Identification and Authentication System
SEB	sole executive body
PPC	personal pension capital
ILI	investment-linked life insurance
CPP	corporate pension plan
KPI	key performance indicator
LC	leasing company
M	month
M	million
RUB m	million roubles
Bn	billion
RUB bn	billion roubles
SME	small and medium-sized entities
IFRS	International Financial Reporting Standards
PIT	personal income tax
PPP	private pension plans
NPF	non-governmental pension fund
NRA	National Rating Agency
SP	statutory pension insurance
CMTPL	compulsory motor third-party liability insurance
RS	retirement savings
PR	pension reserves
PFR	Pension Fund of the Russian Federation
SES	simple electronic signature
tn	trillion
'000	thousand
RAS	Russian Accounting Standards
IA	internal audit
CS	Corporate Secretary
SRO	self-regulatory organisation
AMC	asset management company
NIL	net investments in lease
DIY	Do it yourself
IPO	initial public offering
SPO	secondary public offering
POS	point of sale

/// Energy consumption in 2020

SAFMAR Financial Investments operates on a limited amount of energy resources, taking a responsible approach to their consumption.

The Company and its subsidiaries are firmly committed to reducing their fuel, electricity and heat consumption.

In 2020, employees of SAFMAR Financial Investments partially shifted to working remotely from March to December. This helped reduce the Company's energy consumption by over 5,000 kWh, thus bringing

the expenditures down by 19.5%. Fuel consumption costs went down by more than 1,000 litres, which in turn reduced the Company's petrol-related costs by 6% y-o-y.

Energy resource	Energy consumption in 2020	
	Volume	Costs, RUB '000
Electricity	31,264 kWh	331.16
Heat	No data	116.61
Motor petrol	12,829.43 l	634.125

/// Appendices

In accordance with the Regulation On Information Disclosure by the Issuers of Issue-Grade Securities No. 454-P dated 30 December 2014, the appendices listed below shall be integral parts of SAFMAR Financial investments 2020 Annual Report and are available on the following disclosure websites: www.e-disclosure.ru and www.safmarinvest.ru/en/:

- **Appendix 3.** Annual consolidated RAS accounting (financial) statements for 2020 (with the auditor's report);
- **Appendix 4.** Major transactions approved by the Company's governance bodies in 2020;
- **Appendix 5.** Interested-party transactions Report for 2020.

- **Appendix 1.** Corporate Governance Code compliance report;
- **Appendix 2.** Annual consolidated IFRS financial statements for 2020 (with the auditor's report);

/// Contacts

PJSC SAFMAR Financial Investments

Address: 5/1, Koroviy val St., Moscow, 119049, Russia

Tel.: +7 495 901 0361,

+7 495 909 8969

E-mail: [✉ info@safmarinvest.ru](mailto:info@safmarinvest.ru)

Website: [🔗 www.safmarinvest.ru/en/](http://www.safmarinvest.ru/en/)

For shareholders

Corporate Relations and Disclosure Department

Tel.: +7 495 909 8969

E-mail: [✉ info@safmarinvest.ru](mailto:info@safmarinvest.ru)

For investors and media

Communications and Investor Relations Department

Tel.: +7 495 901 0361,

+7 495 909 8969

E-mail: [✉ ir@safmarinvest.ru](mailto:ir@safmarinvest.ru), [✉ pr@safmarinvest.ru](mailto:pr@safmarinvest.ru)

Registrar

Servis Reestr JSC

Address: 12 Stretenka St., Moscow, Russia

Tel.: +7 495 608 1043,

+7 495 783 0162

E-mail: [✉ sekr@servis-reestr.ru](mailto:sekr@servis-reestr.ru)

Working hours

MON-THU: from 9:00 to 16:00 (lunch break from 13:00 to 13:45)

FRI: from 9:00 to 13:00

Website: [🔗 www.servis-reestr.ru](http://www.servis-reestr.ru)

Auditor

Ernst & Young LLC

Address: 77 Sadovnicheskaya nab., bld. 1, Moscow, Russia

Tel.: +7 495 755 9700

Fax: +7 495 755 9700

E-mail: [✉ moscow@ru.ey.com](mailto:moscow@ru.ey.com)



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