

IMPORTANT NOTICE: You must read the following before continuing. The following applies to the offering memorandum following this notice (the “**Offering Memorandum**”), and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them any time you receive any information from Public Joint-Stock Company “SPB Exchange” (the “**Company**”) as a result of such access.

This Offering Memorandum has been prepared in connection with the proposed offer (the “**Offering**”) and sale of the securities described herein (the “**Offering Shares**”). The Offering Memorandum and its contents are confidential and should not be copied, downloaded, distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person. If you are not the intended recipient of this electronic transmission, please do not distribute or copy the information contained in this electronic transmission or the Offering Memorandum, but instead delete and destroy all copies of this electronic transmission and the Offering Memorandum.

THE FOLLOWING OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED OTHER THAN AS PROVIDED BELOW AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. THE OFFERING MEMORANDUM MAY ONLY BE DISTRIBUTED TO INVESTORS WHO ARE NOT “U.S. PERSONS” OUTSIDE THE UNITED STATES IN “OFFSHORE TRANSACTIONS” AS DEFINED IN, AND IN RELIANCE ON, REGULATION S (“REGULATION S”) UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”). ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE OFFERING MEMORANDUM IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF THE OFFERING SHARES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE OFFERING SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, “U.S. PERSONS” (AS DEFINED IN REGULATION S) EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES.

THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING MEMORANDUM AND THE OFFERING, WHEN MADE, ARE ONLY ADDRESSED TO, AND DIRECTED AT, PERSONS IN MEMBER STATES OF THE EUROPEAN ECONOMIC AREA WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION (REGULATION (EU) 2017/1129) (AS AMENDED), (THE “**PROSPECTUS REGULATION**”). THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON IN ANY MEMBER STATE OF THE EUROPEAN ECONOMIC AREA BY PERSONS WHO ARE NOT EEA-QUALIFIED INVESTORS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING MEMORANDUM RELATE IS AVAILABLE ONLY TO EEA-QUALIFIED INVESTORS AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS.

IN THE UNITED KINGDOM, THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING MEMORANDUM AND THE OFFERING, WHEN MADE, ARE ONLY ADDRESSED TO, AND DIRECTED AT, PERSONS IN THE UNITED KINGDOM WHO ARE “QUALIFIED INVESTORS” WITHIN THE MEANING OF ARTICLE 2(E) OF THE PROSPECTUS REGULATION AS IT FORMS PART OF DOMESTIC LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 WHO: (I) ARE PERSONS WHO HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS FALLING WITHIN ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (AS AMENDED, THE “**ORDER**”); (II) ARE PERSONS WHO ARE HIGH NET WORTH ENTITIES OR OTHER PERSONS FALLING WITHIN ARTICLE 49(2)(A) TO (D) OF THE ORDER; OR (III) ARE PERSONS TO WHOM AN INVITATION OR INDUCEMENT TO ENGAGE IN INVESTMENT ACTIVITY (WITHIN THE MEANING OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (AS AMENDED, THE “**FSMA**”)) MAY OTHERWISE

LAWFULLY BE COMMUNICATED (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “**RELEVANT PERSONS**”). THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON IN THE UNITED KINGDOM BY PERSONS WHO ARE NOT RELEVANT PERSONS, ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS ELECTRONIC TRANSMISSION AND THE ATTACHED OFFERING MEMORANDUM RELATE IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH SUCH PERSONS.

Information to distributors: Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments (as amended, “**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offering Shares the subject of the Offering have been subject to a product approval process, which has determined that such Offering Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels permitted by MiFID II (the “**EEA Target Market Assessment**”). Notwithstanding the EEA Target Market Assessment, “distributors” (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Offering Shares may decline and investors could lose all or part of their investment; the Offering Shares offer no guaranteed income and no capital protection; and an investment in the Offering Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The EEA Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the EEA Target Market Assessment, VTB Capital plc, Tinkoff Bank, Alfa Capital Markets Ltd, Investment Company FINAM JSC, Investment Company Freedom Finance LLC, Bank GPB International S.A., “Bank Otkritie Financial Corporation” (Public Joint-Stock Company) and Sova Capital Limited (together, the “**Underwriters**”), as well as Aton LLC (“**Aton**”), BCS Prime Brokerage Limited (“**BCS**”) and PJSC Sovcombank (“**Sovcombank**”), as joint bookrunners appointed by JSC “Voskhod,” will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the EEA Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offering Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offering Shares and determining appropriate distribution channels.

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Offering Shares the subject of the Offering have been subject to a product approval process, which has determined that such Offering Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the “**UK Target Market Assessment**”). Notwithstanding the UK Target Market Assessment, “distributors” (for the purposes of the UK Product Governance Requirements) should note that: the price of the Offering Shares may decline and investors could lose all or part of their investment; the Offering Shares offer no guaranteed income and no capital protection; and an investment in the Offering Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment, the Underwriters, Aton, BCS and Sovcombank will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the UK Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapters 9A or 10A, respectively, of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offering Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offering Shares and determining appropriate distribution channels.

Confirmation of your representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the Offering Shares, investors must not be U.S. persons and must be located outside of the United States transacting in an offshore transaction in accordance with Regulation S. By accepting electronic delivery of or accessing the Offering Memorandum, you shall be deemed to have represented to the Company and the Underwriters, Aton, BCS and Sovcombank that (1) you and any customers you represent are not U.S. persons and are located outside the United States and (2) you consent to delivery of the Offering Memorandum by electronic transmission. You are reminded that the Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver the Offering Memorandum to any other person.

Under no circumstances shall the Offering Memorandum constitute, and may not be used in connection with, an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Offering Shares, in any jurisdiction in which such offer, solicitation or sale would be unlawful. If a jurisdiction requires that the Offering be made by a licensed broker or dealer and the Underwriters, Aton, BCS and Sovcombank or any affiliate of the Underwriters, Aton, BCS and Sovcombank is a licensed broker or dealer in that jurisdiction, the Offering shall be deemed to be made by the Underwriters, Aton, BCS and Sovcombank or such affiliate on behalf of the Company in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission, and consequently none of the Underwriters, Aton, BCS and Sovcombank, or any of their respective affiliates, or any of their respective directors, officers, employees or agents accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from the Underwriters, Aton, BCS and Sovcombank.

None of the Underwriters, Aton, BCS and Sovcombank, or any of their respective affiliates, or any of its or their respective directors, officers, employees or agents accepts any responsibility whatsoever for the contents of this Offering Memorandum or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Offering. The Underwriters, Aton, BCS and Sovcombank and any of their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of such Offering Memorandum or any such statement. No representation or warranty, express or implied, is made by any of the Underwriters, Aton, BCS and Sovcombank, or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Offering Memorandum.

The Underwriters, Aton, BCS and Sovcombank are acting exclusively for the Company and/or JSC “Voskhod,” as the case may be, and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Offering Memorandum) as their client in relation to the Offering and will not be responsible to anyone other than the Company for providing the protections afforded to their clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this Offering Memorandum via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Public Joint-Stock Company “SPB Exchange”

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

Offering of 15,217,392 ordinary shares

with a nominal value of P3.75 each (the “Shares”)

(subject to a repurchase option in respect of up to 2,282,609 Shares)

Offering Price: \$11.50 per Offering Share

This offering memorandum (the “**Offering Memorandum**”) relates to an offering (the “**Offering**”) by Public Joint-Stock Company “SPB Exchange” (the “**Company**” or “**SPB Exchange**” and, together with its consolidated subsidiaries as a consolidated entity, the “**Group**,” “**we**,” “**us**,” “**our**,” “**our company**” and “**our business**”). SPB Exchange is offering 15,217,392 new Shares (the “**Offering Shares**”) to be issued through an open subscription (the “**Share Issuance**”).

The number of the Offering Shares to be issued and sold pursuant to the Offering and the price at which each of the Offering Shares is to be issued and sold under the Offering (the “**Offering Price**”) was published on November 18, 2021 (the “**Pricing Date**”). The Offering Price of \$11.50 is equal to P834.9 at the exchange rate of the Central Bank of Russia (the “**CBR**”) in effect on November 19, 2021.

The Offering Shares to be issued in the Share Issuance are expected to be purchased by VTB Capital plc (the “**Senior Global Coordinator**”) as an initial purchaser, on behalf of Tinkoff Bank and Alfa Capital Markets Ltd (the “**Joint Global Coordinators**”), as well as Investment Company FINAM JSC, Investment Company Freedom Finance LLC, Bank GPB International S.A., “Bank Otkritie Financial Corporation” (Public Joint-Stock Company) and Sov Capital Limited (the “**Joint Bookrunners**”) and, together with the Senior Global Coordinator and the Joint Global Coordinators, the “**Underwriters**”), and Aton LLC (“**Aton**”), BCS Prime Brokerage Limited (“**BCS**”) and PJSC Sovcombank (“**Sovcombank**”) appointed as joint bookrunners by the Repurchasing Subsidiary (as defined below), for onward sale by the Underwriters, Aton, BCS and Sovcombank to investors.

Our existing shareholders of record as of June 26, 2021 had statutory pre-emptive rights to subscribe for such new Shares pro rata to their holdings of existing Shares as of June 26, 2021 at the same price as the Offering Price per Offering Share. We published a notice advising eligible shareholders of their pre-emptive rights on October 11, 2021. The eligible shareholders were able to exercise their pre-emptive rights over a period of eight Russian business days, which commenced on October 12, 2021 and ended on October 21, 2021 (inclusive). The eligible shareholders who exercised their pre-emptive rights will be entitled to purchase the pre-emption shares within five Russian business days after the announcement of the Offering Price. See also “*Description of Share Capital and Charter—Pre-emptive Rights.*” We received applications from 12 eligible shareholders to subscribe for 564,780 new Shares. Any new Shares subscribed but not paid in full by the eligible shareholders during this period will not be placed. Any new Shares subscribed and paid in full by the eligible shareholders pursuant to their pre-emptive rights will be placed in addition to the Offering Shares.

The Offering Shares are being offered (i) in the Russian Federation and (ii) otherwise to non-“U.S. persons” outside the United States in “offshore transactions” as each such term is defined in, and in reliance on, Regulation S (“**Regulation S**”) under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). See “*Plan of Distribution.*”

In connection with the Offering, JSC “Voskhod,” our wholly-owned subsidiary (the “**Repurchasing Subsidiary**”), granted to JSC VTB Capital (the “**Market Maker**”) an option, exercisable only once at any time for a period of 30 calendar days after the Pricing Date (the “**Stabilization Period**”) and no later than the second business day after the end of the Stabilization Period (excluding such date), to require the Repurchasing Subsidiary to purchase up to 15% of the Offering Shares that may be acquired by the Market Maker as a result of stabilization transactions, at such prices at which the Market Maker may acquire them in the open market in connection with such stabilization transactions, plus associated funding costs and commissions (the “**Repurchase Option**”). The Repurchasing Subsidiary will hold any Shares it acquires pursuant to the Repurchase Option subject to the lock-up arrangements. See “*Plan of Distribution.*” Any Shares repurchased under the Repurchase Option will retain voting rights and may be used for the Company’s employee stock option program and other corporate purposes. Concurrently with the Offering, the Repurchasing Subsidiary is also expected to acquire 3,260,870 Shares at the Offering Price in the total amount of approximately \$37.5 million that may be used for the Company’s employee stock option program and other corporate purposes. The expected subscription by the Repurchasing Subsidiary is contingent on, and is expected to close immediately subsequent to, the closing of the Offering, as well as the satisfaction of certain conditions to closing.

The Share Issuance was registered by the CBR on September 23, 2021 under state registration number 1-01-55439-E. The Shares were admitted to trading in the “Level 1” section of the List of Securities Admitted to Trading on SPB Exchange on August 23, 2021. The Shares are expected to trade under the symbol “SPBE.” Subject to acceleration or extension of the timetable for the Offering, trading in the Shares on SPB Exchange is expected to commence on November 19, 2021 and will be subject to completion of the Offering and issuance of the Shares. No assurance can be given that thereafter the Shares will continue to be admitted to trading on SPB Exchange. See “*Risk Factors.*”

AN INVESTMENT IN THE OFFERING SHARES INVOLVES A HIGH DEGREE OF RISK. THE OFFERING SHARES ARE OF A SPECIALIST NATURE AND SHOULD ONLY BE PURCHASED AND TRADED BY INVESTORS WHO ARE PARTICULARLY KNOWLEDGEABLE IN INVESTMENT MATTERS. POTENTIAL INVESTORS SHOULD BE PREPARED TO BEAR THE RISK OF A TOTAL LOSS OF THEIR INVESTMENT. INFORMATION CONTAINED HEREIN MAY NOT CORRESPOND TO THE RISK PROFILE OF A PARTICULAR INVESTOR, DOES NOT TAKE IN ACCOUNT AN INVESTOR’S PERSONAL PREFERENCES AND EXPECTATIONS ON RISK AND/OR PROFITABILITY AND DOES NOT CONSTITUTE AN INDIVIDUAL INVESTMENT RECOMMENDATION FOR THE PURPOSES OF RUSSIAN LAW. PROSPECTIVE INVESTORS SHOULD READ THE ENTIRE OFFERING MEMORANDUM WHEN CONSIDERING AN INVESTMENT IN THE COMPANY, AND, IN PARTICULAR, FOR A DISCUSSION OF CERTAIN RISKS THAT SHOULD BE CONSIDERED BY POTENTIAL INVESTORS IN CONNECTION WITH AN INVESTMENT IN THE OFFERING SHARES. SEE “*RISK FACTORS.*”

The Offering does not constitute an offer to sell, or solicitation of an offer to buy, securities in any jurisdiction in which such offer or solicitation would be unlawful. The Offering Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an effective registration statement under the Securities Act or an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. For a discussion of certain restrictions on transfers of the Offering Shares, see “*Selling Restrictions.*”

The Offering Shares are priced in U.S. dollars. Subject to acceleration or extension of the timetable for the Offering, payment for, and delivery of, the Offering Shares (“**Settlement**”) is expected to take place on or about November 23, 2021 (the “**Settlement Date**”). If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for the Offering Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offering Shares on SPB Exchange may be annulled. Any transactions in the Offering Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Underwriters, Aton, BCS and Sovcombank do not accept responsibility or liability towards any loss incurred by any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in the Offering Shares on SPB Exchange. Each purchaser of the Offering Shares must pay for such Offering Shares by the date agreed with the Underwriters, Aton, BCS and Sovcombank. The Offering Shares will be delivered to purchasers through the facilities of the National Settlement Depository (the “**NSD**”) or Public Joint-Stock Company “Best Efforts Bank” (“**SPB Bank**”) (each, an “**SD**”). Therefore, to take delivery of the Offering Shares, purchasers must have a depositary account with the NSD or SPB Bank or a depo account with an intermediary that has a depositary account with the NSD or SPB Bank. The purchasers shall take all actions required in accordance with the depositary rules and applicable law to take delivery of the purchased Offering Shares, including the issuance of appropriate credit instructions to their depositaries.

The Offering may be extended or revoked at any time without cause. The Offering Shares offered hereby are offered severally by the Underwriters, Aton, BCS and Sovcombank, subject to receipt and acceptance by them of any order in whole or in part. The Underwriters, Aton, BCS and Sovcombank reserve the right to reject any offer to purchase the Offering Shares, in whole or in part, and to sell to any prospective purchaser less than the number of Offering Shares sought by such investor.

Senior Global Coordinator
VTB Capital

Joint Global Coordinators

Tinkoff

Alfa CIB

Finam

Freedom Finance

Joint Bookrunners

Gazprombank

Otkritie

Sova Capital

Aton

BCS Global Markets

Sovcombank

Offering Memorandum dated November 18, 2021

Our mission is to build a free world of investments, guided by the principles of responsible investing, sustainability and market competition, providing investors around the world with equal and easy access to investment instruments of the international financial markets, by building a trading platform with deep liquidity, thin spreads, best execution capabilities and around-the-clock trading

The logo for SPB EXCHANGE, featuring the text "SPB" in white on a black background and "EXCHANGE" in black on an orange background.

SPB EXCHANGE

SPB EXCHANGE AT A GLANCE

Next Generation Venue for Global Securities Trading by Retail Investors

SPB EXCHANGE



Small lots, quotes in home listing currencies



Retail investors focus: B2B2C, HFTs provide liquidity



Smart order routing to foreign exchanges



Deep own liquidity



Extended trading hours



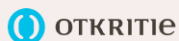
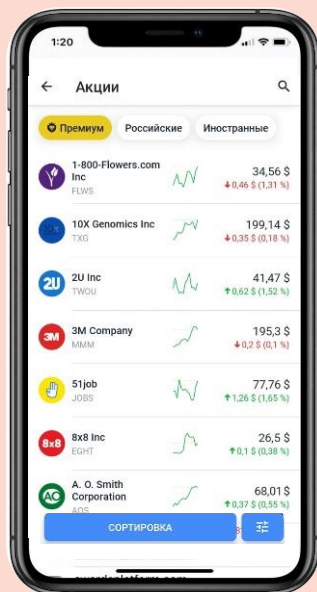
Narrow spreads, better prices



Best execution principle⁷

Key Partner Brokers

Retail Investors



SPB Exchange Today

1,800+

Global securities¹

12.1m

Total accounts²

\$1.6bn+

Avg. daily volume³

53%

of equities volumes in Russia^{3,4}

77%

Trades internalized⁵

230%

Revenue growth⁶

Access to Global Markets

NASDAQ

NYSE

LONDON
STOCK
EXCHANGE

XETRA

CBOE

OTC
MARKETS

OTHER

Source: SPB Exchange.

Notes: ¹ Securities available on the platform as of 30-Jun-2021; ² Total number of accounts opened on SPB Exchange as of 30-Jun-2021; ³ For 1H 2021;

⁴ Calculated as a ratio of SPB Exchange equities trading volumes for 1H 2021 divided by combined equities trading volumes of SPB Exchange and Moscow Exchange for 1H2021;

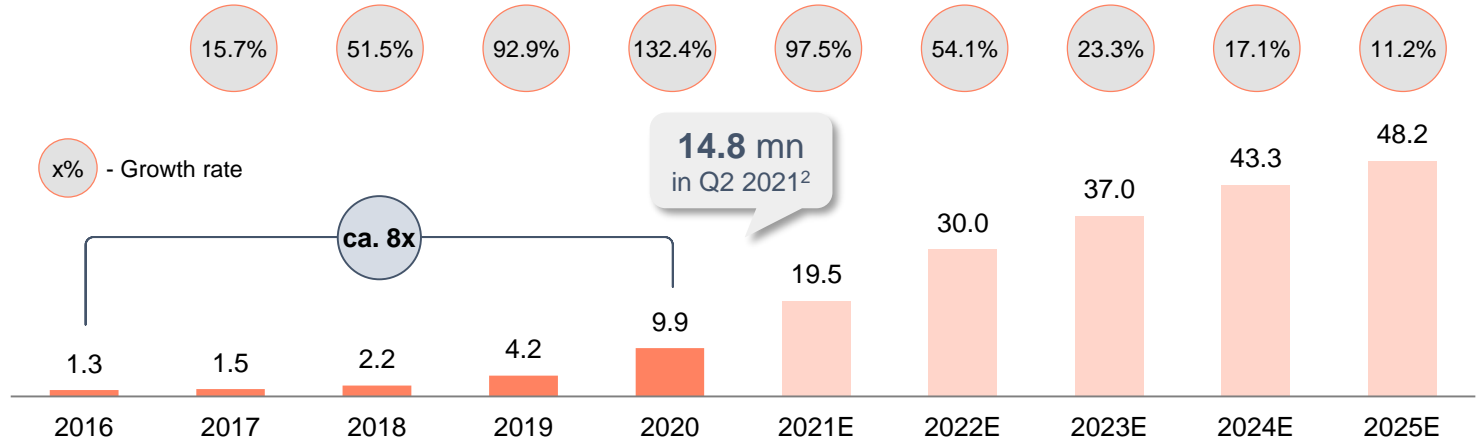
⁵ Percentage of orders executed internally on SPB Exchange in 1H 2021 vs. 1H 2020; ⁶ 1H 2021 vs. 1H 2020; ⁷ Best execution principle with respect to SPB Exchange: the execution of trades of U.S. equity securities at the best price available either on a security's U.S. listing exchange, during that exchange's market hours, or on SPB Exchange.

SPB EXCHANGE IS A GLOBAL MARKETS GATEWAY FOR RETAIL INVESTORS

GREAT POTENTIAL IN RETAIL INVESTMENTS AND FOREIGN EQUITIES SEGMENTS IN RUSSIA

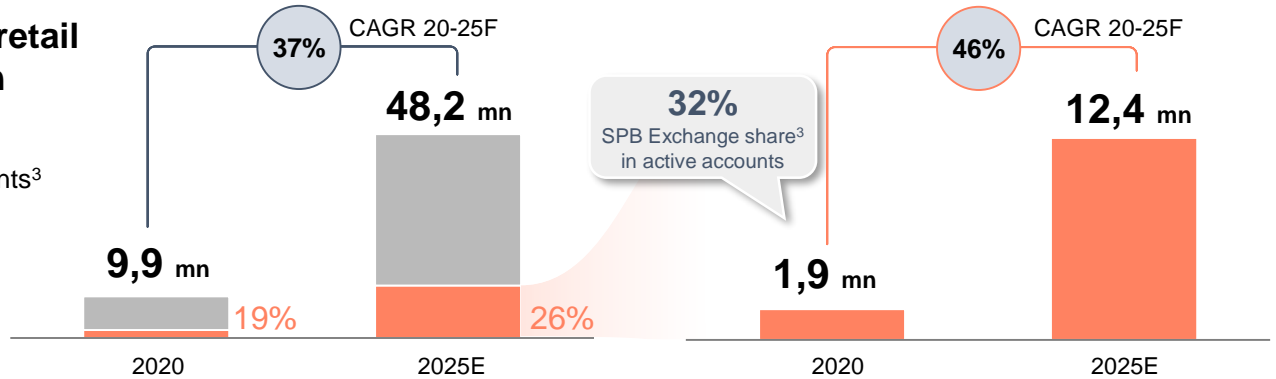
Number of Retail Brokerage Services Clients¹

In millions, growth rate in %



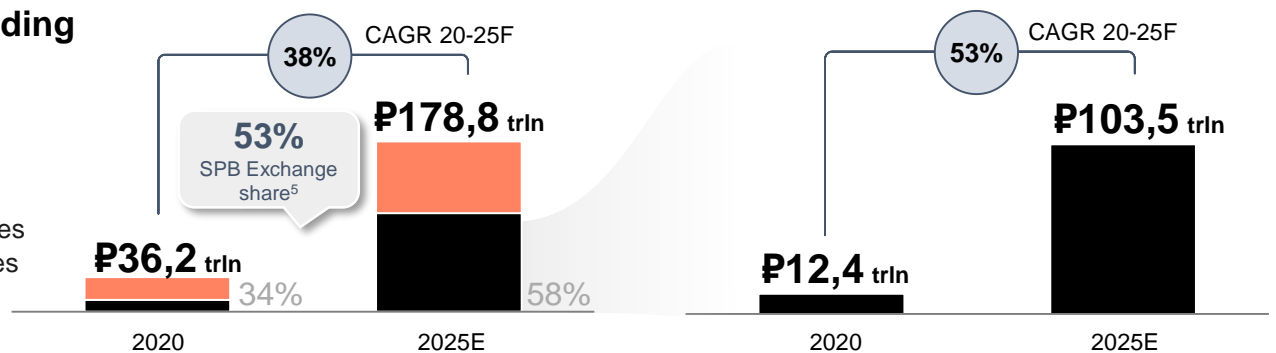
Number of retail accounts in Russia

Active accounts³



Equities trading volume in Russia⁴

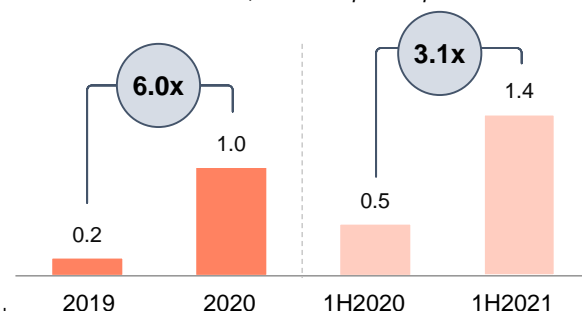
Russian equities
Foreign equities



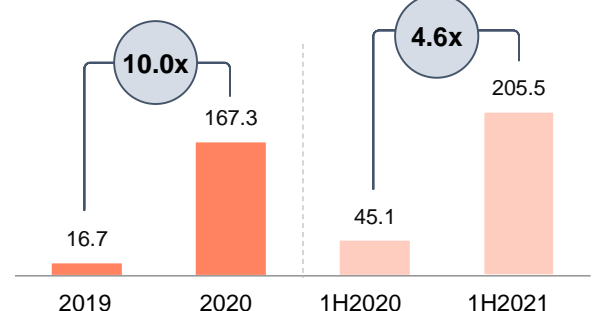
SPB EXCHANGE DEMONSTRATED ACCELERATED GROWTH & SCALABLE ECONOMICS

Key SPB Exchange indicators

Number of active accounts⁶
millions, for the respective period



Trading volumes
US\$bn



Source: Offering memorandum

Notes: ¹ According to CBR methodology: several accounts with one broker count as one client; several accounts, each with different brokers count as different clients. ² According to CBR publication "Overview of key indicators of professional participants of the securities market". ³ According to CBR methodology and data. CBR methodology: an active brokerage account in which at least one transaction is made in the last calendar month of the reporting period. For SPB Exchange share SPB Exchange data and CBR methodology is used.

⁴ Sum of equities trading volumes (retail and corporate) on MOEX and SPB Exchange. ⁵ Calculated as a ratio of SPB Exchange equities trading volumes for 1H 2021 divided by combined equities trading volumes of SPB Exchange and Moscow Exchange for 1H 2021. ⁶ Accounts that made at least one transaction in the period on SPB Exchange.

NOTICE TO CERTAIN INVESTORS

Notice to EEA Investors

This Offering Memorandum has been prepared on the basis that all offers of the Offering Shares in any member state of the European Economic Area (each a “**Member State**”) will be made pursuant to an exemption under Article 1(4) of Regulation (EU) 2017/1129 (as amended, the “**Prospectus Regulation**”). Accordingly, any person making or intending to make any offer within a Member State of the Offering Shares may only do so in circumstances in which no obligation arises for the Company or any of the Underwriters, Aton, BCS and Sovcombank to produce a prospectus pursuant to Article 3(1) of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation, in each case in relation to such offer. Neither the Company, nor the Underwriters, Aton, BCS and Sovcombank have authorized, or will authorize, the making of any offer of the Offering Shares through any financial intermediary, other than offers made by the Underwriters, Aton, BCS and Sovcombank which constitute the final placement of the Offering Shares contemplated in this Offering Memorandum.

In relation to each Member State, the Offering Shares which are the subject of the Offering contemplated by this Offering Memorandum have not and will not to be offered to the public in that Member State prior to the publication of a prospectus in relation to the Offering Shares that has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that offers of the Offering Shares may be made to the public in that Member State at any time:

- (a) to any legal entity which is a qualified investor as defined in Article 2(e) of the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2(e) of the Prospectus Regulation) in that Member State, subject to obtaining the prior consent of the Underwriters, Aton, BCS and Sovcombank for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of the Offering Shares shall require the Company or any of the Underwriters, Aton, BCS and Sovcombank to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

Each person who initially acquires the Offering Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to, and with the Company, the Underwriters, Aton, BCS and Sovcombank, that it is a qualified investor within the meaning of Article 2(e) of the Prospectus Regulation.

For the purposes of this provision, the expression an “offer to the public” in relation to the Offering Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and the Offering Shares so as to enable an investor to decide to purchase the Offering Shares.

In the case of any Offering Shares being offered to a financial intermediary as that term is used in Article 5(1) of the Prospectus Regulation, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Offering Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to persons in circumstances which may give rise to an offer of any Offering Shares to the public other than their offer or resale in a Member State to qualified investors as defined in Article 2(e) of the Prospectus Regulation or in circumstances in which the prior consent of the Joint Global Coordinators and Joint Bookrunners has been obtained to each such proposed offer or resale. The Company, the Underwriters, Aton, BCS and Sovcombank and their affiliates and others, will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Joint Global Coordinators and Joint Bookrunners of such fact in writing may, with the prior consent of the Joint Global Coordinators and Joint Bookrunners, be permitted to acquire the Offering Shares in the Offering.

Notice to UK Investors

This Offering Memorandum has been prepared on the basis that all offers of the Offering Shares in the United Kingdom will be made pursuant to an exemption under Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the “**EUWA**”) (the “**UK Prospectus Regulation**”). Accordingly, any person making or intending to make any offer within the United Kingdom of the Offering Shares may only do so in circumstances in which no obligation arises for the Company or any of the Underwriters, Aton, BCS and Sovcombank to produce a prospectus pursuant to section 85 of the Financial Services and Markets Act 2000 (as amended, the “**FSMA**”) or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation, in each case in relation to such offer. Neither the Company nor the Underwriters, Aton, BCS and Sovcombank have authorized, or will authorize, the making of any offer of the Offering Shares through any financial intermediary, other than offers made by the Underwriters, Aton, BCS and Sovcombank which constitute the final placement of the Offering Shares contemplated in this Offering Memorandum.

No offer of the Offering Shares which are the subject of the Offering contemplated by this Offering Memorandum may be made to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offering Shares that either (i) has been approved by the Financial Conduct Authority or (ii) is to be treated as if it had been approved by the Financial Conduct Authority in accordance with the transitional provisions in Regulation 74 of the Prospectus (Amendment etc.) (EU Exit) Regulations 2019, except that offers of the Offering Shares may be made to the public in the United Kingdom at any time:

- (a) to any legal entity which is a qualified investor as defined in Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined in Article 2 of the UK Prospectus Regulation subject to obtaining the prior consent of the Underwriters, Aton, BCS and Sovcombank for any such offer; or
- (c) in any other circumstances falling within section 86 of the FSMA,

provided that no such offer of the Offering Shares shall require the Company or any Joint Global Coordinator or Joint Bookrunner to publish a prospectus pursuant to section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation.

Each person who initially acquires the Offering Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to, and with the Company, the Underwriters, Aton, BCS and Sovcombank, that it is a qualified investor within the meaning of Article 2 of the UK Prospectus Regulation.

For the purposes of this provision, the expression “an offer of Offering Shares to the public” in relation to any Offering Shares in the United Kingdom means the communication in any form and by any means of sufficient information on the terms of the offer and the Offering Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Offering Shares.

Notice to Distributors

Solely for the purposes of the product governance requirements contained within: (a) EU Directive 2014/65/EU on markets in financial instruments (as amended, “**MiFID II**”); (b) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (c) local implementing measures (together, the “**MiFID II Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Offering Shares the subject of the Offering have been subject to a product approval process, which has determined that such Offering Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (ii) eligible for distribution through all distribution channels permitted by MiFID II (the “**EEA Target Market Assessment**”). Notwithstanding the EEA Target Market Assessment, “distributors” (for the purposes of the MiFID II Product Governance Requirements) should note that: the price of the Offering Shares may decline and investors could lose all or part of their investment; the Offering Shares offer no guaranteed income and no capital protection; and an investment in the Offering Shares is compatible only with

investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The EEA Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the EEA Target Market Assessment, the Underwriters, Aton, BCS and Sovcombank will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the EEA Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of MiFID II; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offering Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offering Shares and determining appropriate distribution channels.

Solely for the purposes of the product governance requirements of Chapter 3 of the FCA Handbook Product Intervention and Product Governance Sourcebook (the “**UK Product Governance Requirements**”), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any “manufacturer” (for the purposes of the UK Product Governance Requirements) may otherwise have with respect thereto, the Offering Shares the subject of the Offering have been subject to a product approval process, which has determined that such Offering Shares are: (i) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in the FCA Handbook Conduct of Business Sourcebook; and (ii) eligible for distribution through all permitted distribution channels (the “**UK Target Market Assessment**”). Notwithstanding the UK Target Market Assessment, “distributors” (for the purposes of the UK Product Governance Requirements) should note that: the price of the Offering Shares may decline and investors could lose all or part of their investment; the Offering Shares offer no guaranteed income and no capital protection; and an investment in the Offering Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The UK Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Offering. Furthermore, it is noted that, notwithstanding the UK Target Market Assessment, the Underwriters, Aton, BCS and Sovcombank will only procure investors who meet the criteria of professional clients and eligible counterparties. For the avoidance of doubt, the UK Target Market Assessment does not constitute: (a) an assessment of suitability or appropriateness for the purposes of Chapter 9A or 10A respectively of the FCA Handbook Conduct of Business Sourcebook; or (b) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Offering Shares. Each distributor is responsible for undertaking its own target market assessment in respect of the Offering Shares and determining appropriate distribution channels.

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IMPORTANT INFORMATION ABOUT THIS OFFERING MEMORANDUM

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

If you are in any doubt about the contents of this Offering Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or financial adviser. You should remember that the price of listed securities (including the Offering Shares) and the income from them can be volatile and go down or up. We have included our own estimates, assessments, adjustments and judgments in preparing some market information, which has not been verified by an independent third party. Market information included herein is, therefore, unless otherwise attributed to a third-party source, to a certain degree, subjective. This information may at times be less complete or reliable than that of some of the more developed market economies of North America and Western Europe and may be produced on a basis that differs from those used in Western countries. Some official data released by the Russian government may also be inaccurate. Any discussion of matters relating to Russia herein is therefore subject to uncertainty due to concerns about the completeness or reliability of available official and public information. While we believe that our own estimates, assessments, adjustments and judgments are reasonable and that the market information prepared by us approximately reflects the industry and the markets in which we operate, there is no assurance that our own estimates, assessments, adjustments and judgments are the most appropriate for making determinations relating to market information or that market information prepared by other sources will not differ materially from the market information included herein.

The contents of our website do not form any part of this Offering Memorandum.

This Offering Memorandum is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Underwriters, Aton, BCS or Sovcombank that any recipient of this Offering Memorandum should purchase the Offering Shares.

In making an investment decision, each person contemplating making an investment in the Offering Shares must conduct its own investigation and analysis of our creditworthiness, the terms of the Offering, including the merits and risks involved, its own determination of the suitability of any such investment, with particular reference to its own investment objectives and experience and any other factors which may be relevant to it in connection with such investment. Any decision to buy the Offering Shares should be based solely on the information contained in this Offering Memorandum. No person has been authorized to provide any information or to make any representation in connection with the Offering other than those contained in this Offering Memorandum. If any such information is given or any such representations are made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company, the Underwriters, Aton, BCS or Sovcombank, or any of their respective affiliates, advisers or any other person. The information contained in this Offering Memorandum is only accurate as of the date on the front cover of this Offering Memorandum. The delivery of this Offering Memorandum at any time does not imply that the information contained in it is correct as at any time subsequent to its date. Neither the delivery of this Offering Memorandum, nor the offering, sale or delivery of any Offering Shares shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in our condition (financial or otherwise) since the date of this Offering Memorandum.

None of the Underwriters, Aton, BCS or Sovcombank, nor any of their respective affiliates or advisers make any representation or warranty, express or implied, or, to the fullest extent permitted by applicable law, accepts any responsibility whatsoever as to the accuracy or completeness of any of the information in this Offering Memorandum or for any other statement made, or purported to be made, by it or any of them or on its or their behalf in connection with the Company, the Group or the Offering. The Underwriters, Aton, BCS and Sovcombank and each of their respective affiliates or advisers accordingly disclaims, to the fullest extent permitted by applicable law, all and any liability whether arising in tort or contract or which they might otherwise have in respect of this Offering Memorandum or any such statement.

No prospective investor should consider any information in this Offering Memorandum to be investment, legal, tax or other advice. Each prospective investor should consult its own counsel, accountants and other advisers for legal, tax, business, financial and related advice regarding purchasing the Offering Shares. Neither the Company, the Underwriters, Aton, BCS or

Sovcombank nor any of their respective affiliates or advisers makes any representation to the offeree or purchaser of the Offering Shares regarding the legality of an investment in the Offering Shares by such offeree or purchaser under appropriate investment or similar laws.

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

In connection with the Offering, each of the Underwriters, Aton, BCS and Sovcombank and any of their respective affiliates acting as an investor for its own account may take up the Offering Shares and in that capacity may retain, purchase or sell for its own account the Offering Shares and any of the Company's other securities or related investments and may offer or sell the Offering Shares or other investments otherwise than in connection with the Offering. Accordingly, references in this Offering Memorandum to the Offering Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters, Aton, BCS or Sovcombank and any of their respective affiliates acting in such capacity. In addition, certain of the Underwriters, Aton, BCS or Sovcombank or their respective affiliates may enter into financing arrangements (including swaps, warrants or contracts for differences) with investors in connection with which such Underwriters, Aton, BCS or Sovcombank (or their respective affiliates) may from time to time acquire, hold or dispose of the Offering Shares. None of the Underwriters, Aton, BCS or Sovcombank intends to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.

The distribution of this Offering Memorandum and the offer and sale of the Offering Shares may be restricted by law in certain jurisdictions. Neither the Company nor the Underwriters, Aton, BCS or Sovcombank are making an offer to sell any Offering Shares to, or is soliciting an offer to buy, the Offering Shares from any person in any jurisdiction except where such an offer or solicitation is permitted. This Offering Memorandum may not be used for, or in connection with, any offer to, or solicitation by, anyone in any jurisdiction or under any circumstances in which such offer or solicitation is unauthorized or unlawful. Each of the Company, the Underwriters, Aton, BCS and Sovcombank requires persons into whose possession this Offering Memorandum comes to inform themselves about and observe such restrictions. Neither the Company nor the Underwriters, Aton, BCS or Sovcombank has taken any action, other than as part of the Offering, that would permit an offering of or relating to the Offering Shares in any jurisdiction that requires action for that purpose. Further information with regard to restrictions on offers and sales of the Offering Shares is set forth under "*Plan of Distribution*" and "*Selling and Transfer Restrictions*."

This Offering Memorandum is not a prospectus prepared or filed with any governmental authority in connection with the Offering, or prepared pursuant to any specific regulatory requirement.

The term "**NP RTS**" refers to Association of Financial Market Participants Nonprofit Partnership for the Development of Financial Market RTS, our significant shareholder.

All references in this Offering Memorandum to "**rubles**," "**RUB**" or "**P**" refer to Russian rubles, the terms "**dollar**," "**USD**" or "**\$**" refer to U.S. dollars and the terms "**€**" or "**euro**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the treaty establishing the European Community, as amended.

All references to "**Russia**" are to the Russian Federation.

All references to the "**CIS countries**" are collectively to the countries that are members of the Commonwealth of Independent States, consisting of Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Russia, Tajikistan and Uzbekistan.

With respect to our business and operations, all references to:

- "**Best Execution**" are to the execution of trades of U.S. equity securities at the best price available either on a security's U.S. listing exchange, during that exchange's market hours, or on our platform;

- **“active accounts”** are to accounts opened on our exchange with at least one trade during the relevant period;
- the **“number of end-user client accounts”** are to the total number of clients in our trading system. The registration and deletion of an account is initiated upon our trading participant’s request, and we do not delete clients’ accounts ourselves due to their inactivity;
- **“our platform”** or **“our exchange”** are to SPB Exchange;
- **“our customers”** or **“our clients”** are to customers or clients of the Group that are comprised primarily of brokers, including market makers, clearing participants and market participants (also referred to as trading participants);
- **“SPB Bank”** are to Public Joint-Stock Company “Best Efforts Bank,” our subsidiary, which we plan to rebrand as SPB Bank following the completion of the Offering; and
- **“SPB Clearing”** are to Central Counterparty “Clearing Centre MFB” (joint-stock company), our subsidiary, which we plan to rebrand as SPB Clearing following the completion of the Offering.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

We report under International Financial Reporting Standards (“**IFRS**”) as adopted by the International Accounting Standards Board (the “**IASB**”). The monetary unit we use as our functional currency is the ruble, and we present our consolidated financial statements in rubles.

Our audited financial statements as at and for the years ended December 31, 2020 and 2019, together with the audit report thereon, and our unaudited interim condensed consolidated financial statements for the six months ended June 30, 2021 are included in, and form part of, this Offering Memorandum.

Use of Non-IFRS Financial Measures

Certain parts of this Offering Memorandum contain EBITDA, a non-IFRS measure. We define EBITDA as profit before tax, depreciation and amortization and before those interest expenses and interest income that do not relate to our core business, such as interest income on loans issued by non-credit institutions, interest expense on a subordinated deposit borrowed by us and interest expense on lease liabilities.

We include EBITDA in this Offering Memorandum because our management and board of directors believe that EBITDA provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors. This measure is used by different companies for differing purposes and is often calculated in ways that reflect the circumstances of those companies. You should exercise caution in comparing EBITDA as reported by us to EBITDA or similarly titled metrics as reported by other companies. This measure is unaudited and has not been prepared in accordance with IFRS or any other generally accepted accounting principles, and you should not consider them as an alternative to profit before tax, profit/(loss) for the period or other financial measures determined in accordance with IFRS or other generally accepted accounting principles. EBITDA has limitations as an analytical tool, and you should not consider it in isolation. See “*Selected Consolidated Financial and Other Data—Non-IFRS Measures*” for more detail on these limitations of EBITDA. Accordingly, prospective investors should not place undue reliance on this non-IFRS financial measure contained in this Offering Memorandum.

Other Key Operating Measures

Certain parts of this Offering Memorandum contain our key operating measures, including, among others, the measures set out below. We define or calculate:

- *Trading volume* as the monetary volume of transactions with equity securities, excluding repo transactions, that are anonymously conducted (not in negotiated auction trades) on our exchange in the indicated period.
- *Number of total accounts* as the total number of accounts opened on our exchange as of the indicated date. The number of total accounts reported for prior periods may retrospectively change if any accounts are blocked after the indicated date.
- *Number of active accounts* as the total number of accounts opened on our exchange with at least one trade during the indicated period.
- *Number of instruments traded* as the total number of instruments (securities) listed on our exchange that were traded in the indicated period.
- *Average daily volume for the market*, calculated for each indicated market, as the volume in the indicated period divided by the number of trading days.
- *Average daily number of transactions by market*, calculated for each indicated market, as the total number of transactions in the indicated period divided by the number of trading days.
- *Internalization rate* as the total money value of orders executed on our exchange divided by the total money value of orders executed both on our exchange and routed by us to other exchanges.

- *Average trading volume per active account* as the trading volume in the indicated period divided by the total number of active accounts in the same period.
- *Average transactions per active account* as the total number of transactions in the indicated period divided by the total number of active accounts in the same period.

Rounding

Certain figures and some percentages included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, the totals included in certain tables contained in this Offering Memorandum may not correspond to the arithmetic aggregation of the figures or percentages that precede them.

MARKET AND INDUSTRY DATA

We obtained the industry, market and competitive position data in this Offering Memorandum from our own internal estimates and research, as well as from publicly available information, including information of the Russian Federal State Statistics Service (“**Rosstat**”), the CBR, industry and general publications and research, surveys and studies conducted by third parties, including RosBusinessConsulting JSC (“**RBC**”).

There are a number of studies that address either specific market segments, or regional markets, within our industry. However, given the rapid changes in our industry and the markets in which we operate, no industry research that is generally available covers some of the securities market trends we view as key to understanding our industry and our place in it worldwide and in Russia, in particular. We believe that it is important that we maintain as broad a view on industry developments as possible. To assist us in formulating our business plan and in anticipation of this Offering, we retained RBC in 2021 to provide an independent view of the securities market landscape in Russia, including an overview of recent macroeconomic and market dynamics, the evolution of the securities market over time and analysis of its underlying trends and potential growth factors, an assessment of the current competitive landscape and other relevant topics, including the report called “Study of the Growth Potential of the Client Base in the Russian Stock Market” (the “**RBC Report**”). In connection with the preparation of this report, we furnished to RBC certain historical information about our company and some data available on the competitive environment. RBC conducted research in preparation of the report, including a study of a broad range of secondary sources including other market reports, association and trade press publications, other databases and other sources. We use the data contained in the RBC Report to assist us in describing the nature of our industry and our position in it. Such information is included in this Offering Memorandum in reliance on RBC’s authority as an expert in such matters.

Due to the evolving nature of our industry and competitors, we believe that it is difficult for any market participant, including us, to provide precise data on the market or our industry. Industry publications and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. We have not independently verified the accuracy or completeness of the data contained in these industry publications and reports. Although we are not aware of any misstatements regarding the industry data that we present in this Offering Memorandum, our estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed under “*Risk Factors*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” in this Offering Memorandum.

Some market data and statistical information contained in this Offering Memorandum are also based on management’s estimates and calculations, which are derived from our review and interpretation of the independent sources, our internal market and brand research and our knowledge of our industry. Information that is based on estimates, forecasts, projections or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances that are assumed in this information. Forecasts and other forward-looking information obtained from these sources are subject to the same qualifications and uncertainties as other forward-looking statements in this Offering Memorandum.

TRADEMARKS, SERVICE MARKS AND TRADENAMES

We have proprietary rights to trademarks used in this Offering Memorandum that are important to our business, many of which are registered under applicable intellectual property laws.

Solely for convenience, the trademarks, service marks, logos and trade names referred to in this Offering Memorandum are without the ® and ™ symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensors to these trademarks, service marks and trade names. This Offering Memorandum contains additional trademarks, service marks and trade names of others, which are the property of their respective owners. All trademarks, service marks and trade names appearing in this Offering Memorandum are, to our knowledge, the property of their respective owners. We do not intend our use or display of other companies' trademarks, service marks, copyrights or trade names to imply a relationship with, or endorsement or sponsorship of us by, any other companies.

SUMMARY

This summary highlights information contained in more detail elsewhere in this Offering Memorandum. This summary does not contain all the information that you should consider in making your investment decision. Before deciding to invest in the Offering Shares, we urge you to read this entire Offering Memorandum carefully, including the “*Risk Factors*,” “*Business*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” sections and our audited consolidated financial statements and unaudited interim condensed consolidated financial statements, including the notes thereto, included in this Offering Memorandum.

Overview

We are a next-generation securities trading venue, with an innovative business model with a unique set of technology-enabled features, historically specialized in U.S.-listed equities and expanding into other asset classes. Our mission is to build a free world of investments, guided by the principles of responsible investing, sustainability and market competition, providing investors around the world with equal and easy access to investment instruments of the international financial markets, by building a trading platform with deep liquidity, thin spreads, best execution capabilities and around-the-clock trading. We believe that our platform provides retail investors in Russia and beyond with high levels of flexibility to tailor their investment portfolios and strategies to achieve their investment return and risk management goals.

We offer a highly compelling combination of features, supported by our scalable and reliable technology infrastructure, including:

- deep securities trading liquidity pool;
- automated order routing between international exchanges (during their market hours) or our internal liquidity pool, based on the best execution principle (“**Smart Order Routing**” or “**SOR**”);
- long trading hours that extend beyond the trading hours of the primary listing venues for most of the securities we trade;
- quotes in the currencies of the primary listing venues;
- end-to-end trade execution process, with central counterparty clearing and settlement depository functions provided by our subsidiaries; and
- a suite of market data, analytics, financing and risk management solutions.

We provide a platform for trading equity securities listed on recognized international exchanges, including Nasdaq, Inc. (“**Nasdaq**”), the New York Stock Exchange (the “**NYSE**”), the London Stock Exchange (the “**LSE**”) and the Frankfurt Stock Exchange. We are the largest venue for trading foreign equity securities in Russia by trading volume, according to the CBR, and are further developing our platform to support a broader range of equity securities, Eurobonds, derivatives and other financial and data products and services. As of June 30, 2021, 1,809 global securities were available for trading on our platform, including 1,667 global equity securities, 78 depository receipts (“**DRs**”) and 64 Eurobonds.

With our Business-To-Business-To-Consumer (“**B2B2C**”) business model, we are focused on delivering the best customer experience to retail investors, who are our end users and access our platform via their brokerage accounts with financial intermediaries. These financial intermediaries, who are our direct clients, consist of brokerages and banks that serve retail brokerage clients and are set up to execute orders on our platform. Other market participants include professional trading houses, which act as market makers for securities traded on our platform and trade securities on our platform through other financial intermediaries or on their own account. By focusing on retail investors as our end users and limiting high-frequency trading (“**HFT**”) only to those who act as liquidity providers (as opposed to liquidity takers), we achieve substantial trade volumes from retail accounts and enable smaller lots trading and thinner spreads.

As of June 30, 2021, 12.1 million end-user client accounts were opened, and 46 banks and Russian brokers were registered, on our platform. In the six months ended June 30, 2021, a daily average of \$1.6 billion worth of trades were processed on our

platform, an increase of more than 300% from a daily average of \$0.4 billion in the same period in 2020. In the six months ended June 30, 2021 our aggregate fee and commission income was P3.02 billion (or \$41.77 million at the exchange rate of P72.37 per U.S. dollar in effect on June 30, 2021), a 248% increase from P869 million (or \$12.42 million at the exchange rate of P69.95 per U.S. dollar in effect on June 30, 2020) in the same period in 2020. Our aggregate fee and commission income in the year ended December 31, 2020 was P2.77 billion (or \$37.49 million at the exchange rate of P73.88 per U.S. dollar in effect on December 31, 2020), a 413% increase from P540 million (or \$8.72 million at the exchange rate of P61.91 per U.S. dollar in effect on December 31, 2019) in the year ended December 31, 2019.

Our Strengths

Global Markets Gateway for Retail Investors

We offer investors in Russia and beyond access to trading and investing in international securities, through their brokerage service providers, on a highly efficient and convenient securities trading platform that provides substantial value to them in the form of deep liquidity in foreign equity securities, trade execution under the “Best Execution” principle, extended trading hours, price quotes and trade settlement in the currencies of the securities’ primary listing venues.

- *Deep Liquidity Pool.* Our platform features a deep liquidity pool of foreign equity securities that are in high demand by retail investors in Russia. The substantial trade volumes and high level of liquidity on our platform enabled the execution of over 77% of our foreign securities trades using only our internal liquidity in the six months ended June 30, 2021. Our internal liquidity is even more prominent outside of the foreign exchanges’ market hours, and we are able to execute volumes of trades comparable to foreign pre- and post-markets at competitive spreads. The trading volumes generated by retail investors constituted 99% of all trades (excluding market makers trades) on our platform in the six months ended June 30, 2021. Trades that are executed using our internal liquidity are internalized trades, for which we collect clearing and trading commissions from our clients on both the buy and sell sides of the trade, and, consequently, do not incur costs associated with executing them through a foreign exchange. We believe that our deep liquidity in foreign equity securities is one of the key features of our platform, which attracts an increasing number of retail investors and volume of trades by retail investors through our broker clients. Our liquidity pool for the most highly-traded equity securities deepens with the growth of trade volumes.
- *Best Execution.* We have implemented the “Best Execution” principle on our platform, which gives investors who trade U.S. equity securities on our platform the best prices available, either on a security’s U.S. listing exchange, during that exchange’s market hours, or on our platform. “Best Execution” trades are enabled by our SOR system, an automated system that determines whether an equity securities trade can be executed at a better price on our platform relying on our internal liquidity or on a foreign exchange relying on the liquidity of the relevant foreign exchange (“external liquidity”). A trade executed with internal liquidity is executed by matching the trade order with another in our market, including market maker quotes. A trade executed with external liquidity is also executed on our platform, but our SOR system matches the trade order with liquidity obtained on a foreign exchange, by executing the identical order on the foreign exchange. Our SOR system ensures reliable trade processing and price comparisons to a broad range of U.S. securities without our clients needing to undertake the onerous task of separately connecting to a large number of foreign exchanges or brokers. Our adoption of the “Best Execution” principle encourages brokers to connect to our platform and execute trades through our platform.
- *Extended Trading Hours.* We are unique in Russia in providing our customers with long trading hours of 19 hours per day, five business days a week. Our trading hours not only cover the entire pre-market, market and a substantial part of the post-market trading periods of international exchanges, such as the NYSE, Nasdaq and certain European exchanges, but also extend those trading periods by several hours. SOR operates only during the hours when U.S. markets are open for trading. Outside the market hours of U.S. exchanges, all our incoming orders are executed with our internal liquidity. Due to settlement reasons, we do not trade equity securities on days when the respective primarily listing venues are closed. In the medium term, we aim to extend our trading hours even further and increase the number of trading days a week. Our long trading hours enable our clients to conveniently trade global equity securities across different time zones, and also to react sooner to developments relevant to their investment portfolios outside the market hours of a security’s primary listing venue.

- *Price Quotes in Currencies of the Primary Listing Venue.* Our system quotes prices for a security in the currency of its primary listing venue. As most equity securities that we currently trade have a primary listing in the U.S., we quote equity security prices mainly in U.S. dollars, though for the several equity securities from European exchanges that we have recently added to our platform, we quote prices in euros and we quote prices in rubles for Russian equities. We believe this provides important additional convenience for investors that trade foreign securities on our platform to, among other things, be able to diversify their currency exposure and to compare prices across markets and evaluate their investment performance free of currency fluctuation factors. Quoting prices and executing trades in foreign securities effectively result in our revenue being substantially linked to U.S. dollar- or EUR-denominated assets.

We believe that the combination of the above key features attracts market participants to our platform, which, in turn, further increases the available liquidity on our platform and amplifies our competitive advantages. As a result, we believe we have become a highly attractive option for Russian brokers whose retail clients want to trade foreign instruments, which, coupled with the large number of foreign securities offered on our platform, gives us a competitive advantage in the foreign securities trading market segment. We also believe that our liquidity depth and extended trading hours will prove to be highly attractive to brokers and investors in countries beyond Russia, where we could extend our business.

Focus on Retail Investors

In line with our B2B2C business model, we have strategically focused our business model on retail investors who access our platform via their brokerage accounts with financial intermediaries. In the year ended December 31, 2020, retail investors accounted for 99% of all our trades (excluding market makers trades). We have created an environment where market makers can set thin bid-offer spreads, and, therefore, provide better prices for investors and traders. There are several factors that lead to thinner spreads on our platform. One such factor is that we limit HFT (high-frequency trading) only to participants who act as liquidity providers by quoting bid and offer prices for securities on our platform (as opposed to takers of liquidity). The criteria for determining whether a participant on our platform qualifies as a liquidity provider are set by us internally. The primary criteria include market-maker experience related to the U.S. and other foreign securities and trading statistics and patterns, but the particular criteria are not formalized and may differ on a case-by-case basis. This results in participants on our platform competing to provide the best prices to retail investors, rather than primarily engaging in HFT. In turn, market makers on our platform are not compelled to place orders with large spreads to prevent their spreads from being affected by a large number of trades in a short period of time, due to HFT activity. Also, because retail orders tend to be made in smaller lots relative to orders on more institutionally-focused exchanges and platforms, market makers have greater visibility about market movements, which better positions them to react to market movements and avoid placing large trade orders at potentially unfavorable prices. This greater market visibility can be used by market makers to manage trade-related risks and enables them to offer thinner spreads. Apart from being able to provide better prices, market makers on our platform find it easier to set spreads in less liquid securities, compared to on other exchanges and platforms, which, in turn, facilitates our efforts to add new instruments to our platform and reduces the need for us to provide subsidies to market makers for trading specific securities, resulting in extra cost efficiencies for us. We believe that thinner spreads, better prices and a wider, faster-growing number of instruments contribute to our growth by encouraging brokers to connect to us and direct their retail clients' trades through our platform.

Broad and Expanding List of Traded Securities

Trading of foreign, mainly U.S., equity securities by retail clients of Russian brokerages is our core business and we are the market leader when it comes to foreign securities trading in Russia by volume and number of instruments traded. As of June 30, 2021, we had over 1,667 global equity securities and 78 DRs listed on our platform, most of which had primary listings on NYSE and Nasdaq, including equity securities comprising the best-known U.S. equity indices, such as the Dow Jones Industrial Average, the S&P 500 and the Nasdaq index. Some of the remaining foreign equity securities that traded on our platform had their primary listing venue in the UK (London Stock Exchange) (23 equity securities as of June 30, 2021) and Germany (Frankfurt Stock Exchange) (58 equity securities as of June 30, 2021). As of June 30, 2021, we also had 64 Eurobonds available for trading on our platform. Our list of traded instruments is expanding and, going forward, we plan to significantly expand it in both our existing markets and in new markets that we plan to enter.

End-to-End Capabilities Integrated on a Robust Adaptive Platform

We provide a full range of securities exchange services to financial intermediaries, which we believe facilitates a highly efficient, reliable and seamless end-to-end execution of trades. Market access and trading are enabled via our platform, and central counterparty clearing services for our platform are carried out by our subsidiary, SPB Clearing, and settlement, depositary and clearing broker services are provided by another of our subsidiaries, SPB Bank. Over 40 Russian banks and brokers use our platform and engage our services, and their interfaces and operations have become deeply integrated with our platform system. For example, these banks and brokers use our platform features related to tax identification automatization and tax disclosures for dividend taxation, corporate events and information on corporate actions, electronic document management and market data. In the year ended December 31, 2020, Tinkoff and VTB brokers accounted for 33% and 12% of the trading volume on our platform, respectively. In the same period, seven of the brokers, including Tinkoff and VTB, accounted for 99% of all trades made on our platform.

Apart from our core securities exchange functions, we have developed additional products, such as repos, as well as market information and data services. Our robust technology is based on an IT system developed in-house by Matching Solutions JSC, a subsidiary of NP RTS (“**Matching Solutions**”) in 2013 (Prospective Trade and Clearing System or “**PTKS**”), which has a modular structure that is easily extendable to multiple products and markets and which we believe makes PTKS adaptable to supporting new products and markets in the future. As of June 30, 2021, we have engaged Matching Solutions to provide technical and development support for PTKS. PTKS has solid performance characteristics, including the ability to handle over 50 thousand orders per second and maintain a latency of less than 100 microseconds in internal liquidity pool. Its current capacity is sufficient to handle four to five times greater daily average trade volumes than our platform was experiencing as of June 30, 2021. The trade handling capacity of PTKS can be increased with minimal disruption to our platform operations. We believe that the flexibility and scalability of our platform positions us well to substantially grow our business volumes and enter new markets going forward.

Accelerated Growth and Scalable Economics Driving High Profitability

We have achieved a high rate of growth across multiple top-line metrics. In 2020, we had 954,489 active accounts on our platform (representing an increase of 498% from 159,531 active accounts in 2019). In 2020, we had a trading volume of approximately \$167.3 billion (representing a growth of 901% from approximately \$16.7 billion in 2019), and ₺3,295 million in revenue (representing an increase of 360% from ₺716 million in 2019). For the six months ended June 30, 2021, we had approximately 1.42 million active accounts on our platform (representing an increase of 210% from approximately 457,000 active accounts for the six months ended June 30, 2020). In the six months ended June 30, 2021, we had a trading volume of approximately \$206 billion (representing a growth of 356% from approximately \$45 billion in the six months ended June 30, 2020), and ₺3,478 million in revenue (representing an increase of 230% from ₺1,054 million in the six months ended June 30, 2020).

Our business model and infrastructure has built-in operating leverage, and most of our fixed costs do not correlate with our trading volumes or revenue. Our fixed costs (representing administrative and other expenses) represented 38% of our total operating expenses in both the six months ended June 30, 2021 and 2020, and 43% and 50% of our total operating expenses in 2020 and 2019, respectively. Our fixed cost figures in 2020 and 2019 show that as our volumes and revenues grow, our costs may not necessarily increase proportionally, which could result in our margins expanding. We first became profitable, on a net income basis, in 2020, when we achieved a net profit margin of 39%. In 2020, we had total operating revenue of ₺3,294,805 thousand and profit for the period of ₺1,268,814 thousand. Other larger international securities exchanges and trading platforms, such as the Hong Kong Exchange, B3 and the Australian Securities Exchange, achieved higher profit margins in the same period, 60%, 55% and 53%, respectively, which suggests that as our business volume grows, there might be a considerable potential for increases in our profitability.

Governance Structure for Alignment of Interests and Value of our Clients and Stakeholders

Many of our market participants also participate in our shareholder structure and corporate governance. As of the date of this Offering Memorandum, a number of market participants that control registered brokers on our platform are our shareholders. We believe that this is a highly constructive governance structure for our business, since it aligns the interests of our market participants both as our clients and as our shareholders, driving an appropriate balance between the long-term and short-term interests of our customers and our shareholders, and guides our implementation of an efficient price policy for our trading products. However, this governance structure allows our broker shareholders to exert influence over some of our actions. Our

broker shareholders may have interests that differ from those of our other shareholders. See *“Risk Factors—Risks Relating to Our Organizational Structure—The interests of our broker shareholders may differ from those of our other shareholders.”*

Our interaction with our clients is based on a collaborative approach towards product and service development. We continually consult with our brokers to identify their business priorities, and discuss new instruments, features and initiatives that we plan to bring to the market to best address their needs and the needs of their retail brokerage clients. For example, from March 1, 2021, following consultation with our brokers and responding to their feedback, we extended the trading hours on our platform from 16 to 19 hours.

Led by Team with a Long and Successful Track Record in the Sector

Our team has significant experience in the securities exchange and market structure sector, having accumulated a successful track record of building market structure businesses and developing securities products and markets. Our core team led the development of RTS, a leading derivatives exchange in Russia, which later merged with the Moscow International Currency Exchange (“MICEX”) to form the Moscow Exchange (“MOEX”). During their time at RTS Stock Exchange, these core members also developed some of Russia’s most important derivatives instruments, including RTS Index Futures, BRENT Oil Futures, Single stock futures, Futures Style Options and OFZ Bond Basket Futures, which are still currently being traded on MOEX and are among the top five derivatives in Russia by traded volume. Our team is now deploying its deep experience and talent to drive the successful growth of our platform and its expansion into new products and markets.

Our Strategy

We believe there is an opportunity to substantially grow our business by leveraging our key strengths and pursuing an expansion strategy that spans across multiple products and markets, based on the following key pillars:

Continued Growth of Our Customer Base

We are positioned at the very heart of the ongoing investing evolution in Russia, characterized by strong growth of interest in investing and adoption of retail brokerage services. According to the RBC Report, the number of retail brokerage accounts in Russia grew to approximately 9.9 million as of December 31, 2020 from approximately 2.2 million as of December 31, 2018, representing a CAGR of 112%, while the number of active brokerage clients grew to approximately 1.9 million, as of December 31, 2020, from approximately 0.3 million as of December 31, 2018, representing a CAGR of 152%. The value of retail brokerage client assets (excluding individual investment accounts) grew to approximately ₹7.3 trillion in 2020 from approximately ₹3.8 trillion in 2018, representing a CAGR of 39%.

We believe that the growth described above was driven by, among other things:

- the proliferation of convenient online and mobile trading applications for retail investors in Russia, created and marketed by most major banks and private brokerage houses with strong financial technology capabilities;
- the increased convenience and ability to remotely open brokerage accounts, especially since the introduction of the centralized identification system, which enables financial intermediaries to easily open accounts on our platform for their retail clients online;
- the rise of a young millennial population with a higher propensity to invest than the older generations;
- broader access to market and financial information;
- the improved attractiveness of securities (including due to the recent high returns in equity markets) relative to traditional classes of investments, such as bank deposits and real estate;
- increased retail investor demand for ways to diversify their investment portfolios via foreign securities to manage ruble fluctuation risks; and
- the Russian retail market being part of a global rise in the popularity of retail investing.

Going forward, dynamic growth in retail investing in Russia is expected to continue. The RBC Report forecasts that from June 30, 2020 to December 31, 2025, the number of retail brokerage accounts in Russia would grow from 9.9 million to 48.2 million, with an expected CAGR of 37%, the number of active brokerage clients would grow from 1.9 million to 12.4 million with an expected CAGR of 46%, and the volume of brokerage client assets (including individual investment accounts, but excluding trust management) would grow from P7.6 trillion to P32.4 trillion, with an expected CAGR of 34%. This growth potential forecast is supported by the fact that there is an underpenetration of retail brokerage services in Russia, with only 7.6% of the Russian population above 18 years of age holding brokerage accounts as of December 31, 2020. The same population segment in countries, such as the U.S. and China, holding brokerage accounts constituted 55.0% and 15.7%, respectively, of the population above 18 years of age, as of the same date, according to RBC. The same population segment in Germany holding brokerage accounts constituted 32.4% of the population above 18 years of age as of December 31, 2019, according to RBC. Our strategy is to capture as much of this expected growth as possible by developing our product range, system capacity and marketing efforts.

Extension of Leadership in Foreign Equities in Russia

We plan to continue developing our business as the leading securities exchange, in terms of trading volume and liquidity, for trading foreign securities in Russia. We plan to leverage our significant competitive advantages: a large base of investors and market participants, deep trading volumes and a seamless process providing “Best Execution” trades of U.S. equity securities. As more people in Russia begin investing and trading equity securities, we believe they are likely to become better informed, and may start looking beyond Russian assets for attractive investment opportunities across different sectors or geographies. In anticipation of this growth, we will continue to build our extensive list of equity securities tradable on our platform, including both foreign and Russian equity securities. We plan to further expand our current list of 1,667 global equity securities traded on our platform to over 2,500 in three to five years. We will continue adding more equity securities that are traded on U.S. exchanges, such as the NYSE or Nasdaq, including of newly-listed companies that are coming to market. We also plan to expand our offering of foreign equities from other international exchanges, such as the London Stock Exchange, the Frankfurt Stock Exchange and Asian and other European exchanges.

Our platform infrastructure enables us to easily add new securities for trading on our platform and creates a trading environment that enables and incentivizes market makers to provide bid-offer spreads in less liquid new securities. We plan to replicate our proprietary know-how of setting up SOR and “Best Execution” connectivity with leading equity securities exchanges, offering the same compelling benefits to our market participants across different international equity markets.

Build-up of Russian Equities Business

In both the year ended December 31, 2020 and the six months ended June 30, 2021, trading in Russian securities represented less than 1% of trades on our platform. We plan to launch a new solution for Russian securities in 2021, which would facilitate the execution of trades of Russian securities by Russian brokers, on behalf of their retail clients, at the best prices available in the Russian market. We believe that our know-how in our adoption of the “Best Execution” principle for U.S. equity securities traded on our platform can be applied to efficiently develop a similar offering for Russian equity securities with our brokers in compliance with Russian law requirements. We also intend to provide extended trading hours for the trading of Russian equity securities. We believe that our focus on retail investors and the limitation of HFT on our platform would enable us to offer highly competitive prices for Russian securities trading.

We are also considering ways to make our platform attractive for Russian equity issuers, especially mid-cap issuers (which we consider to be issuers with a market capitalization of approximately \$0.5 billion to \$10 billion), including those who seek dual local and international listings by offering a combined liquidity pool for their equity instruments regardless of the listing venue or type of security. We believe this service has enabled securities exchanges in foreign markets, such as BATS in the U.S., Chi-X Europe or Chi-X Australia, to capture a substantial market share of trading volumes from incumbent exchanges, and we seek to adopt a similar model in Russia.

Launch of Derivatives Market

Based on our engagement with, and feedback from, our client brokers, retail investors in Russia are showing increased interest in stock options. We are also seeing the success of options trading platforms among retail investors on other markets, such as the U.S., where options trading is a fast-growing source of revenue for retail brokers. Stock options provide investment strategy alternatives by way of leveraged positions or trades based on an investor’s views regarding fundamentals

and momentum of the underlying stock, as well as on general financial market environment affecting the price of the underlying stock and other option valuation factors. Being led by the same core team that created Future and Options RTS (“**FORTS**”), a leading derivatives exchange in Central and Eastern Europe prior to its merger into MOEX, we are confident that we can successfully develop the derivatives section of our platform as well. We aim to commence development of our options trading platform in the third quarter of 2021, and aim to launch it in 2022.

Additional Products and Services

Looking for additional ways to leverage our large established base of retail investors and market participants, our integrated exchange infrastructure, and the vast volume of securities flowing through our systems or held in custody by us, we are considering such initiatives as:

- *Foreign exchange traded funds (“ETFs”) listings.* ETFs have been a growing asset class around the world. Among other things, ETFs allow retail investors to trade entire securities portfolios depending on preferred sector, geography, instrument, trading strategy or other themes as single instruments that can generally be bought, sold and held like regular equity securities. As of June 30, 2021, our platform supported the over-the-counter (“**OTC**”) trading of 127 ETFs. We plan to launch the exchange trading of leading foreign ETFs, based on trading volumes on U.S. exchanges, by the middle of 2022, subject to a number of anticipated changes in the relevant Russian law (see “*Regulation—New Developments in Capital Markets Regulation*”) becoming effective.
- *Eurobonds market.* We launched trading in Eurobonds in December 2019 and plan to develop it further. As of June 30, 2021, we offered trading in 64 Eurobonds from Russian and foreign issuers. Our current strategy for developing our Eurobonds market is to focus on offering instruments with high yields, but with similar risk characteristics as bonds currently available to retail investors in Russia, with a long-term aim of increasing the number of Eurobonds offered on our platform to more than 1,000. Such instruments could include sovereign or high-quality corporate issuances from emerging markets of both investment and sub-investment grade.
- *Intra-brokerage repurchasing (“Repo”) platform.* Our Repo platform has been predominantly used by market participants to borrow Russian and foreign securities (including depositary receipts) to support the “short” selling positions of their clients who may not hold sufficient securities to support their own “short” positions. We believe that due to the limited supply of foreign securities in the Russian market, market participants are willing to pay relatively high interest rates to borrow securities, including to support “short” positions. We believe that such opportunities could be attractive to foreign market participants on our platform who have securities to lend. Our Repo platform is designed to cover both the securities borrowing and securities lending sides of securities repurchase operations. SPB Exchange and SPB Clearing facilitate and act as intermediary for Repo transactions. Our repurchase trading operations, including Repo transactions with ADSs, are subject to clearing and trading regulations in Russia. In the six months ended June 30, 2021, the average daily trading volume on our Repo platform (including between brokers) was \$742 million, of which \$691 million was attributable to market participants facilitating trades with their own clients and \$51 million was attributable to Repo trades directly between our market participants.
- *Environmental, social and corporate governance (“ESG”) products.* In line with our commitment to promote sustainable business practices and compliance, we aim to develop a range of ESG-centric offerings, including the trading of ESG Indices, ESG Bonds and Low-Carbon Energy Certificates.
- *Qualified Investor and Institutional Investor product offering.* According to RBC, the pool of qualified and institutional investors in Russia (see “*Regulation—Types of Investors under Russian Law*”) is expected to increase, and we aim to develop a wide range of products that are specifically tailored to the needs of each of these groups of investors to help them meet their business and investment goals.
- *Information and data products.* We believe that the data on trading activity of global large-cap equity securities on our platform that draw significant investor interest and trading activity supported by our deep foreign equity securities’ liquidity pool during the non-market hours of major exchanges, including in respect of price and trade volume, carries commercial value to certain market participants. This data can also be parlayed into proprietary indices reflecting the price performance of various baskets of equity securities on our platform, which we can offer

to market participants and investors looking to track broader market or sector performance trends. We also plan to leverage our reputation as a leading exchange platform for a large and growing number of market participants to offer them other financial information products and investment-related educational solutions. We own a 50.1% interest in BestStocks.ru, an online platform that provides free and subscriptions-based access to analyst stock recommendations, stock selection and analysis tools, portfolio tracking, and other market information for brokers and retail investors. We also sponsor and organize various investor education events, which we believe builds our brand awareness among financial intermediaries in Russia and beyond, improves the financial literacy of the Russian population and promotes the growth of the investment market in Russia in general.

- *Foreign exchange trading.* We plan in the future to offer clients who want to supplement their trading in foreign currency-denominated securities with a convenient tool for converting and trading currencies.

Expansion to Additional Geographies

We believe that our venue for trading foreign securities with “Best Execution” principle via international exchanges, as well as via our deep internal liquidity pool during extended trading hours could be attractive to investors not only in Russia, but also in other countries. We do not currently actively market our services directly to brokers outside of Russia and accounts outside of Russia can only access our platforms through Russian brokers already participating on SPB Exchange. We plan to make our platform more accessible to international brokers serving retail clients in other jurisdictions that have limitations in accessing foreign, in particular U.S., exchanges during their normal business hours due to the time zone difference. We initially intend to cover countries that are in a similar time zone to Moscow and where we can quickly access a meaningful retail base via brokers with whom we already cooperate and who have operations in the relevant jurisdiction. In particular, we intend to also offer our services directly to brokers in CIS countries, Baltic states, Eastern Europe, Israel, India and South-East Asia. We estimate our initial costs at approximately \$10 million to \$15 million to connect brokers from other jurisdictions and start rolling this out across multiple geographies. We believe that by going beyond Russia, we could significantly expand our addressable market and the potential scale of our business.

Summary Consolidated Financial and Other Data

The summary consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows as of and for the years ended December 31, 2020 and 2019 are derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The summary consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows as of and for the six months ended June 30, 2021 and 2020 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements have been prepared using the same accounting principles and on the same basis as the year-end financial statements and include all adjustments that management considers necessary for the fair presentation of the financial information set forth in those statements. The results for any interim period are not necessarily indicative of the results that may be expected for the full year, and our historical unaudited results are not necessarily indicative of the results that should be expected in any future period.

The financial data set forth below should be read in conjunction with, and is qualified by reference to, “*Selected Consolidated Financial and Other Data*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and the consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

Consolidated Statement of Comprehensive Income

(P in thousands)	For the six months ended June 30,		For the year ended December 31,	
	2021	2020	2020	2019
	(unaudited)			
Fee and commission income	3,023,334	868,753	2,769,426	539,568
Interest income	205,608	119,927	279,333	170,722
Net trade and investment income/(expenses)	4,086	2,613	16,743	(12,033)
Net (loss)/income from dealing in foreign currencies	(2,923)	20,002	75,016	17,348
Other operating income	248,040	42,261	154,287	—
Total operating revenue	3,478,145	1,053,556	3,294,805	715,605
Direct operating expenses	(945,672)	(367,374)	(902,785)	(300,622)
Interest expense	(38,808)	(26,373)	(53,960)	(50,390)
(Provision for impairment)/reversal of provision for impairment of financial assets	(5,128)	8,803	(8,524)	(3,593)
Gross operating result	2,488,537	668,612	2,329,536	361,000
Administrative expenses	(560,516)	(237,228)	(713,398)	(355,139)
Other income	—	—	1,948	114
Other expenses	(33,483)	(2,026)	(22,193)	(5,000)
Profit before tax	1,894,538	429,358	1,595,893	975
Income tax expense	(394,029)	(89,805)	(327,079)	(6,910)
Profit/(loss) for the period	1,500,509	339,553	1,268,814	(5,935)
Profit/(loss) attributable to:				
Equity holders of the parent	1,421,441	301,777	1,197,635	(26,545)
Non-controlling interest	79,068	37,776	71,179	20,610
Basic earnings/(loss) per share, RUB	12.46	3.05	11.41	(0.35)
Diluted earnings/(loss) per share, RUB	12.46	2.83	10.94	(0.35)
Other comprehensive (loss)/income, including:	(19,828)	(1,827)	(5,694)	29,193
(Losses)/gains from revaluation of financial assets at fair value through other comprehensive income (less income tax)	(19,828)	(1,827)	(5,694)	29,193
Total comprehensive income	1,480,681	337,726	1,263,120	23,258
Attributable to:				
Equity holders of the parent	1,406,785	300,430	1,193,437	(5,020)
Non-controlling interest	73,896	37,296	69,683	28,278

Summary Consolidated Statement of Financial Position Data

	As at June 30,		As at December 31,	
	2021	2020	2020	2019
	(unaudited)			
Total assets	39,042,989	18,327,009	7,890,287	
Total equity and reserves	4,905,252	3,430,810	1,287,217	
Total liabilities	34,137,737	14,896,199	6,603,070	

Summary Consolidated Statement of Cash Flows Data

(P in thousands)	For the six months ended June 30,		For the year ended December 31,	
	2021	2020	2020	2019
	(unaudited)			
Net cash flows from/(used in) operating activities	16,413,672	3,039,067	9,474,064	(193,662)
Net cash flows (used in)/from investing activities	(357,419)	(201,650)	(465,871)	864,944
Net cash flows (used in)/from financing activities	(11,067)	806,508	815,317	21,012
Net increase in cash and cash equivalents	16,045,186	3,643,925	9,823,510	692,294
Cash and cash equivalents at the beginning of the period less allowance for impairment	11,089,421	1,142,457	1,142,457	519,786
Cash and cash equivalents at the end of the period less allowance for impairment	26,011,138	4,804,246	11,089,421	1,142,457

Non-IFRS Measures

(P in thousands)	For the six months ended June 30,		For the year ended December 31,	
	2021	2020	2020	2019
	(unaudited)			
EBITDA ⁽¹⁾	1,950,012	450,167	1,641,656	54,744

⁽¹⁾ See the definition and reconciliation of EBITDA to profit before tax in “Selected Consolidated Financial and Other Data—Non-IFRS Measures.” Also see the discussions in “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Indicators of Operating and Financial Performance.”

Key Indicators of Operating Performance⁽¹⁾

(P in thousands)	For the six months ended / As of June 30,		For the year ended / As of December 31,	
	2021	2020	2020	2019
Trading volume (\$ in thousands)	205,527,207	45,075,646	167,313,937	16,709,088
Number of total accounts	12,051,712	4,492,227	7,622,643	2,884,896
Number of active accounts	1,416,735	457,389	954,489	159,531
Number of instruments traded	1,629	1,322	1,560	1,244
Equity securities	1,594	1,289	1,519	1,218
Debt securities	35	33	41	26
Average daily volume for the market (\$ in thousands)				
Equity securities	1,605,748	354,930	648,807	66,045
Debt securities	245	205	227	74
Average daily number of transactions by market				
Equity securities	1,505,524	542,612	787,127	56,005
Debt securities	84	81	73	32
Internalization rate (%)	77	76	76	61
Average trading volume per active account (\$ in thousands)	145	99	175	105
Average transactions per account	136	151	213	89

⁽¹⁾ See the definition of the key indicators of our operating performance in “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Indicators of Operating and Financial Performance.”

THE OFFERING

The Company	Public Joint-Stock Company “SPB Exchange.”
Offering	The Offering consists of an offering of 15,217,392 Offering Shares (i) to investors in the Russian Federation and (ii) otherwise to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S under the Securities Act. We reserve the right to extend or shorten the timetable, or any aspects of the timetable for the Offering.
Stabilization	<p>In connection with the Offering, VTB Capital plc, acting as a stabilizing manager (the “Stabilizing Manager”), on behalf of the Underwriters, will procure that the Market Maker shall, to the extent permitted by applicable laws, regulations and rules of the CBR and/or SPB Exchange, purchase, for stabilization purposes, the Shares on SPB Exchange in a total number of up to 15% of the Offering Shares within the Stabilization Period, with a view to supporting the demand for the Shares at a level higher than that which might otherwise prevail in the open market, in accordance with the market-making agreement entered into between the Market Maker and SPB Exchange on November 17, 2021 (the “Market-Making Agreement”).</p> <p>There will be no obligation on the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager to effect stabilizing transactions, and there is no assurance that stabilizing transactions will be undertaken. Such stabilization, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilizing Manager nor any person acting on behalf of the Stabilizing Manager intends to disclose the extent of any stabilization transactions conducted in relation to the Offering. See “<i>Plan of Distribution—Stabilization.</i>”</p>
Repurchase Option	In connection with the Offering, the Repurchasing Subsidiary granted the Repurchase Option to the Market Maker, exercisable only once during the Stabilization Period and no later than the second business day after the end of the Stabilization Period (excluding such date), to require the Repurchasing Subsidiary to purchase up to 15% of the Offering Shares that may be acquired by the Market Maker as a result of stabilization transactions at such prices at which the Market Maker may acquire them in the open market in connection with such stabilization transactions, plus associated funding costs and commissions. The Repurchasing Subsidiary will hold any Shares it acquires pursuant to the Repurchase Option subject to the lock-up arrangements. See “ <i>Plan of Distribution—Stabilization.</i> ”
Senior Global Coordinator	VTB Capital plc.
Joint Global Coordinators	Tinkoff Bank and Alfa Capital Markets Ltd.
Joint Bookrunners and Joint Bookrunners Appointed by the Repurchasing Subsidiary	Investment Company FINAM JSC, Investment Company Freedom Finance LLC, Bank GPB International S.A., “Bank Otkritie Financial Corporation” (Public Joint-Stock Company), Sova Capital Limited, Aton LLC, BCS Prime Brokerage Limited and PJSC Sovcombank.
Offering Price	\$11.50 per Offering Share, equal to ₪834.9 at the CBR exchange rate in effect on November 19, 2021.
Share Capital	As of the date of this Offering Memorandum, SPB Exchange has a share capital of ₪427,823,100 represented by 114,086,160 Shares with a nominal value of

₽3.75 each, which are issued, fully paid and outstanding.

Following completion of the Offering, the total number of the Shares in issue will be 129,868,332, assuming 564,780 new Shares are subscribed and paid for by the eligible shareholders exercising their pre-emptive rights and not including 3,260,870 new Shares that are expected to be subscribed by the Repurchasing Subsidiary following the Offering. Upon completion of the Offering, the Offering Shares will rank equally in all respects with all other Shares.

The Shares are subject to applicable provisions of Russian corporate law and our charter and have the rights described under “*Description of Share Capital and Charter*.”

Pre-emptive Rights

Our existing shareholders of record as of June 26, 2021 have statutory pre-emptive rights to subscribe for such new Shares pro rata to their holdings of existing Shares as of June 26, 2021 at the same price as the Offering Price per Offering Share. We published a notice advising eligible shareholders of their pre-emptive rights on October 11, 2021. The eligible shareholders were able to exercise their pre-emptive rights over a period of eight Russian business days, which commenced on October 12, 2021 and ended on October 21, 2021 (inclusive). The eligible shareholders who exercised their pre-emptive rights will be entitled to purchase the pre-emption shares within five Russian business days after the announcement of the Offering Price. See also “*Description of Share Capital and Charter—Pre-emptive Rights*.” We received applications from 12 eligible shareholders to subscribe for 564,780 new Shares. Any new Shares subscribed but not paid in full by the eligible shareholders during this period will not be placed. Any new Shares subscribed and paid in full by the eligible shareholders pursuant to their pre-emptive rights will be placed in addition to the Offering Shares.

Listing and Market for the Shares

The Shares were admitted to trading in the “Level 1” section of the List of Securities Admitted to Trading on SPB Exchange on August 23, 2021. The Shares are expected to trade under the symbol “SPBE.” Subject to acceleration or extension of the timetable for the Offering, trading in the Shares on SPB Exchange is expected to commence on November 19, 2021, subject to completion of the Offering and issuance of the Shares. No assurance can be given that thereafter the Shares will continue to be admitted to trading on SPB Exchange. See “*Risk Factors*.”

The Offering is expected to become effective, and unconditional dealings in the Shares are expected to commence, on SPB Exchange on the Settlement Date.

Lock-up

We and the Repurchasing Subsidiary have agreed with the Underwriters, subject to certain exceptions, not to sell or dispose of any of the Shares until 180 days after the date of this Offering Memorandum. Our executive officers, members of our board of directors and a majority of shareholders that are parties to the shareholders’ agreement (see “*Related Party Transactions—Shareholders’ Agreement*”), holding an aggregate of more than 75% of our Shares, have agreed to similar lock-up restrictions for a period of 180 days. See “*Plan of Distribution—Lock-up*.”

Use of Proceeds

We will receive gross proceeds from the sale of the Offering Shares of approximately \$175 million, and the net proceeds (after deduction of commissions, fees and expenses incurred by us in connection with the Offering) are expected to be approximately \$162.5 million, in each case assuming the Repurchase Option is not exercised. We intend to use the proceeds from the

	Offering for general corporate purposes, including the increase of capital of SPB Bank and SPB Clearing. We estimate the net amount of proceeds to be used for the increase of capital of SPB Bank at approximately \$40 million, and the net amount of proceeds to be used for the increase of capital of SPB Clearing at up to \$80 million. See “ <i>Use of Proceeds</i> .”
Voting Rights	Voting at our general shareholders’ meeting is generally based on the principle of one vote per Share, with the exception of the election of the board of directors, which is carried through cumulative voting.
Dividend Policy	Historically, we have not declared or paid cash dividends on the Shares, and we do not anticipate declaring or paying any cash dividends in the foreseeable future. We intend to retain all available liquidity sources and future earnings, if any, to fund the development and expansion of our business. See “ <i>Dividend Policy</i> .”
Taxation	For a discussion of certain Russian tax consequences of purchasing and holding the Offering Shares, see “ <i>Material Tax Considerations</i> .”
Selling Restrictions	The Offering Shares will be subject to certain selling restrictions set forth in “ <i>Selling Restrictions</i> .”
Settlement and Delivery	Subject to acceleration or extension of the timetable for the Offering, Settlement is expected to take place on or about the Settlement Date. If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for the Offering Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offering Shares on SPB Exchange may be annulled. Any transactions in the Offering Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Underwriters, Aton, BCS and Sovcombank do not accept responsibility or liability towards any loss incurred by any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in the Offering Shares on SPB Exchange. Each purchaser of the Offering Shares must pay for such Offering Shares by the date agreed with the Underwriters, Aton, BCS and Sovcombank. The Offering Shares will be delivered to purchasers through the facilities of the NSD or SPB Bank. Therefore, to take delivery of the Offering Shares, purchasers must have a depositary account with the NSD or SPB Bank or a depo account with an intermediary that has a depositary account with the NSD or SPB Bank. See “ <i>Settlement and Delivery</i> .”
Risk Factors	Prospective investors should carefully consider the risks discussed under “ <i>Risk Factors</i> .”
ISIN	RU000A0JQ9P9
CFI	ESVXFR
Ticker Symbol	“SPBE”

RISK FACTORS

Investing in the Offering Shares involves a high degree of risk. You should carefully consider the risks described below before making an investment decision. Additional risks not presently known to us or that we currently deem immaterial may also impair our business operations. Our business, prospects, financial condition or results of operations could be materially and adversely affected by any of these risks. The trading price and value of the Shares could decline due to any of these risks, and you may lose all or part of your investment. This Offering Memorandum also contains forward-looking statements that involve risks and uncertainties. You should carefully review the “*Cautionary Statement Regarding Forward-Looking Statements*.” Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this Offering Memorandum.

Risks Relating to Our Business and Industry

The fast growth we have experienced may not continue.

We have grown significantly in recent years. In the six months ended June 30, 2021, a daily average of \$1.6 billion worth of trades were processed on our platform, an increase of 300% from a daily average of \$0.4 billion in the same period in 2020. In the six months ended June 30, 2021, our aggregate fee and commission income was ₱3.02 billion (or \$41.77 million at the exchange rate of ₱72.37 per U.S. dollar in effect on June 30, 2021), a 248% increase from ₱869 million (or \$12.42 million at the exchange rate of ₱69.95 per U.S. dollar in effect on June 30, 2020) in the six months ended June 30, 2020. Our aggregate fee and commission income in 2020 was ₱2.77 billion (or \$37.49 million at the exchange rate of ₱73.88 per U.S. dollar in effect on December 31, 2020), a 413% increase from ₱540 million (or \$8.72 million at the exchange rate of ₱61.91 per U.S. dollar in effect on December 31, 2019) in 2019.

We derive a significant portion of our revenue from fee and commission income we receive for our trading and clearing operations. Our trading and clearing volumes are directly affected by economic, political and market conditions, actions by regulators, policymakers and stakeholders of companies traded on our platform, broad trends in business and finance, unforeseen market closures or other disruptions in trading, the level and volatility of interest rates, inflation, the inflow of new retail investors to stock exchanges and trading platforms, our ability to compete, changes in price levels of securities and the overall level of investor confidence. Our trading volumes and related revenue growth, as well as our profitability, may slow down or decline for any number of reasons, including lower volatility of the financial markets in Russia and worldwide, which generally contributes to a reduction in trading volumes and accordingly our fee and commission income; our inability to attract and retain brokers and retail investors; decreased effective commission rates that we charge; an increase in interest rates, which may affect the interest of investors in investing in equity securities, a key component of our business; increased competition from other stock exchanges and trading platforms; slowing overall growth of securities markets generally; changes in government policies; and the impact of general economic conditions. We may also lose market share for other reasons, such as failure to deliver satisfactory transaction experience or high-quality services, or failure to introduce new and innovative products and services to support our growth and manage expectations of our brokers and retail investors, or the success of existing or new competitors in the market in increasing their own market share.

In recent years, and particularly in 2020, trading and clearing volumes across our markets have fluctuated significantly due to market conditions and other factors beyond our control, including the COVID-19 pandemic, and it is possible that the trends exhibited during the course of the pandemic that have supported the growth in our trading and clearing may not continue. See “—*Our business may be materially adversely affected by the COVID-19 pandemic.*”

The anticipated growth of investments by Russian investors in the securities markets we serve may also not be in line with the growth of investments in other developing countries. In 2020, the number of retail investors using brokerage services in Russia increased to 9.9 million from 4.2 million individuals in 2019, according to RBC, and is expected to increase to 48.2 million by 2025. See “*Our Industry—Stock Exchange Industry Trends in Russia.*” However, while the level of penetration of brokerage services among the Russian population remains low relative to a number of developed markets, any future growth in investments by Russian investors in securities markets may be limited as compared to the other markets due to lower average income of Russian population, lesser propensity of the Russian population to invest its disposable income and savings in financial instruments, lesser developed investment culture and experience, lower confidence in securities markets, and lower levels of financial literacy. The Russian retail investing market has already grown at exponential rates in the recent years, and it may fail to continue to grow at such pace.

Our results of operations may fluctuate significantly as a result of a variety of factors, including those described above. As a result, historical period-to-period comparisons of our results of operations are not necessarily indicative of future period-to-period results. You should not rely on the results of a single fiscal quarter or interim period as an indication of our annual results or our future performance.

Our business may be materially adversely affected by the COVID-19 pandemic.

In December 2019, a novel strain of coronavirus was reported in Wuhan, China, which spread throughout the world, including Russia and the United States, and the highly contagious disease caused by the novel coronavirus was classified as a global pandemic. The COVID-19 pandemic has had a significant impact on the economies of most countries, including Russia, and has led to the closure of borders, restrictions on movement, the suspension of manufacturing and production and the cancellation of mass events. During the spring of 2020, the Russian government introduced a number of recommendations and restrictions, including declaring a “period of non-working days,” which limited business activity, as well as other restrictions on the movement of citizens and a limitation on most commercial activities. These restrictions differed in scope across various Russian regions and were subject to change. Some of these restrictions were re-introduced, or other similar restrictions were introduced, during subsequent surges in COVID-19 infections in the fall of 2020 and the summer of 2021. In January 2021, Russia launched a mass vaccination campaign. However, vaccination rates remain low compared to a number of developed countries.

Since the onset of the COVID-19 pandemic, we have seen substantial growth in trading volumes and fee and commission income. During this period, market volatility and increased interest in investing and personal finance, combined with increased digitalization by investors in the securities market, helped foster an environment that encouraged an unprecedented number of first-time retail investors to become clients of our brokers and begin trading in securities on our exchange. It is uncertain whether these trends and behavioral shifts will continue as reopening measures continue, and our brokers may not be able to maintain the current retail investor base, or the rate of growth that we experienced throughout the COVID-19 pandemic. To the extent that investor preferences revert to pre-COVID-19 behaviors, or if our growth slows as restrictive measures to limit the spread of COVID-19 are lifted, or if financial markets experience additional or reduced volatility or decline, our business, financial condition and results of operations could be adversely affected.

From an operational perspective, the spread of COVID-19 has resulted in, and could continue to result in, intermittent closures of our office facilities and the office facilities of our brokers and third-party providers. The extent to which COVID-19 and the actions taken by governments to limit the spread of COVID-19 may impact our business and the businesses of our investors depends on future developments, which are highly uncertain and cannot be predicted. Further restrictions and enhanced sanitary regulations, including any potential introduction of mandatory vaccination programs for employees, could increase our general and administrative expenses and be otherwise burdensome to comply with.

It is not possible to determine the ultimate impact that the COVID-19 pandemic, or future pandemics, may have on our business operations and financial results, which is dependent upon numerous factors, including the duration and spread of the pandemic and any resurgence of COVID-19 in Russia or elsewhere, actions taken by governments, domestically and internationally, the response of businesses and individuals to the pandemic and vaccination campaigns in Russia and worldwide, various approaches to lockdown and restrictive measures in Russian regions, the impact of the pandemic on business and economic conditions in Russia and globally, consumer demand, our ability and the ability of our brokers and other users of our services to continue operations in areas affected by the pandemic and our efforts and expenditures to ensure the safety of our employees. Due to uncertainties that will be dictated by the length of time that the COVID-19 pandemic and related disruptions continue, or the impact of any future pandemics, there can be no assurances that our business will not be adversely impacted going forward.

We may not be able to implement changes to our systems and operations necessary to capitalize on our future growth opportunities.

Our anticipated future growth will depend, to a significant degree, on the ability of our executive officers and other members of senior management to operate effectively, our ability to further improve and develop our financial and management information systems, controls and procedures and our ability to anticipate and implement competitive product and service offerings to continue to attract investor trading to our exchange. We expect to have to adapt our existing systems and introduce new systems, train and manage our employees and improve and expand our marketing capabilities. Further, as we grow, our business becomes increasingly complex. To effectively manage and capitalize on our growth, we must continue to

focus on innovative product and service developments. Our continued growth could strain our existing resources, and we could experience ongoing operating difficulties in managing our business, including difficulties in hiring, training, and managing our employee base. Failure to scale and preserve our company culture as it grows could harm our future success, including our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. If we are unable to successfully implement our growth strategy, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our expansion into new products, services, securities markets or technologies subjects us to additional risks.

Our growth strategy depends, in part, on our expansion into new service offerings, such as the development of repo, derivatives, forex and fixed income markets, as well as on our ability to attract new brokers and admit new securities and financial instruments to trading on our exchange. Our new initiatives may not be as profitable as expected, and we may be unable to recover our investments in them. We may also become subject to claims if these new offerings suffer from service disruptions or failures or other quality issues. In addition, other trading participants may fail to timely adapt to our expansion into new product and service offerings, or be unable to provide support services required for execution of transactions on our platform. Failure to realize the expected returns of any of our investments in new technologies or services could result in our inability to cover the costs we incurred to develop these technologies, which may adversely affect our financial condition or results of operations.

We depend upon talented employees, including our senior management and IT specialists, to grow, operate and improve our business, and if we are unable to retain and motivate our personnel and attract new talent, we may not be able to grow effectively.

Our success depends on our continued ability to identify, hire, develop, motivate and retain talented employees. Our ability to execute and manage our operations efficiently is dependent upon contributions from all of our employees. Competition for senior management and key IT personnel is intense, and the pool of qualified candidates is relatively limited. From time to time, some of our key personnel may choose to leave our company for various reasons, including personal career development plans or alternative compensation packages. An inability to retain the services of our key personnel or properly manage the working relationship among our management and employees may expose us to legal or administrative action or adverse publicity, which could adversely affect our reputation, business, prospects, financial condition and results of operations.

Training new employees with no prior relevant experience could be time consuming and requires a significant amount of resources. We may also need to increase the compensation we pay to our employees from time to time in order to retain them. If competition in our industry intensifies, it may be increasingly difficult for us to hire, motivate and retain highly skilled personnel due to significant market demand and continue to comply with applicable regulatory requirements. If we fail to attract additional highly skilled personnel or retain or motivate our existing personnel, we may be unable to pursue growth, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Our business model targets retail investors, many of whom are first-time investors, and our results of operations can be adversely affected if they decrease their trading activity or stop trading altogether or stop using our exchange for their investing activities.

Global markets have experienced an unprecedented inflow of retail investors to trading on stock exchanges and other platforms. See “*Our Industry—Key Global Trends in the Exchange Sector.*” Our business model primarily focuses on making the financial markets accessible to a broad demographic of retail investors from Russia and other countries. In 2020, we saw a significant increase in the number of new accounts opened by first-time investors. Our success and our ability to increase revenues and operate profitably depend in part on such retail investors continuing to trade on our exchange, even if global social and economic conditions adversely shift. Regulatory authorities may also implement changes which limit the trading activity of retail investors on our markets. See “*We operate in a highly regulated sector, and any failure to comply with the current requirements or significant regulatory changes may have a material adverse effect on our business and operations.*” Additionally, retail investors can trade on our exchange on a transaction-by-transaction basis and may not have any longstanding investment strategies. As such, they may cease to trade on our exchange at any time, or switch to other investment opportunities. Any significant loss of retail investors or a significant reduction of their trading on our exchange may significantly affect our business, financial condition and results of operations. In addition, any significant losses by retail investors of their funds invested in securities, including those traded on our exchange, may trigger substantial media attention

and scrutiny by governmental authorities and subject us to significant reputational risks, as well as risks that we may be mandated to change or restrict our activities and practices, or be held responsible or liable for such losses, which may also adversely affect our business and results.

Trading in foreign securities may subject us to adverse tax consequences and reduce our net profit.

We calculate, withhold and pay taxes, stamp duties and other mandatory payments in accordance with Russian laws and laws of foreign jurisdictions (for example, laws of the jurisdictions of issuers listed on our exchange), if applicable. Changes in tax laws and regulations may result in an increase of the amount of taxes, stamp duties and other mandatory payments we are required to pay, which may reduce our net profit.

The acquisition, possession or disposal of foreign securities admitted to trading on our exchange may, in accordance with foreign laws, subject us to tax consequences or procedure requirements. For example, we may be required to prepare and submit tax declarations or other obligatory forms, calculate, withhold and pay taxes, stamp and other duties and other mandatory payments, including related fines and penalties. Foreign regulations may provide exemptions from applicable fines and penalties and exemptions from taxation of transactions with securities admitted to trading on a foreign stock exchange. However, these regulations may fail to establish clearly defined criteria that a foreign exchange must meet in order to rely on the exemption, and, as a result, transactions with foreign securities on our exchange may result on our additional tax liabilities, including fines and penalties.

We cannot assure that Russian or foreign tax authorities will agree with positions taken by us with respect to any such tax liabilities. If tax authorities successfully challenge our positions, additional taxes may be levied from us, and our financial condition may be adversely affected.

Trading on our exchange may be subject to speculative activities, and quotations of financial instruments may fail to reflect their fundamental value, which may harm our brand and reputation, lead to regulatory action and result in a decrease in our trading volumes.

The value of certain financial instruments is based in part on market trends and future expectations, which may or may not be realized. Several factors may affect the price of financial instruments, including speculative activities by market participants that may result in a failure of such financial instruments to reflect their fundamental value. As a result, the prices of these instruments may dramatically fluctuate. Any such speculative activities that may take place on our exchange may lead to a subsequent decrease in trading volumes in financial instruments and retail investor disappointment with the investment experience and results they expected to achieve by trading on our exchange. Further, as a result of any such speculative activities, we may become subject to an enhanced level of scrutiny by the CBR and face the risk of an enforcement action and related lawsuits of retail investors and other market participants. As a result, our brand, reputation and results of operations may be adversely affected.

We face significant competition, and if we fail to retain our current market position, our business and results of operations could be materially and adversely affected.

The markets for our products and services are competitive and rapidly evolving. The liberalization and globalization of world markets have resulted in greater mobility of capital, greater international participation in local markets and more competition. As a result, both in Russia and in other countries, competition among exchanges and other execution venues has become more intense. Financial and securities markets have been increasingly driven by innovations and industry disruptors, and, to stay competitive, we are required to keep up with market trends, introduce new technologies and ensure we provide satisfactory experience to our brokers and retail investors.

We face direct competition from MOEX, which has historically had larger volumes of trading in Russian equities, and may further develop its foreign equity segment and offering for retail investors, thereby competing further with our offerings. We also face indirect competition from a number of foreign stock exchanges, including the NYSE, Nasdaq and other platforms which may from time to time have more attractive fee and pricing conditions, better trading liquidity or longer or more convenient trading hours. See “*Business—Competition.*” In addition, we may face competition from existing or new entrants to the market.

Some of our other existing or potential competitors may have greater resources, capabilities and expertise in technology, finance, software development, sales, marketing and other areas and may introduce initiatives (for example, increasing the fees they charge for access to services that we and other market participants use, including market data services, to prohibitive levels, which adversely affect our profitability or limit our future growth. International exchanges or trading venues where we route our trading orders (or their local regulatory authority) may also impose restrictions on our routing activity, which could cause us to change how we operate or adversely affect our growth. As a result of these various types of current and potential competitors, we may fail to retain or may lose our current market position, we may fail to continue to attract new and maintain our existing brokers and investors, and we may be required to increase our spending, which could materially and adversely affect our business, prospects, financial condition and results of operations.

We may be unable to keep up with rapid technological changes and adapt to industry developments.

The securities market has experienced, and will continue to experience, rapid technological change, market disruption, changes in investor behavior and preferences, frequent introductions of solutions and services based on new technologies and the emergence of new industry standards and practices. To remain competitive, we must continue to enhance and improve the responsiveness, functionality, accessibility and features of our trading and communications systems. This will require us to continue to attract and retain highly-skilled staff and invest substantial financial resources necessary to keep our systems up-to-date. If we fail to do so, our systems could become less competitive, which could result in the loss of trading volume and have a material adverse effect on our business, financial condition and results of operations.

There can be no assurances that our key competitors will not adopt a more effective business strategy than us or that our competitors will not be able to more quickly adapt to industry changes than we will. Failure to successfully and timely respond to technological or industry developments, including changes to the business models deployed in our industry, could result in a loss of market share and a decrease in trading volumes on our platform, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

If we fail to effectively promote our business, retain current trading volumes and enhance our brand, our business, results of operations and prospects may be materially and adversely affected.

We believe that the effective promotion of our business, including maintenance and enhancement of our SPB Exchange brand, is of significant importance to our success in the securities market and is critical to increasing the quantity and depth of engagement of brokers and investors with our platform, which, in turn, enhances the appeal and assortment of services and solutions we offer. We have conducted and will continue to conduct various marketing and promotional activities, including through both digital channels and offline media, aimed at increasing the visibility of our business and the attractiveness of our platform for brokers and investors. We cannot assure you, however, that these activities will be effective in achieving the intended promotional impact on our business.

In addition, our brokers and investors may have conflicting views regarding some of the new initiatives we introduce to improve our platform, which can diminish our attempts to maintain a positive network effect and decrease our trading volumes. Further, any negative publicity relating to our services, regardless of its veracity, could harm our reputation and cause brokers to leave our platform, which would have a material adverse effect on our business, financial condition and results of operations. If our marketing efforts are not successful, our business, prospects, financial condition and results of operations could be materially and adversely affected.

If we fail to improve our user experience, service offerings and platform, we may not be able to attract and retain brokers and investors, which may have a material adverse effect on our business, financial condition and results of operations.

Our success depends upon our ability to attract and retain our brokers and investors. A key factor in their attraction and retention is our ability to expand the variety of services offered and securities traded on our platform. Achieving these objectives requires the maintenance and continual improvement of our services, including user experience, the accessibility of support services and the reliability of transaction processing services.

To build and maintain our brand reputation and loyalty, we need to continue to improve our services and innovate and introduce new services to enhance user experience. This includes continuing to improve our platform, improving data analytics for brokers and issuers and continuing to assess and enhance the user experience generally. Our ability to maintain

and grow trading on our exchange also depends on maintaining broker and investor confidence in our ability to handle errors in the transaction system and interruptions in trading. Legal and reputational issues, if any, including due to trading interruptions or other events beyond our control, may also affect broker and investor confidence in our exchange. In addition, we need to adapt and improve our website to keep up with evolving investor preferences and increase investor awareness of our services and solution.

Further, it is difficult to predict the problems that we may encounter in innovating and introducing new services, and we may need to devote significant resources to the creation, support and maintenance of our platform and website. We cannot provide any assurances that our innovative technological initiatives to improve our user experience will be successful, including whether our new service offerings will be well received by brokers and investors or improve our operational cost efficiencies. If we are unable to increase the quantity and quality of services offered and our user experience, our business, prospects, financial condition and results of operations could be materially and adversely affected.

We operate in a highly regulated sector, and any failure to comply with the current requirements or significant regulatory changes may have a material adverse effect on our business and operations.

The Russian securities market is subject to broad legislative and governmental regulation. This regulation is intended to preserve the integrity of the securities market and of other financial markets and to protect the interests of investors. Regulations include those applicable to professional securities market participants, including stock exchanges, clearing houses and depositaries, as well as banking regulations that apply to cash settlement operations conducted by SPB Bank, our subsidiary. See “*Regulation.*”

We operate primarily in Russia, whose legal system and regulatory environment can be subject to frequent and sometimes significant unanticipated changes and whose laws and regulations may be subject to differing and even conflicting interpretations. See “—*Risks Relating to Russia—The ongoing development of the Russian legal system and Russian legislation, including the legal framework governing the securities market, creates an uncertain environment for investment, business activity and our operations.*” Regulatory changes may have an adverse effect on us and our current and prospective brokers, as well as on the ability of retail investors to enter into transactions for various types of financial instruments. For instance, regulatory authorities may implement changes that restrict our activities, significantly increase capital requirements applicable to SPB Clearing, our clearing house, or expand its exposure to liability, reduce the attractiveness of listing or trading securities on the markets organized and operated by us or the use of our services, or cause investors trading on our platform to migrate to other markets that may offer competitive costs of trading. For example, Russian authorities may introduce further limitations on the possibility to trade foreign financial instruments that could be available to general public or introduce regulations that would limit our ability to admit foreign securities to trading on our platform. From October 1, 2021, a new system of tests for protection of Russian non-qualified individual investors may limit the ability of retail investors to trade in certain financial instruments on our exchange. See “*Regulation—New Developments in Capital Markets Regulation.*”

Further, we operate with securities listed on a number of international markets, our SPB Bank has corresponding accounts with foreign banks, and our brokers may start to more actively engage investors outside Russia. As a result, we may be subject to multiple foreign regulations, including U.S. securities market, tax and banking regulations, and scrutiny from foreign governmental authorities. Foreign regulations that are or may be applicable to us may often come in conflict with each other and may be difficult or impossible to comply with. For instance, the United States recently enacted a law that gives U.S. regulators the ability to request information from foreign banks, such as SPB Bank, with corresponding accounts with international banks and brokers in certain circumstances. If such requests conflict with Russian banking regulations, Russian banks may become subject to sanctions imposed by the CBR if they comply with the request, or conversely subject to U.S. penalties if they do not. In addition, there can be no assurance that such authorities will not prohibit investors from the respective countries from trading on our exchange, which may adversely affect our trading volumes and results of operations.

There can be no assurance that we will be able to comply with the future changes in applicable laws and regulations or that any failure to comply with the current regulations or any new significant changes in the regulatory environment will not have a material adverse effect on our business, financial condition and results of operations. The loss of a substantial number of our brokers and investors, as well as any delisting of companies from our platform or a reduction in the level of trading activities on our platform, may have a material adverse effect on our business, financial condition and results of operations.

If we fail to obtain or maintain necessary licenses or fail to comply with the terms and conditions of our existing licenses, our business may be materially and adversely affected.

We hold licenses for our stock exchange, clearing house, repository, brokerage, depository and bank activities issued by the CBR. See “*Regulation.*” The regulatory authorities in Russia may generally exercise substantial discretion with respect to compliance matters and the suspension and cancellation of licenses required for our business operations, as well as timing for license issuances.

The securities market legislation in Russia is rapidly evolving, and we may need to obtain new licenses from the CBR or other regulatory bodies in the future for our existing or prospective service offerings and trading solutions. In addition, our existing licenses may be revoked by the CBR if we do not comply with regulations on organized trading or for other reasons. If we fail to obtain or maintain our licenses that are critical to our core business or fail to comply with the terms and conditions of our existing licenses, it may have a material adverse effect on our business, financial condition and results of operations.

If we lose one or more of our key brokers that provide services to retail investors to execute transactions on our platform, our business and results of operations may be adversely affected.

The decision over where trades by retail investors in securities are executed are generally made by brokers on behalf of the retail investors, not the retail investors themselves. Brokers may decide to internalize their customer trade flow or direct to other stock exchanges and trading platforms due to a number of reasons, including better prices or technological issues.

We rely on the largest Russian brokers, including Tinkoff, VTB, Alfa-Bank, BrokerCreditService, Freedom Finance and Credit Bank of Moscow, that provide their customers with access to trading on our platform. A limited number of these brokers can account for a significant portion of our trading volume. For example, in 2020, Tinkoff and VTB accounted for 33% and 12% of the trading volume, respectively, on our platform. Although we have established and maintain significant long-term relationships with our key brokers and some of them are our shareholders (see “*—We derive a significant portion of our fee and commission income from brokers who are also our shareholders, and there is no assurance that our broker shareholders will continue to engage in our business if they cease to be our shareholders*”), we cannot assure you that all of these relationships will continue or will not diminish. If we lose one or more of our key brokers that provide services to retail investors for execution of transactions on our platform or the level of their engagement with us significantly decreases, brokers executing trades for retail investors may switch to other trading platforms or markets, which could reduce the volume of trading on our platform and adversely affect our business and results of operations.

We derive a significant portion of our fee and commission income from brokers who are also our shareholders, and there is no assurance that our broker shareholders will continue to engage in our business if they cease to be our shareholders.

Some of our shareholders, including BrokerCreditService, Freedom Finance, Tinkoff and VTB, are leading brokers in the Russian market. For example, in 2020, Tinkoff and VTB accounted for 33% and 12% of the trading volume, respectively, on our platform. Our broker shareholders are parties to a shareholders’ agreement that terminates under its terms two years after the completion of this Offering (see “*Related Party Transactions—Shareholders’ Agreement*”), and brokers who are our shareholders are expected to have board representation following the completion of this Offering. See “*Management—Board of Directors.*”

There is no assurance that our broker shareholders will continue to engage in our business if they cease to be our shareholders or when the shareholders’ agreement terminates. If some of these brokers reduce their equity ownership in us, this may cause them to reduce or discontinue use of our exchange. As a result, we face the loss of retail investors that use brokerage services of such brokers, and a significant reduction of use of our exchange by these brokers and their clients may significantly adversely affect our business and results of operations have negative impact on our financial performance.

We rely on many counterparties and third-party providers in our business, and the nonperformance or loss of a significant third-party provider through bankruptcy, consolidation, or otherwise, could adversely affect our operations.

We are party to agreements with third-party companies in various aspects of our business operations, including depositories, banks, brokers and IT solutions providers. Interruptions or delays in services from our counterparties, including any

technological disruption such counterparties may experience while providing services to us, could impair the delivery of our services to our brokers, retail investors and other customers and harm our business. In addition, if these third parties do not comply with applicable legal or administrative requirements, were to default on their obligations, or if we lose a significant third-party provider through bankruptcy, consolidation or otherwise, we may be subject to litigation with these third-party providers or we may fail to renew the respective agreements on commercially acceptable terms and, therefore, face the need of finding, engaging and retaining new third-party providers, who may provide services to us at higher prices. Any of the above could have a material adverse effect on our business, prospects, financial condition and results of operations.

We operate a clearing house and are exposed to risks of default by clearing participants.

SPB Clearing, our subsidiary, operates as a clearing house and a central counterparty. Clearing activities are subject to a number of Russian laws and regulations. See “*Regulation—Regulation of Clearing Houses and Central Counterparties.*” For example, clearing participants, who include the brokers who trade on our platform, are required to comply with requirements for financial stability as set out by our clearing rules and provide certain information to the central counterparty. Clearing participants also assume direct responsibility for the possession or control of investor securities and other assets and the clearing of investor securities transactions. Our clearing operations require a commitment of our capital and, despite safeguards implemented by our software, involve risks of losses due to the potential failure of our clearing participants to perform their obligations under these transactions and margin trading. While we have not experienced any defaults by our clearing participants to date, if our clearing participants default on their obligations in the future, including failing to pay for securities purchased or deliver securities sold, we remain financially liable for such obligations, and although these obligations are typically collateralized, we are subject to market risk in the liquidation of customer collateral to satisfy those obligations. While we have established systems and processes to manage risks related to our clearing services, there can be no assurance that such systems and processes will be adequate. Any liability arising from clearing operations could have an adverse effect on our business, financial condition and results of operations.

We may need to raise additional funds to finance our future capital needs, which may dilute the value of the outstanding Shares or prevent us from growing our business.

We may need to raise additional funds to finance our existing and future capital needs, including the development of new services and technologies, and ongoing operating expenses. If we raise additional funds through the sale of equity securities, these transactions may dilute the value of the outstanding Shares. After the completion of this Offering, we intend, subject to market and other conditions, to file a registration statement on Form F-1 under the Securities Act with the SEC to register newly issued and/or existing Shares in the form of ADSs in the United States as part of the subsequent offering of Shares and ADSs to the public. We also intend to apply to list the ADSs on The Nasdaq Global Select Market. There can be no assurance that we will file a registration statement or commence the subsequent public offering. See “*Subsequent Public Offering.*” We may also decide to issue securities convertible into the Shares. Any debt financing would increase our level of indebtedness and could negatively affect our liquidity and restrict our operations, including increasing our vulnerability to general economic and industry conditions, limit our ability to plan and react to changes in our business and industry, and place us at a disadvantage compared to competitors that have less indebtedness.

We may be unable to raise additional funds on terms favorable to us or at all, and if financing is not available or is not available on terms acceptable to us, we may be unable to finance our future needs. This may prevent us from increasing our market share, capitalizing on new business opportunities or remaining competitive in our industry, any of which would have a material adverse effect on our business, prospects, financial condition and results of operations.

Fluctuations in foreign currency exchange rates may adversely affect our results of operations.

We receive a significant portion of our fee and commission revenue in non-ruble currencies, most notably U.S. dollars, and the majority of our expenses are in Russian rubles. Because our consolidated financial statements are presented in Russian rubles, we translate non-ruble denominated revenues into Russian rubles at exchange rates in effect at the official CBR foreign exchange rate as at the date of the transaction. In recent years, macroeconomic conditions and external events have caused, and may continue to cause, significant volatility in currency exchange rates, especially among the Russian ruble and the U.S. dollar. Accordingly, if there are increases in the value of the Russian ruble against other currencies, we may suffer significant losses, which would materially adversely affect our business, financial condition and results of operations.

System limitations, failures, disruptions, errors and cyber attacks may significantly harm our business, financial condition and results of operations.

Our businesses depend on the integrity and performance of the technology, computer and communications systems supporting them. If new systems fail to operate as intended or our existing systems cannot expand to cope with increased demand or the introduction of new products and services, or otherwise fail to perform, we could experience unanticipated disruptions in service, slower response times and delays in the introduction of new products and services. These consequences could result in service outages, lower trading volumes or values, financial losses, decreased user satisfaction and regulatory sanctions. Our workflows and processes, including routing and execution of trades in foreign securities, are very complex, and we rely on multiple parties, who we may not control (see “—*We rely on many counterparties and third-party providers in our business, and the nonperformance or loss of a significant third-party provider through bankruptcy, consolidation, or otherwise, could adversely affect our operations*”), which increases the risk of disruptions and the time and effort that we need to attempt to resolve them.

Although we currently maintain and expect to maintain multiple computer facilities that are designed to provide redundancy and back-up to reduce the risk of system disruptions and have facilities in place which are designed to maintain service during a system disruption and to provide capacity in future growth, such systems and facilities may prove inadequate if such future growth is greater than expected and leads to interruptions in our systems. If trading volumes increase unexpectedly or other unanticipated events occur, we may need to expand and upgrade our technology, transaction processing systems and network infrastructure. Despite assessments and stress tests that we regularly conduct, there can be no assurance that trading by market participants will remain at the current or expected levels and we will be able to accurately project the rate, timing or cost of any volume increases, or expand and upgrade our systems and infrastructure to accommodate any increases in a timely manner.

Our markets and the markets that rely on our technology have experienced systems failures and delays in the past and could experience future systems failures and delays. We have in the past and may continue to experience disruptions, outages and other performance problems for a variety of reasons. For example, since 2019, we have had six system disruptions due to human and technical errors. Although none of these caused a material disruption to our operations, there can be no assurance that future disruptions will not be greater in volume or severity. Other reasons for system failures and disruptions may include infrastructure changes, capacity constraints due to an overwhelming number of transactions entered into simultaneously and denial of service or fraud or security attacks. In addition, we may experience slow response times or system failures due to a failure of our information storage, retrieval, processing and management capabilities.

In addition, our website could contain undetected errors, or “bugs,” that could adversely affect its performance, or be subject to service attacks or malicious attempts to disrupt its normal functioning and traffic flow. While we regularly update and enhance our website, such cyber attacks or the occurrence of errors in any such updates or enhancements may cause disruptions in the provision of our services and may, as a result, cause us to lose business, and our reputation and brand, business, prospects, financial condition and results of operations could be materially and adversely affected.

While we have programs in place to identify and minimize our exposure to vulnerabilities and work in collaboration with the technology industry to share corrective measures with our partners, we cannot guarantee that such events will not occur in the future. Any system issue that causes an interruption in services, decreases the responsiveness of our services or otherwise affects our services could adversely affect our business, financial condition and results of operations.

As of June 30, 2021, we had four data centers located in Moscow, each operated by different providers and located within different districts of Moscow. If there were to be a complete city-wide disruption, there is a risk that our data centers could be impacted.

We may lack automated solutions to efficiently operate our platform.

Our ability to maintain automated solutions to unify, tailor and seamlessly run internal processes and operate our platform is key to our success. However, a number of spheres that are crucial to our business model, such as preparation of IFRS financial statements, monthly disclosures by us as repository and certain IT processes related to changes in trading hours and addition or termination of existing market participants and securities, are not yet fully automated and require substantial involvement of our staff, which may, in turn, lead to an increased number of errors and entail additional labor and equipment cost and may adversely affect our business and financial condition.

Privacy and data protection concerns and related claims could adversely affect our business and results of operations.

We collect, process, store and transmit considerable amounts of data, including confidential, sensitive, proprietary, business and personal information, which requires compliance with applicable Russian and foreign regulations. Our collection and use of this data for targeted advertisements, product recommendations, data analytics and outreach communications might raise privacy and data protection concerns that could negatively impact the demand for our products and services. We may be subject to claims or regulatory sanctions for actions of third parties that are beyond our control, such as the misrepresentation of information or other inappropriate or unlawful actions with respect to use and processing of investor data. There can be no assurance that any preventative measures that we may take will fully protect us from such actions, which, regardless of merit, may force us to participate in time-consuming and costly litigation or investigations, divert significant management and staff attention, and damage our reputation. In Russia, in order to process an individual's personal data, we must obtain the individual's consent. This consent may be revoked at any time and, if revoked, the relevant personal data must be deleted. Although we believe we are in compliance with Russian regulations on personal data, any change in the regulations or in their interpretation could make it costly, difficult or impossible for us to comply with them and may require us to incur significant efforts and resources. If we were found in violation of any privacy or data protection laws or regulations in Russia and other jurisdictions, this could lead to legal liability, and our business may be adversely affected.

We may be subject to material litigation.

We have been involved in litigation in the ordinary course of our business. As our business expands, we may face an increasing number of such claims, including from our brokers and retail investors and including those involving high amounts of damages. After we become a publicly listed company with a higher profile, we may face additional exposure to claims and lawsuits inside and outside Russia.

The outcome of any claims, investigations and proceedings is inherently uncertain, and regardless of the outcome, defending against these claims could be both costly and time consuming, and could significantly divert the efforts and resources of our management and other personnel. An adverse determination in any such litigation or proceedings could result in damages and legal and other costs, limit our ability to conduct business or require us to change the manner in which we operate, which would have a material adverse effect on our business, prospects, financial condition and results of operations.

We may be subject to intellectual property infringement claims brought against us by others, which are costly to defend and could result in significant damage awards.

We rely, to some extent, on third-party intellectual property, such as licenses to use software to operate our business and certain other copyrighted works. Due to the nature of our business operations, we may from time to time be subject to material intellectual property claims connected with violations of the exclusive rights of third parties. We also expect to be exposed to a greater risk of being subject to such claims in light of growing competition in the market and an increasingly litigious business environment in Russia. A number of technology and patent-holding companies own or are actively developing patents covering various technologies, as well as a variety of business models and methods. We believe that these parties will continue to take steps to protect these technologies, including, but not limited to, seeking patent protection in certain jurisdictions. As a result, disputes regarding the ownership of technologies and rights associated with our business activities are likely to arise in the future. In addition, we use certain open source code, and the use of open source code is often subject to compliance with certain license terms, which we may inadvertently breach. See “*We may use open source code in a manner that could be harmful to our business.*”

Although our employees are instructed to avoid acts that would infringe the intellectual property of others, we cannot be certain that our products, services and brand identifiers do not or will not infringe on valid patents, trademarks, copyrights or other intellectual property rights held by third parties. We may incur substantial expenses in responding to and defending against infringement claims, regardless of their veracity. Such diversion of management time and expenses, and the potential liability associated with any lawsuit, may cause significant harm to our business, prospects, financial condition and operations. A successful infringement claim against us could result in significant monetary liability, such as being liable for license fees, royalty payments, lost profits or other damages, or material disruption of our business. Similarly, the owner of the intellectual property may obtain injunctive relief to prevent us from making further use of certain technology, software or brand identifiers. If the amount of such payments is significant or if we are prevented from incorporating certain technology or software into our products or services or using our brand identifiers without hindrance, our business, prospects, financial condition and results of operations could be materially and adversely affected.

Real or perceived inaccuracies of our internally calculated operating metrics or industry and competitive information provided by third parties may harm our reputation.

Most of our operating metrics included in this Offering Memorandum are calculated by us internally. We also provide industry, market and competitive information in this Offering Memorandum based on studies and reports of third parties (see “Market and Industry Data”).

There may be inherent challenges in calculating some of these measures, for example, in our assessment of value of certain assets. In addition, our measures of calculating operating metrics may differ from estimates published by third parties or from similarly titled metrics used by our competitors or other parties due to differences in methodology. However, if investors do not perceive our operating metrics or information on our competitive position in the market to be accurate, or if we discover material inaccuracies in our operating metrics, our reputation could be materially and adversely affected.

We may use open source code in a manner that could be harmful to our business.

We use open source code, which is subject to licensing, in connection with our technology and services. Original developers of open source code do not provide warranties for the use of their source code. The use of such open source code may ultimately require us to replace certain code used in our platform, pay a royalty to use certain open source code or introduce changes to certain aspects of our platform. As a result, the use of open source code could have a material adverse effect on our business, prospects, financial condition and results of operations.

We are exposed to the risk of inadvertently violating anti-corruption, anti-bribery, anti-money laundering and other similar laws and regulations of Russia and other jurisdictions, and our current risk management and compliance systems may prove ineffective.

We operate and conduct business across the entirety of Russia, where instances of fraud, money laundering, bribery and corruption have been reported to have taken place. We have policies and procedures designed to assist with compliance with applicable laws and regulations. Anti-corruption, anti-bribery, anti-money laundering and other similar laws in Russia or other jurisdictions have been enforced extensively in recent years and are interpreted broadly, and as our business continues to grow and we may engage in dealings and transactions in foreign jurisdictions, our risks under these and other applicable foreign laws may increase. Non-compliance with these laws could subject us to investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, adverse media coverage and other consequences. Any investigations, actions or sanctions could harm our business, financial condition and results of operations.

We maintain internal risk management and compliance policies and procedures, but we cannot provide any assurance that these policies and procedures will be strictly followed at all times and that they will effectively detect and prevent all violations of the applicable laws and every instance of fraud, money laundering, bribery and corruption. We also cannot provide any assurance that potential violations of our internal compliance procedures will be uncovered through our procedures or that violations of the applicable anti-bribery or money laundering laws will not occur. We have internal audit, security and other procedures in place, which are designed to prevent instances of fraud, money laundering, bribery and corruption. However, despite these controls and procedures, there can be no assurance that through these and other procedures we will timely catch any violations of our internal compliance procedures or any violations of laws, including those related to fraud, money laundering, bribery and corruption. We are thus exposed to potential civil or criminal penalties or associated investigations under the relevant applicable laws which may, if not successfully avoided or defended, have an adverse impact on our business, prospects, financial condition or results of operations. Similarly, actual findings or mere allegations of such violations could negatively impact our reputation and limit our future business opportunities, which may cause our reputation, financial condition and results of operations to be materially and adversely affected.

Employee misconduct is difficult to determine and detect and could harm our reputation and business.

We face a risk that may arise out of our employees’ lack of knowledge or willful, negligent or involuntary violations of laws, rules and regulations or other misconduct. Misconduct by employees could involve, among other things, the improper use or disclosure of confidential information (including trade secrets), embezzlement or fraud, any of which could result in regulatory sanctions or fines imposed on us and cause us serious reputational or financial harm. While we have not

experienced fraudulent misconduct by employees in the past, any such misconduct in the future may result in unknown and unmanaged risks and losses. We have internal audit, security and other procedures in place that are designed to monitor our employees' conduct. However, despite these controls and procedures there can be no assurance that we will discover employee misconduct in a timely manner, if at all. It is not always possible to guard against employee misconduct and ensure full compliance with our risk management and information policies. The direct and indirect costs of employee misconduct can be substantial, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

We do not have and may be unable to obtain sufficient insurance to protect ourselves from business risks.

The insurance industry in Russia relative to that in other jurisdictions is not as mature, and access to many forms of insurance coverage common in other jurisdictions is limited. We currently maintain voluntary medical insurance coverage for our employees but do not maintain insurance coverage for our infrastructure and related risks. Until we obtain adequate insurance coverage, there is a risk of irrecoverable loss or destruction of certain assets, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Changes in accounting standards and reporting requirements or inaccurate estimates or assumptions in the application of accounting policies could adversely affect our business.

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Under Russian law, we are required to report under both IFRS and Russian Accounting Standards (“RAS”). Future changes in accounting standards, pronouncements or interpretations could require us to change our policies and procedures. The materiality of such changes is difficult to predict, and such changes could materially impact how we record and report our financial condition and results of operations. For example, we adopted IFRS 16, a new standard for recognition, measurement and disclosure of leases in the financial statements, on January 1, 2019. We used the modified retrospective method and applied IFRS 16 only to those contracts that were previously identified as leases. See our consolidated financial statements for the years ended December 31, 2020 and 2019 and notes thereto included elsewhere in this Offering Memorandum and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—New Standards, Interpretations and Amendments Adopted by Us—IFRS 16 Leases.*” In addition, some accounting policies require the use of estimates and assumptions that may affect the reported value of our assets or liabilities and results of operations and are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain. If those assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior period financial statements, and there can be no assurances that we will make the correct judgments in the future, should any new standards be issued. Accounting standard-setters and those who interpret the accounting standards may also amend or even reverse their previous interpretations or positions on how various standards should be applied. In addition, any changes in our reporting requirements, including those introduced by the CBR, or any changes in interpretation or enforcement of the existing standards or requirements by the CBR, may require significant internal resources to facilitate adoption of these reporting changes, and we may fail to adapt our IT and financial reporting systems to implement the changes by the required time. Any of these changes in IFRS or RAS or changes in reporting requirements are difficult to predict and can materially impact how we record and report our financial condition and results of operations, and if we are not successful in implementing the changes in time or at all, we may face penalties or other sanctions imposed on us by the CBR or other regulatory authorities, which could have a material adverse effect on our business, financial condition and results of operations.

Risks Relating to Russia

Investing in securities of issuers in emerging markets, such as Russia, generally involves a higher degree of risk than investments in securities of issuers from more developed countries and carries risks that are not typically associated with investing in more mature markets.

Emerging markets such as Russia are subject to greater risks than more developed markets, including significant legal, economic, tax and political risks. Investors in emerging markets should be aware that these markets are subject to greater risk and should note that emerging economies such as the economy of Russia are subject to rapid change and that the information set out in this Offering Memorandum may become outdated relatively quickly.

The Russian economy was adversely affected by the global financial and economic crisis and could be adversely affected by market downturns and economic crises or slowdowns elsewhere in the world in the future. In particular, the disruptions in the global financial markets have had a severe impact on the liquidity of Russian entities, the availability of credit and the terms and cost of domestic and external funding for Russian entities. This could adversely influence the level of investor demand for various services, including those provided by and through us. As has happened in the past, financial events such as significant depreciation of the ruble, capital outflows and a deterioration in other leading economic indicators or an increase in the perceived risks associated with investing in emerging economies due to, among other things, geopolitical disputes, such as the crisis in Ukraine, and imposition of certain trade and economic sanctions in connection therewith, could dampen foreign investment in Russia and adversely affect the Russian economy. Since Russia is one of the world's largest producers and exporters of oil, natural gas, metal products and other commodities, the Russian economy is especially sensitive to commodity prices on the world markets. The sharp decrease in prices for natural resources in 2014-2016 and 2020 resulted in a significant decrease in revenues for the Russian government, which had a negative effect on the Russian economy, and commodity prices continue to be volatile. In addition, during such times, businesses that operate in emerging markets can face severe liquidity constraints as funding. These developments and adverse changes arising from systemic risks in global financial systems, including any tightening of the credit environment or a decline in oil, gas or other commodities prices could slow or disrupt the Russian economy and adversely affect our business, prospects, financial condition and results of operations. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved. Potential investors are urged to consult with their own legal and financial advisers before making an investment in the Shares.

Economic instability in Russia could adversely affect our business.

Our primary operation market is Russia. As a result, our business and results of operations are dependent on the economic conditions in Russia. Over the last two decades, the Russian economy has experienced or continues to experience at various times:

- significant volatility in its GDP;
- the impact of international sanctions;
- high levels of inflation;
- increases in, or high, interest rates;
- sudden price declines in oil and other natural resources;
- instability in the local currency market;
- lack of reform in the banking sector and a weak banking system providing limited liquidity to Russian enterprises;
- budget deficits;
- the continued operation of loss-making enterprises due to the lack of effective bankruptcy proceedings;
- capital flight; and
- significant increases in poverty rates, unemployment and underemployment.

The Russian economy has been subject to abrupt downturns in the past. Furthermore, following the imposition of economic sanctions by the United States and the EU and the decline of oil prices, in 2015, Russia's GDP declined by 2.0% in real terms. In 2019 and 2018, Russia's GDP grew by 2.0% and 2.8% in real terms, respectively, according to Rosstat. However, in 2020, Russia's GDP declined by 3.0% in real terms, according to Rosstat, mainly due to the impact of COVID-19 pandemic on the Russian economy, and there is a risk that Russia's previous or any expected growth in the future will not be achieved due to generally unfavorable economic conditions or geopolitical factors. A decline in Russian disposable incomes could

significantly affect the ability and willingness of Russian investors to invest in securities traded on our exchange and, in turn, may materially and adversely affect our business, prospects, financial condition and results of operations.

Further, the recent outbreak of COVID-19 across the world has and could continue to adversely affect business activity and trade, resulting in an overall deterioration of spending power and general willingness to spend in the Russian economy. See “—*Risks Relating to Our Business and Industry—Our business may be materially adversely affected by the COVID-19 pandemic.*”

The ongoing development of the Russian legal system and Russian legislation, including the legal framework governing the securities market, creates an uncertain environment for investment, business activity and our operations.

Russia continues to develop its legal framework in accordance with international standards and the requirements of a market economy. Since 1991, new Russian domestic legislation has been put into place. Currently, this system includes the Constitution of the Russian Federation of 1993, the Civil Code and other federal laws, decrees, orders and regulations issued by the President, the Russian Government and federal ministries, which can be complemented by regional and local rules and regulations, adopted in certain spheres of regulation. Several fundamental Russian laws have only recently become effective and many are still evolving. Consequently, certain areas of judicial practice are not yet fully settled and are therefore sometimes difficult to predict.

The current regulatory environment of Russia may result in inconsistent interpretations, applications and enforcement of the law. Among the possible risks of the current Russian legal system are:

- inconsistencies among federal laws, decrees, orders and regulations issued by the President, the Russian Government, federal ministries and regulatory authorities and regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- the relative inexperience of judges, courts and arbitration tribunals in interpreting new principles of Russian legislation, particularly business and corporate law;
- substantial gaps in the regulatory structure due to the delay or absence of implementing legislation; and
- a high degree of unchecked discretion on the part of governmental and regulatory authorities.

There are also legal uncertainties relating to property rights in Russia. During Russia’s transformation to a market economy, the Russian Government has enacted legislation to protect property against expropriation and nationalization, and, if property is expropriated or nationalized, legislation provides for fair compensation. There is, however, no assurance that such protections would be enforced. Notwithstanding recent reforms of the Russian court system, the continued evolution of the Russian legal system could affect our ability to enforce our contractual rights or to defend ourselves against legal action, which could have a material adverse effect on our business, prospects, financial condition and results of operations.

In addition, a number of Russian securities market laws and regulations that govern our business were enacted only recently, and the uniform court and enforcement practice is yet to be developed. See “*Regulation—New Developments in Capital Markets Regulation.*” As the Russian securities market continues to develop, new laws and regulations may be adopted. These laws and regulations may further govern the types of securities and transactions that can be entered into among market participants, further rules aimed at investor protection and other aspects relevant to our business. The adoption or modification of laws or regulations relating to our operations could adversely affect our business by increasing compliance costs and administrative burdens. We must comply with applicable regulations in Russia, and any non-compliance could lead to fines and other sanctions imposed by the Russian government authorities. If any further legislative initiatives applicable to our business are adopted, we may be required to comply with the new requirements, and such compliance may require us to introduce further security protection measures or make further costly investments in our IT infrastructure, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

The adoption, maintenance and expansion of international embargo, economic, trade or other sanctions against Russia may have a material adverse effect on our business, financial condition and results of operations.

The U.S. and EU have imposed economic sanctions on Russian individuals and entities, including “blocking” sanctions and asset freezes that block the property of certain Russian government officials and entities, private individuals and Russian companies; “sectoral” sanctions that prohibit specified types of transactions (for example, limitations on provision of debt or equity financing) with named participants operating in the Russian energy, financial and defense sectors, including named Russian financial state-owned institutions; and comprehensive territorial sanctions that prohibit a number of commercial activities of U.S. and EU persons, including virtually all dealings within U.S. jurisdiction, with, in or involving sanctioned countries or territories, including Crimea and Sevastopol. These sanctions have been prolonged, extended and expanded in recent years. In addition, the United States also maintains so-called “secondary” sanctions threatening the imposition of a range of sanctions against non-U.S. entities engaging in, among other things, targeted activities involving Russia, certain sectors of the Russian economy, or sanctioned persons outside of U.S. jurisdiction. While the actual imposition of U.S. secondary sanctions requires affirmative action by the U.S. administration and is thus in practice discretionary, potential sanctions can be as severe as designation for blocking sanctions. On January 1, 2021, the UK post-Brexit autonomous sanctions regime came into force, which largely mirrors the EU sanctions regime.

U.S. blocking and sectoral sanctions extend to entities owned, directly or indirectly, 50% or more in the aggregate by one or more listed persons. UK asset freezes extend to entities more than 50% owned or controlled by a listed person, whereas UK sectoral sanctions extend to non-UK entities more than 50% owned, individually or in the aggregate, by persons targeted by sectoral sanctions or to other entities acting on behalf or at the direction of such entities or persons. Similarly, EU asset freezes may in certain circumstances extend to entities more than 50% owned or controlled by a listed person, whereas EU sectoral sanctions extend to non-EU entities more than 50% owned by a person targeted by sectoral sanctions or to other entities acting on behalf or at the direction of such entities or person. One of our principal shareholders is, or is affiliated with, entities subject to sectoral sanctions, though currently no persons subject to U.S., EU or UK sanctions own 50% or more of our capital or have acquired control rights. In the event that a sanctioned person individually, or several sanctioned persons in the aggregate, acquires a majority stake in our capital or a sanctioned person acquires control rights, then such acquisition may result in the extension of U.S., EU and UK sanctions to us. This would have an adverse effect on our ability to raise capital in the international debt and equity markets and may have adverse effect on the price of the Shares.

While we have implemented policies and procedures designed to ensure compliance with sanctions laws, there is no assurance that we will not be subject to adverse legal, business or reputational consequences as a result of its activities. In particular, trading participants that use our services may include persons designated under U.S., EU or UK sectoral sanctions. Although we do not believe our transactions with them are currently prohibited under such sanctions, in the event the scope of these sanctions is expanded or if these entities become subject to blocking sanctions or asset freezes, our ability to transact with such parties may be hindered, which would adversely affect our business. Although neither we nor our subsidiaries are targets of U.S., EU or UK sanctions, our business has been adversely affected from time to time by the impact of sanctions on the broader economy in Russia.

Since August 2019, the U.S. government has prohibited U.S. financial institutions from participating in the primary market for non-ruble-denominated Russian sovereign debt or lending non-ruble-denominated funds to certain entities of the Russian government. On April 15, 2021, U.S. President Biden signed Executive Order No. 14024, pursuant to which the Department of the Treasury issued a new directive, effective from June 14, 2021, prohibiting U.S. financial institutions from participating in the primary market for ruble-denominated sovereign debt or from otherwise lending funds to the Russian government. The Executive Order also authorized a broad range of new blocking sanctions against Russian entities and individuals, including any person operating in the technology sector or the defense and related material sector of the Russian economy or any other sector as determined by the U.S. Government. Further expansion of sanctions on the Russian financial sector and Russia and Russian entities generally are difficult to predict and may have an adverse effect on our ability to expand and grow our business and raise financings to fund the development of our business.

Political risks could adversely affect the value of investments in Russia.

The Russian economy has often been impacted by actions taken by governments outside of Russia and by political risk within Russia, including the economic sanctions imposed by the United States and the EU. See “—*The adoption, maintenance and expansion of international embargo, economic, trade or other sanctions against Russia may have a material adverse effect on our business, financial condition and results of operations.*” Moreover, in December 2011 and in

2012, there were public protests alleging voting irregularities in federal parliamentary and presidential elections and demanding political reform. In 2018, there were public protests against the increase of the retirement age. In January 2020, a series of political reforms were proposed purporting to reallocate powers and responsibilities among the Russian governmental authorities, including those of the Russian Parliament and the Government. In addition, further amendments were proposed in March 2020, under which the previous and current Presidents of Russia are allowed to participate in presidential elections for two additional terms following the amendment of the Constitution. In July 2020, following a public vote, the changes to the Russian Constitution necessary to implement proposed political reforms were enacted; however, further reforms would have to be administered and other laws would be necessary for the political decisions to become effective. The implementation of such political steps and actions could take time, and eventually the political and constitutional structure of Russia may change, subject to the completion of the relevant implementation procedures.

In the past, Russian authorities have prosecuted some Russian companies, their executive officers and their shareholders on tax evasion, fraud and related charges. In some cases, the result of these prosecutions has been the prolonged prison detention or imposition of prison sentences for individuals and significant fines or claims for unpaid taxes. Any similar actions by governmental authorities could lead to further negative impact on investor confidence in Russia's business and legal environment. The risks associated with these events or potential events could materially and adversely affect the investment environment and overall consumer and entrepreneurial confidence in Russia, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

If relationships between Russia and the United States further deteriorate, we may face regulatory action or restrictions on trading securities of U.S. companies on our exchange.

Political tensions between Russia and the United States have escalated in recent years due to, among other things, alleged Russian cyber interference in the 2016 U.S. presidential election campaign. Rising political tensions between Russia and the U.S. could further reduce levels of trades, investments, technological exchanges and other economic activities between the two major economies, which would have a material adverse effect on global economic conditions and the stability of global financial markets. The measures taken by the Russian and U.S. governments may result in restrictions on our ability to admit securities of U.S. companies to trading on our exchange or in state authorities pursuing regulatory actions in respect of our business, regardless of their merits. If we were unable to conduct our business as it is currently conducted as a result of such regulatory changes, our business, financial condition and results of operations would be materially and adversely affected.

Inflation in Russia may increase our costs and exert downward pressure on our operating margins.

The Russian economy has experienced high levels of inflation since the early 1990s. The consumer price index, which is a key measure representing inflation in Russia, grew year-on-year by 4.9% in 2020, 3.0% in 2019 and 4.3% in 2018, according to Rosstat, and there can be no assurance that it will not increase in the future. We tend to experience inflation-driven increases in some of the costs of our operations, such as salaries that are linked to, or impacted by, the general price level in Russia. In the event that we experience cost increases resulting from inflation, our operating margins may decrease if we are unable to pass these increases on to our buyers. In such circumstances, our business, prospects, financial condition and results of operations could be materially adversely affected.

Findings of failure to comply with existing laws or regulations, unlawful, arbitrary or selective government action or increased governmental regulation could have a material adverse effect on our business, prospects, financial condition and results of operations.

Our operations are subject to extensive regulation by the CBR, including the requirements for capital adequacy of our key operating subsidiaries and other regulatory requirements. See "Regulation." Russian regulatory authorities may generally exercise considerable discretion in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits and in monitoring licensees' compliance with license terms, which may lead to inconsistencies in enforcement. Different regulatory authorities regularly conduct inspections and may conclude that we have violated applicable laws and regulations.

Findings that we failed to comply with existing laws, CBR regulations or directions resulting from government inspections and CBR regulations and directions regarding our operations, compliance with legal requirements, presentation of financial statements or any other matters, may result in the imposition of fines, penalties or more severe sanctions, including the suspension, amendment or termination of our licenses or in requirements that we suspend or cease certain business activities,

or in criminal and administrative penalties being imposed on our officers, any of which would have a material adverse effect on our reputation, business, prospects, results of operations and financial condition. Selective or arbitrary government action could be directed at us, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

Risks Relating to Our Organizational Structure

NP RTS may exercise significant influence over the outcome of some of our operations and certain decisions of our managers and shareholders.

NP RTS, holding 3.92% of our Shares prior to this Offering, has influence over some of our operations. We have entered, and may continue to enter, into transactions with NP RTS (see “*Related Party Transactions—Relationship with NP RTS*”). For example, the majority of real estate facilities that we use, including our principal office, is leased from NP RTS. In addition, we lease our main data center from NP RTS. Any termination of such contracts with NP RTS may lead to a lengthy search for a substitute lessor of real estate facilities and data centers, which may adversely affect our business, financial condition and results of operations.

In addition, some of our key managers have arrangements with NP RTS that limit their voting powers and the ability to freely dispose of our Shares owned by them. Under the terms of an equity incentive program established by NP RTS, and in effect in 2018 and 2019, some of our managers have purchased our Shares from NP RTS or SPB Clearing at a fixed price with a payment deferral for five years, secured by the pledge of the respective Shares. The respective managers have also entered into shareholders’ agreements with NP RTS. Under the terms of such agreements, within five years after the execution of such shareholders’ agreements NP RTS may, at its discretion, offer to the managers to buy their shares, following which the managers have no right to transfer the shares to a third party at a price lower or equal to that offered by NP RTS without NP RTS’ consent. Further, until the respective manager pays for his or her shares in full, he or she must vote at our general shareholders’ meetings upon the instruction of NP RTS. In addition, shareholders’ agreements with managers executed after April 15, 2021 contain a provision under which the manager is required to vote on the election of members of our board of directors at the direction of NP RTS for two years after the consummation of this Offering, irrespective of the full payment for the shares. As of the date of this Offering Memorandum, such shareholders’ agreements have been executed with Ms. Irina Ionova, Head of SPB Bank, Mr. Mikhail Ivanov, our Head of Marketing, Ms. Elena Postnova, our Head of Government Relations, and Ms. Olga Starovoytova, our Head of Accounting and IFRS. Such arrangements between NP RTS and our managers may require our managers to make decisions favorable to NP RTS, which may adversely affect our business, financial condition and results of operations.

Further, under a shareholders’ agreement among NP RTS, certain of our current shareholders and us (see “*Related Party Transactions—Shareholders’ Agreement*”), if NP RTS holds at least 10% of the total number of votes granted by all our issued Shares and votes against certain matters on the agenda of our general shareholders’ meeting, then, at NP RTS’ request, each shareholder that is a party to the shareholders’ agreement must also vote against or abstain from voting on such matters. The matters that trigger the right of NP RTS to request other parties to the shareholders’ agreement to vote at its instruction include a reorganization resulting in direct or indirect merger or consolidation of us with MOEX or the MOEX group, an increase of our share capital by way of placement of additional shares in favor of MOEX or an entity from the MOEX group and a distribution of our profits (including dividends) or losses not in accordance with a duly approved policy (save for the cases where such policy has not been approved or is not in compliance with the Russian laws). As a result of these provisions, NP RTS has the ability to exert significant influence over the actions subject to the shareholders’ agreement.

In addition, a shareholder that is a party to the shareholders’ agreement and wishes to dispose of its shares to MOEX or an entity controlled by it, any Russian licensed trade organizer or its controlled entity or the CBR, must obtain consent prior to such disposal. If NP RTS holds at least one share before January 1, 2025, it may refuse to grant such consent. Under Russian law, if such selling shareholder disposes of our shares without obtaining consent, other parties to the shareholders’ agreement may invalidate such transaction in court provided that the other party of the transaction was aware or should have been aware of the restrictions set out in the shareholders’ agreement.

The interests of our broker shareholders may differ from those of our other shareholders.

Prior to this Offering, our broker clients or their affiliates together owned approximately 36% of our outstanding Shares. As a result, our broker shareholders may have, jointly or individually, the ability to exert influence over some of our actions. Our

broker shareholders may have interests that differ from those of our other shareholders. For example, as broker clients, they may favor the introduction of lower fee and commission rates, which, if happens, may have a material adverse effect on our revenue. Conversely, one or more of our broker shareholders wishing to dispose of their stakes may encourage us to increase our fee and commission rates in order to increase our share price before the sale. While we cannot control when a broker shareholder disposes its shares, for so long as our broker shareholders hold collectively a substantial stake in our shares, they may seek to influence our actions in ways that may not be in the interests of our other shareholders. Furthermore, any governmental action against one or more of our broker shareholders, or media speculation about their activities, even if it does not involve us, may adversely affect our business and reputation.

Our key operating subsidiaries are not fully owned by us, and part of income generated by them is attributable to their minority shareholders.

As of the date of this Offering Memorandum, some of our key operating subsidiaries are not fully owned by us. We own 96.71% of the share capital of SPB Clearing, and the remaining shares are owned by VTB Bank (PJSC) and other minority shareholders. We own 70.44% of the share capital of Best Execution JSC (“**Best Execution**”), and the remaining shares are owned by Russian retail brokers operating on our exchange. We do not currently have any plans to acquire the minority shares in SPB Clearing and Best Execution, but we may do so in the future.

We also own 73.73% of the share capital of SPB Bank, while 9.96% of the share capital is owned by PJSCB Derzhava and the remaining shares are owned by minority shareholders. In March 2021, the general shareholders’ meeting of SPB Bank adopted a decision to delist of all its shares from MOEX, to apply to the CBR to terminate its reporting obligations and to change SPB Bank’s name to reflect its non-public status. SPB Bank was delisted from MOEX and our platform on October 12, 2021. We plan to acquire substantially all of its share capital after this Offering. In order to acquire the shares of SPB Bank, we may be required to comply with the provisions of Russian law on tender offers and squeeze-outs and obtain the CBR approval. See “*Description of Share Capital and Charter—Relevant Provisions of Russian Law—Change of Control*” and “*Regulation—Merger Control Regulation—Financial and Credit Organizations.*” We may not be able to acquire all shares of SPB Bank due to a large number of individual shareholders in SPB Bank, but we believe that our current shareholding in SPB Bank allows us to exercise control over its business operations.

In addition, we own 50.1% in our subsidiary Best Stocks JSC (“**Best Stocks**”), which is a joint project with Prytek Investment Holdings PTE. LTD., our analytics partner.

The shareholdings in the key operating subsidiaries described above allow us to appoint our key management team to the governing bodies of SPB Clearing, SPB Bank and Best Execution, and the existing minority shareholders are limited in their ability to control or influence the governance and operations of these companies. However, part of income generated by such subsidiaries is attributable to the respective minority shareholders, and such shareholders may enjoy information and other shareholder rights provided to them by Russian law. We may be required to obtain approvals for interested party transactions under Russian law, and, depending on the number of votes owned by minority shareholders and the quorum at the particular general meetings of shareholders, minority shareholders may influence the outcome of the voting. For a detailed description of shareholders’ rights, including the matters of general shareholders’ meeting requiring three-quarters majority vote of the shareholders present at the meeting, see “*Description of Share Capital and Charter—General Shareholders’ Meetings—Scope of Authority and Procedure*” and “*Description of Share Capital and Charter—Rights Attaching to Ordinary Shares.*” Any abuse by the minority shareholders of our subsidiaries of their shareholder rights may adversely affect our business, financial condition and results of operations.

We depend on cash distributions by our key operating subsidiaries.

One of our principal sources of cash flow is and will be distributions from our key operating subsidiaries, SPB Clearing and SPB Bank. Therefore, our ability to fund and conduct our business and pay dividends, if any, in the future will depend on the ability of our subsidiaries to generate sufficient cash flow to make upstream cash distributions to us. Our operating subsidiaries are separate legal entities, and some are not wholly owned by us. See “*—Our key operating subsidiaries are not fully owned by us, and part of income generated by them is attributable to their minority shareholders.*” Our subsidiaries have no obligation to make any funds available to us, whether in the form of loans, dividends or otherwise, and their ability to distribute cash to us may also be subject to, among other things, restrictions that may be contained in our subsidiary agreements (as entered into from time to time), availability of sufficient funds in such subsidiary and applicable laws and regulatory restrictions. Claims of any creditors of our subsidiary generally will have priority as to the assets of such

subsidiary over our claims and claims of our creditors and shareholders. To the extent the ability of our subsidiaries to distribute dividends or other payments to us is limited in any way, our ability to fund and conduct our business and pay dividends, if any, could be adversely affected.

We operate as a stock exchange in Russia, and failure to comply with the Russian regulations applicable to shareholders of a stock exchange may preclude you from exercising their voting rights over 5% or more of our shares.

We hold a stock exchange license in Russia and are therefore subject to various regulations applicable to stock exchanges. These regulations, among other things, set out restrictions on the persons that have voting rights, directly or indirectly, over more than 5% of our share capital. Such persons include, for example, companies incorporated in certain “offshore jurisdictions” (those include, among others, the British Virgin Islands, Gibraltar, Guernsey, Isle of Man, Jersey, Liechtenstein, Macao and Monaco), financial organizations with revoked licenses and disqualified or convicted individuals or former senior management members with a record of unlawful activities that led to a company’s bankruptcy.

In addition, under Russian law, shareholders must notify us and the CBR of an acquisition of 5% or more of our Shares, changes in their voting rights by at least 1% or reduction of their voting rights to less than 5%. Any failure to comply with these obligations will lead to a restriction for the relevant shareholder to exercise its voting rights over 5% or more of our Shares. See “*Regulation—Regulation of Stock Exchanges—Shareholders and Corporate Governance.*” Shareholders must also notify us and the CBR upon acquisition of certain other percentages of the Shares (see “*Description of Share Capital and Charter—Relevant Provisions of Russian Law—Notification of Acquisition of Significant Interest*”).

Risks Relating to Russian Taxation

The Russian taxation system is relatively underdeveloped, and changes in Russian tax law could adversely affect our operations.

The Russian Government is continually reforming the tax system by redrafting parts of the Tax Code of the Russian Federation (the “**Russian Tax Code**”). Since January 1, 2009, the corporate profits tax rate has been 20%.

From January 1, 2021, personal income tax from most types of income of individuals who are tax residents of Russia is levied at progressive scale of rates. In particular, the total of such types of annual income up to ₺5 million is subject to tax at the rate of 13%, and the portion of such total annual income that exceeds ₺5 million is subject to tax at the rate of 15%. Since January 1, 2019, the general rate of VAT has been 20%.

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

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

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

In October 2006, the Plenum of the Supreme *Arbitrazh* Court of the Russian Federation issued a resolution concerning judicial practice with respect to unjustified tax benefits. The resolution provides that where the true economic intent of business operations is inconsistent with the manner in which it has been taken into account for tax purposes, a tax benefit may be deemed to be unjustified. As a result, a tax benefit cannot be regarded as a separate business objective. On the other

hand, the fact that the same economic result might have been obtained with a lesser tax benefit accruing to the taxpayer does not constitute grounds for declaring a tax benefit to be unjustified. Moreover, there are no rules and little case law applicable to distinguishing between lawful tax optimization and tax avoidance or evasion. The above approach was to a certain extent further implemented in Article 54.1 of the Russian Tax Code and became effective on August 19, 2017.

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

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

In 2017, Russia signed the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent BEPS ("MLI") implementing a series of tax treaty measures to update international tax rules and lessen the opportunity for tax avoidance. On October 1, 2019, Russia ratified the MLI. However, it will come into effect only after special conditions reflected in article 35 of the MLI are met. In particular, both Russia and the relevant double tax treaty partner country are required to exchange notices and deliver a notice to the OECD, affirming completion of national MLI adoption legislative procedures. Russia notified the OECD on the completion of internal procedures for the entry into effect of the provisions of the MLI on November 26, 2020. The MLI became enforceable in Russia on January 1, 2021. In December 2020, the President of Russia executed federal laws amending double tax treaties with Cyprus, Malta and Luxembourg. Amendments introduced by the protocols with Cyprus and Malta entered into force on January 1, 2021. It is expected that the amendments to double tax treaties with Luxembourg will enter into force on January 1, 2022.

In accordance with the final versions of the above protocols, the 5% withholding tax rate on dividends will remain only for certain categories of recipients of income, such as insurance companies and pension funds, some listed public companies, governmental authorities. The Russian Ministry of Finance is working to renegotiate provisions of certain other double tax treaties. It is currently unclear whether any other tax treaties are planned to be revised by the Russian Ministry of Finance. Russia unilaterally terminated the double tax treaty with the Netherlands and consequences of the denunciation should likely to take effect not earlier than January 1, 2022.

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

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

There can be no assurance that we would not be required to make substantially larger tax payments in the future and that certain of our transactions and activities that have not been challenged in the past will not be challenged in the future, resulting in a greater than expected tax burden. These risks and uncertainties complicate tax planning, as well as related business decisions, and could possibly expose our subsidiaries to significant fines, penalties and enforcement measures, despite our best efforts at compliance, and could result in a greater than expected tax burden.

We are subject to tax audits by the Russian tax authorities, which may result in additional tax liabilities.

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

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

Russian transfer pricing rules may adversely affect the business of our Russian operations, financial condition and results of operations.

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

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

Russia’s thin capitalization rules allow for different interpretations, which may affect our business, results of operations and financial condition.

Russian tax legislation contains thin capitalization rules which, under certain conditions, limit the amount of interest that could be deducted by Russian companies with the direct or indirect participation of a foreign company. These rules have recently become subject to frequent amendments and different interpretations. We may be affected by Russia’s thin capitalization rules if, at any time, we receive loans from or have loans guaranteed by foreign or Russian related parties. It is currently unclear how the Russian tax authorities could interpret and apply thin capitalization rules. Therefore, although as at the date of this Offering Memorandum we believe that the application of Russian thin capitalization rules should not have a material adverse effect on our business, financial condition or results of operations, it cannot be ruled out that we might be subject to additional tax liabilities in the future, which could have a material adverse effect on our business, financial condition and results of operations.

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

Generally, no Russian tax implications should arise for shareholders, whether resident in Russia or not, upon the purchase of the Shares. However, in certain circumstances, taxable income in the form of a so-called material benefit (imputed income) may arise for shareholders who are individuals if the Shares are purchased at a price below market value. The difference may become subject to Russian personal income tax at the current rate of 13% or 15% (if an individual’s annual income is over ₪5 million) for Russian individual tax residents and, if treated as Russian-source income, at the current rate of 30% for individuals that are not tax residents in Russia, subject to reduction or elimination under the applicable double tax treaty.

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

In general, payments of dividends by the Company to a Russian Resident Holder (as defined in “*Material Russian Tax Considerations*”) that is an individual or a legal entity should generally be subject to tax in Russia, and such tax should not exceed 13% of the gross dividend amount payable to each Russian Resident Holder (except Non-Resident Holders which are a foreign legal entities or organizations and hold and/or dispose of the Offering Shares through a permanent establishment in Russia). However, from January 1, 2021, for individuals who are Russian Resident Holders income tax is levied at progressive scale of rates which applies to the annual total of the most types of the individual’s income. In particular, the total of such types of annual income up to ₺5 million is subject to tax at the rate of 13%, and the portion of such total annual income that exceeds ₺5 million is subject to tax at the rate of 15%. For income tax withholding purposes, the Company should calculate the tax with regard to the dividend income separately from other types of individual’s income and should not take into consideration other types of income for determination of applicable tax rate. It is the Russian tax authorities’ obligation to calculate the individual’s final tax liability for the reporting year based on the progressive rates applied to the total of all types of income subject to tax at these rates received by the individual over the reporting period from all Russian tax agents. Such additional tax, if it arises, is payable by the individual based on a tax assessment issued by the tax authorities.

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

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

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

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

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

See “*Material Russian Tax Considerations*” for further discussion of important Russian tax considerations.

Risks Relating to the Offering and Ownership of the Shares

We have identified material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

Prior to this Offering, we have been a company with limited relevant resources with which to address our internal controls and procedures. Although we are not subject to the certification or attestation requirements of the U.S. Sarbanes-Oxley Act, in the course of preparing our financial statements for the years ended December 31, 2020 and 2019, we and our auditors identified control deficiencies that we concluded represented material weaknesses in our internal control over financial reporting. SEC guidance defines a material weakness as a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

The material weaknesses identified for the years ended December 31, 2020 and 2019 include (i) the lack of internal control over IFRS financial statement close process, including a sufficient number of personnel with appropriate knowledge and expertise and (ii) ineffective information technology general controls in our IT systems related to accounting and reporting due to lack of controls over user access rights and segregation of duties and controls over change management. To address these material weaknesses, in 2021, we developed and have begun to execute a remediation plan that includes hiring additional personnel, developing internal financial control, internal audit and financial management quality assessment procedures and implementing and improving existing integrated automated systems for reports preparation and verification with the involvement of external consultants. Our remediation plan for improvement of internal controls over our IT systems includes developing an IT strategy in 2022, establishing the control matrix within each key information system used by our group companies and analyzing and adjusting IT and information security internal documentation. We will not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. There can be no assurance that we will be successful in pursuing these measures, or that these measures will significantly improve or remediate the material weaknesses described above.

We cannot assure you that the measures we have taken to date, and actions we may take in the future, will be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, material weaknesses or significant deficiencies in internal control over financial reporting may be discovered in the future. If we fail to remediate our current or future material weaknesses or significant deficiencies or to meet the demands that will be placed upon us as a public company, we may be unable to accurately report our financial results, or report them within the timeframes required by law, our consolidated financial statements may be restated, investors may lose confidence in the accuracy and completeness of our financial reports, the market price of the Shares could be materially and adversely affected, and our reputation, results of operations and financial condition may be adversely affected.

There is no existing market for the Shares, and we do not know if one will develop to provide you with adequate liquidity.

Immediately prior to this Offering, there has been no public market for the Shares. We cannot predict the extent to which investor interest in us will lead to the development of an active trading market on SPB Exchange or otherwise or how liquid this market might become. If an active trading market does not develop or is not sustained, you may have difficulty selling any of the Offering Shares that you purchase, and the value of such Shares might be materially impaired. The Offering Price will be determined by negotiations between us and the representative of the Underwriters, Aton, BCS and Sovcombank and may not be indicative of prices that will prevail in the open market following this Offering. Consequently, you may not be able to sell your Shares at prices equal to or greater than the price you paid in this Offering.

We do not expect to pay any dividends in the foreseeable future.

We have never declared or paid cash dividends on our Shares. We intend to retain all available liquidity sources and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future. See “Dividend Policy.”

Any future final determination regarding the declaration and payment of dividends, if any, will be at the discretion of our shareholders at a general meeting and will depend on then-existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors our shareholders at a general meeting may deem relevant. In addition, we may enter into credit agreements or other borrowing arrangements in the future that may further restrict our ability to declare or pay cash dividends or make distributions on our Shares.

Consequently, we may not pay dividends in the foreseeable future, or at all, and any return on investment in the Shares is solely dependent upon the appreciation of the price of the Shares on the open market, which may not occur.

The price of the Shares might fluctuate significantly, and you could lose all or part of your investment.

Volatility in the market price of the Shares may prevent you from being able to sell your Shares at or above the price you paid for such Shares. The trading price of the Shares may be volatile and subject to wide price fluctuations in response to various factors, including:

- the overall performance of the equity markets;
- fluctuations in our actual or projected results of operations;
- changes in our projected earnings or failure to meet securities' analysts' earnings expectations;
- the absence of analyst coverage;
- changes in trading volumes of the Shares;
- issuance of new or changed securities analysts' reports or recommendations;
- additions or departures of key personnel;
- sale of the Shares by us, our principal shareholders or members of our management;
- general economic conditions;
- the activities of our competitors, suppliers and sellers;
- changes in the market valuations of comparable companies;
- changes in investor and analyst perception with respect to our business and industry in general;
- changes in interest rates;
- availability of capital; and
- changes in the statutory framework applicable to our business.

These and other factors might cause the market price of the Shares to fluctuate substantially, which might limit or prevent investors from readily selling their Shares and may otherwise negatively affect the liquidity of the Shares. In addition, in recent years, the stock market has experienced significant price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies across many industries. The changes frequently appear to occur without regard to the operating performance of the affected companies. Furthermore, investors in the secondary market may view our business more critically than investors in this Offering, which could adversely affect the market price of the Shares in the secondary market. Prices for technology companies have traditionally been more volatile compared to share prices for companies from other industries.

Accordingly, the price of the Shares could fluctuate based upon factors that have little or nothing to do with us, and these fluctuations could materially reduce our share price. Securities class action litigation has often been instituted against companies in periods of volatility in the overall market and in the market price of a company's securities. Such litigation, if instituted against us, could result in substantial costs, divert our management's attention and resources, and our business, prospects, financial condition and results of operations could be materially and adversely affected.

We have broad discretion in the use of the net proceeds from this Offering and may fail to use them effectively.

Our management will have broad discretion in the application of the net proceeds from this Offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our Shares. We intend to use the net proceeds from this Offering for general corporate purposes, including the increase of capital of SPB Bank and SPB Clearing. We estimate the net amount of proceeds to be used for the increase of capital of SPB Bank at approximately \$40 million, and the net amount of proceeds to be used for the increase of capital of SPB Clearing at up to \$80 million. See *"Use of Proceeds."* However, our use of these proceeds may differ substantially from our current plans. Shareholders may not be able to assess whether the proceeds are being used appropriately. The failure by our management to apply these funds effectively could result in financial losses that could have a material adverse effect on our business and cause the price of the Shares to decline. Pending their use, we may invest the net proceeds from this Offering in a manner that does not produce income or that causes them to lose value.

Future sales of the Shares, or the perception in the public markets that these sales may occur, may depress our stock price.

Sales of substantial amounts of the Shares in the public market after this Offering, or the perception that these sales could occur, could adversely affect the price of the Shares and could impair our ability to raise capital through the sale of additional Shares. Upon completion of this Offering, we will have 129,868,332 Shares outstanding, assuming 564,780 new Shares are subscribed and paid for by the eligible shareholders exercising their pre-emptive rights and not including 3,260,870 new Shares that are expected to be subscribed by the Repurchasing Subsidiary following the Offering. All of the Shares outstanding as of the date of this Offering Memorandum may be sold in the public market by existing shareholders days after the date of this Offering Memorandum, subject to the lock-up arrangements. We and the Repurchasing Subsidiary have agreed with the Underwriters, subject to certain exceptions, not to sell or dispose of any of the Shares until 180 days after the date of this Offering Memorandum. Our executive officers, members of our board of directors and a majority of shareholders that are parties to the shareholders' agreement (see *"Related Party Transactions—Shareholders' Agreement"*), holding an aggregate of more than 75% of our Shares, have agreed to similar lock-up restrictions for a period of 180 days. See *"Plan of Distribution—Lock-up."*

In the future, we may also issue additional Shares or equity or debt securities with conversion rights if we need to raise capital in connection with a capital raise or acquisition. The amount of Shares issued in connection with a capital raise or acquisition could constitute a material portion of the then-outstanding Shares. An issuance of additional Shares, equity or debt securities with conversion rights could potentially reduce the market price of the Shares. In addition, if we raise additional funds through the sale of equity securities, these transactions may dilute the value of the outstanding Shares. See *"—Risks Relating to Our Business and Industry—We may need to raise additional funds to finance our future capital needs, which may dilute the value of the outstanding Shares or prevent us from growing our business."*

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

The Shares have been admitted to trading on the "Level 1" section of the List of Securities Admitted to Trading on SPB Exchange and are expected to trade under the symbol "SPBE." Subject to acceleration or extension of the timetable for the Offering, we expect that the trading in the Shares will commence on November 19, 2021 and will be subject to completion of the Offering and issuance of the Shares. Settlement may not take place on the Settlement Date or at all, if certain conditions of events referred to in the Underwriting Agreement, as described in *"Plan of Distribution,"* are not satisfied or waived or occur on or prior to such date. Trading in the Shares before Settlement will take place subject to the condition that, if Settlement does not take place, the Offering will be withdrawn, all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Shares on SPB Exchange will be annulled. Any transactions in the Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Underwriters, Aton, BCS and Sovcombank do

not accept any responsibility or liability towards any loss incurred by any person as a result of a withdrawal of the Offering or the (related) annulment of any transaction in the Shares on SPB Exchange.

If securities or industry analysts do not publish research or reports or publish unfavorable research about our business, or we fail to meet the expectations of industry analysts, our stock price and trading volume could decline.

The trading market for the Shares will depend in part on the research and reports that securities or industry analysts publish about us, our business or our industry. We may have limited, and may never obtain significant, research coverage by securities and industry analysts. If no additional securities or industry analysts commence coverage of us, the trading price for the Shares could be negatively affected. In the event we obtain additional securities or industry analyst coverage, if one or more of the analysts who covers us downgrades our stock, the price of the Shares will likely decline. If one or more of these analysts, or those who currently cover us, ceases to cover us or fails to publish regular reports on us, interest in the purchase of the Shares could decrease, which could cause the price of the Shares or trading volume to decline.

ENFORCEABILITY OF JUDGMENTS

The Company is a public joint-stock company incorporated under the laws of Russia. Substantially all of the Company's assets are located in Russia and may be located outside other jurisdictions in which investors may be located. In addition, all of the Company's executive officers and the majority of members of the Company's board of directors named in this Offering Memorandum are nationals or residents of Russia, and may not be nationals or residents of other jurisdictions in which investors may be located, and all or a substantial portion of their assets are located in Russia and may be located outside other jurisdictions in which investors may be located.

It may be difficult for investors to enforce liabilities predicated upon English laws. Courts in Russia will generally recognize judgments rendered by a court in any jurisdiction outside Russia only if an international treaty providing for the recognition and enforcement of judgments in civil cases exists between Russia and the jurisdiction where the judgment is rendered or a federal law is adopted in Russia providing for the recognition and enforcement of foreign court judgments. No such treaty for the reciprocal recognition and enforcement of foreign court judgments in civil and commercial matters exists between Russia and certain other jurisdictions, including the United Kingdom, and no relevant federal law on enforcement of foreign court judgments has been adopted in Russia. Although on November 17, 2021, Russia signed the 2019 Convention on the Recognition and Enforcement of Foreign Judgments in Civil or Commercial Matters (the "**Hague Judgments Convention**"), the Hague Judgments Convention has not yet entered into force. Consequently, as at the date of this Offering Memorandum, Russia is not a party to any international treaty providing for the recognition and enforcement of judgments in civil cases rendered by the courts of the United Kingdom. As a result, new proceedings may have to be brought in Russia in respect of a judgment already obtained in any such jurisdiction against the Company or its officers or directors. These limitations, as well as the general procedural grounds set out in Russian legislation for the refusal to recognize and enforce foreign court judgments in Russia, may significantly delay the enforcement of such judgments or deprive the investors of effective legal recourse for claims related to the investment in the Offering Shares.

In the absence of an applicable treaty, enforcement of a final judgment rendered by a foreign court may still be recognized by a Russian court on the basis of reciprocity if courts of the jurisdiction where the foreign judgment is rendered have previously enforced judgments issued by Russian courts. In a number of recent instances, Russian courts have recognized and enforced a foreign court judgment (including English court judgments) on the basis of a combination of the principle of reciprocity and the existence of a number of bilateral and multilateral treaties to which Russia and certain other jurisdictions, including the United Kingdom, are parties. The courts determined that such treaties constituted grounds for the recognition and enforcement of the relevant foreign court judgment in Russia. In the absence of established court practice, however, no assurances can be given that a Russian court would be inclined in any particular instance to recognize and enforce a foreign court judgment on these or similar grounds. The existence of reciprocity must be established at the time the recognition and enforcement of a foreign judgment is sought, and it is not possible to predict whether a Russian court will in the future recognize and enforce on the basis of reciprocity a judgment issued by a foreign court, including an English court.

Accordingly, it may be difficult or impossible for investors to:

- effect service of process within the United Kingdom or other jurisdictions in which investors may be located, on the Company, its executive officers and certain members of its board of directors;
- enforce judgments obtained in courts in the United Kingdom or other jurisdictions in which investors may be located, against the Company's assets and against its executive officers and certain members of the Company's board of directors; or
- enforce, in original actions brought in courts in Russia, liabilities predicated upon the civil liability provisions of the laws of the United Kingdom or the laws of other jurisdictions in which investors may be located.

Recognition and enforceability of any arbitral award may be limited by mandatory provisions of Russian laws relating to the exclusive jurisdiction of Russian courts and the application of Russian laws with respect to bankruptcy, winding up or liquidation of Russian companies. The *Arbitrazh* (Commercial) Procedure Code of the Russian Federation (the "**Arbitrazh Procedure Code**") sets out the procedure for the recognition and enforcement of foreign awards by Russian courts. The *Arbitrazh* Procedure Code also contains an exhaustive list of grounds for the refusal of recognition and enforcement of foreign arbitral awards by Russian courts, which grounds are broadly similar to those provided by the 1958 United Nations

(New York) Convention on the Recognition and Enforcement of Foreign Arbitral Awards. In addition, Federal Law No. 382-FZ “On Arbitration in the Russian Federation” dated December 29, 2015, as amended (the “**Law on Arbitration**”), and the related amendments to the Russian legislation, which came into force in September 2016, introduced significant changes to the arbitrability of disputes and the way the arbitration process is regulated. In particular, such laws limit the arbitrability of corporate disputes to permanent arbitration institutions that have received the necessary regulatory approvals in Russia and meet certain formal criteria (including compliance of the rules of the permanent arbitration institution with the Law on Arbitration, existence of a recommended panel of arbitrators and reputational requirements) and specify certain categories of non-arbitrable disputes that can be subject only to the jurisdiction of Russian courts.

In addition, recently enacted provisions of the *Arbitrazh* Procedure Code may allow a party subject to foreign sanctions (i) to invoke an exclusive jurisdiction of the Russian state *arbitrazh* courts if such party claims inability to comply with the agreement to refer disputes to an arbitration with a seat outside Russia in circumstances where its access to justice is limited; and (ii) to apply to a Russian state *arbitrazh* court for an anti-suit injunction forbidding the other party or parties to the dispute from initiating or proceeding with the dispute in such foreign arbitration. As a result, no assurance can be given that disputes relating to the Offering Shares will be arbitrable in accordance with the provisions of the relevant agreements or at all.

The above limitations may deprive investors of effective legal recourse for claims related to an investment in the Offering Shares. Prospective investors should read the entire document and, in particular, the section headed “*Risk Factors*” when considering an investment in the Offering Shares.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Offering Memorandum contains forward-looking statements that relate to our current expectations and views of future events. These forward-looking statements are contained principally in the sections entitled “*Summary*,” “*Risk Factors*,” “*Use of Proceeds*,” “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*” and “*Business*.” These statements relate to events that involve known and unknown risks, uncertainties and other factors, including those listed under “*Risk Factors*,” which may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

In some cases, these forward-looking statements can be identified by words or phrases such as “believe,” “may,” “might,” “will,” “expect,” “estimate,” “could,” “should,” “anticipate,” “aim,” “estimate,” “intend,” “plan,” “believe,” “potential,” “continue,” “is/are likely to” or other similar expressions. Forward-looking statements contained in this Offering Memorandum include, but are not limited to, statements about:

- our future financial performance, including our revenue, operating expenses and our ability to achieve and maintain profitability;
- our expectations regarding the development of our industry and the competitive environment in which we operate;
- the growth of our brand awareness and overall business; and
- our ability to improve our service offerings and technology platform to attract and retain investors.

These forward-looking statements are subject to risks, uncertainties and assumptions, some of which are beyond our control. In addition, these forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance. Actual outcomes may differ materially from the information contained in the forward-looking statements as a result of a number of factors, including, without limitation, the risk factors set forth in “*Risk Factors*” and the following:

- the fast growth we have experienced may not continue;
- our business may be materially adversely affected by the COVID-19 pandemic;
- we may not be able to implement changes to our systems and operations necessary to capitalize on our future growth opportunities;
- our expansion into new products, services, securities markets or technologies subjects us to additional risks;
- we depend upon talented employees, including our senior management and IT specialists, to grow, operate and improve our business, and if we are unable to retain and motivate our personnel and attract new talent, we may not be able to grow effectively;
- trading in foreign securities may subject us to adverse tax consequences and reduce our net profit;
- we face significant competition, and if we fail to retain our current market position, our business and results of operations could be materially and adversely affected;
- we may be unable to keep up with rapid technological changes and adapt to industry developments;
- if we fail to effectively promote our business, retain current trading volumes and enhance our brand, our business, results of operations and prospects may be materially and adversely affected;

- if we fail to improve our user experience, service offerings and platform, we may not be able to attract and retain brokers and investors, which may have a material adverse effect on our business, financial condition and results of operations;
- we operate in a highly regulated sector, and any failure to comply with the current requirements or significant regulatory changes may have a material adverse effect on our business and operations;
- if we fail to obtain or maintain necessary licenses or fail to comply with the terms and conditions of our existing licenses, our business may be materially and adversely affected;
- if we lose one or more of our key brokers that provide services to retail investors to execute transactions on our platform, our business and results of operations may be adversely affected;
- privacy and data protection concerns and related claims could adversely affect our business and results of operations;
- NP RTS may exercise significant influence over the outcome of some of our operations and certain decisions of our managers and shareholders;
- the interests of our broker shareholders may differ from those of our other shareholders;
- our key operating subsidiaries are not fully owned by us, and part of income generated by them is attributable to their minority shareholders;
- we depend on cash distributions by our key operating subsidiaries; and
- we have identified material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

We operate in an evolving environment. New risks emerge from time to time, and it is not possible for our management to predict all risks, nor can we assess the effect of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements.

The forward-looking statements made in this Offering Memorandum relate only to events or information as of the date on which the statements are made in this Offering Memorandum. Except as required by law, we undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events. You should read this Offering Memorandum completely and with the understanding that our actual future results or performance may be materially different from what we expect.

USE OF PROCEEDS

We will receive gross proceeds from the sale of the Offering Shares of approximately \$175 million, and the net proceeds (after deduction of commissions, fees and expenses incurred by us in connection with the Offering) are expected to be approximately \$162.5 million, in each case assuming the Repurchase Option is not exercised.

The principal purposes of this Offering are to create a public market for the Shares and obtain additional capital. We intend to use the proceeds from the Offering for general corporate purposes, including the increase of capital of SPB Bank and SPB Clearing. We estimate the net amount of proceeds to be used for the increase of capital of SPB Bank at approximately \$40 million, and the net amount of proceeds to be used for the increase of capital of SPB Clearing at up to \$80 million.

The amount of what, and timing of when, we actually spend for these purposes may vary significantly and will depend on a number of factors, including our future revenue and cash generated by operations and the other factors described in “*Risk Factors*.” Accordingly, our board of directors will have broad discretion in deploying the net proceeds of this Offering.

DIVIDEND POLICY

We have never declared or paid cash dividends on our Shares. We intend to retain all available liquidity sources and future earnings, if any, to fund the development and expansion of our business, and we do not anticipate declaring or paying any cash dividends in the foreseeable future. In addition, we may enter into credit agreements or other borrowing arrangements in the future that will restrict our ability to declare or pay cash dividends or make distributions on our Shares.

Any future determination regarding the declaration and payment of dividends, if any, will be at the discretion of our shareholders at a general meeting and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors our shareholders at a general meeting may deem relevant.

For a description of the legal and regulatory framework and the provisions of our charter related to the declaration and payment of dividends, see “*Description of Share Capital and Charter—Dividends.*”

For a description of the taxation of dividends paid by us, if any, in respect of the Shares, see “*Material Russian Tax Considerations—Taxation of Dividends.*”

CAPITALIZATION

The table below sets forth our cash and cash equivalents, as well as our capitalization and indebtedness as of June 30, 2021 on an actual basis.

Investors should read this table in conjunction with our audited consolidated financial statements and unaudited interim condensed consolidated financial statements included in this Offering Memorandum, as well as “*Selected Consolidated Financial and Other Data*,” “*Use of Proceeds*” and “*Management’s Discussion and Analysis of Financial Condition and Results of Operations*.”

(P in thousands)	<u>As of June 30, 2021</u>
Cash and cash equivalents	<u>26,011,138</u>
Loans payable	<u>506,171</u>
Equity:	
Share capital	427,823
Share premium	1,266,954
Revaluation reserve	(10,396)
Retained earnings	2,613,326
Other contributions by shareholders	143,484
Total equity	<u>4,441,191</u>
Non-controlling interests	464,061
Total equity and reserves	<u>4,905,252</u>
Total capitalization and indebtedness	<u>5,411,423</u>

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

The consolidated statements of comprehensive income, selected consolidated statements of financial position data and selected consolidated statements of cash flows data as of and for the years ended December 31, 2020 and 2019 are derived from our audited consolidated financial statements included elsewhere in this Offering Memorandum. The consolidated statements of comprehensive income, selected consolidated statements of financial position data and selected consolidated statements of cash flows data as of and for the six months ended June 30, 2021 and 2020 are derived from our unaudited interim condensed consolidated financial statements included elsewhere in this Offering Memorandum. The unaudited interim condensed consolidated financial statements have been prepared using the same accounting principles and on the same basis as the year-end financial statements and include all adjustments that management considers necessary for the fair presentation of the financial information set forth in those statements. The results for any interim period are not necessarily indicative of the results that may be expected for the full year, and our historical unaudited results are not necessarily indicative of the results that should be expected in any future period.

The financial data set forth below should be read in conjunction with, and is qualified by reference to, “Presentation of Financial and Other Information,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the consolidated financial statements and notes thereto included elsewhere in this Offering Memorandum.

Consolidated Statement of Comprehensive Income

(P in thousands)	For the six months ended June 30,		For the year ended December 31,	
	2021	2020	2020	2019
	(unaudited)			
Fee and commission income	3,023,334	868,753	2,769,426	539,568
Interest income	205,608	119,927	279,333	170,722
Net trade and investment income/(expenses)	4,086	2,613	16,743	(12,033)
Net (loss)/income from dealing in foreign currencies	(2,923)	20,002	75,016	17,348
Other operating income	248,040	42,261	154,287	—
Total operating revenue	3,478,145	1,053,556	3,294,805	715,605
Direct operating expenses	(945,672)	(367,374)	(902,785)	(300,622)
Interest expense	(38,808)	(26,373)	(53,960)	(50,390)
(Provision for impairment)/reversal of provision for impairment of financial assets	(5,128)	8,803	(8,524)	(3,593)
Gross operating result	2,488,537	668,612	2,329,536	361,000
Administrative expenses	(560,516)	(237,228)	(713,398)	(355,139)
Other income	—	—	1,948	114
Other expenses	(33,483)	(2,026)	(22,193)	(5,000)
Profit before tax	1,894,538	429,358	1,595,893	975
Income tax expense	(394,029)	(89,805)	(327,079)	(6,910)
Profit/(loss) for the period	1,500,509	339,553	1,268,814	(5,935)
Profit/(loss) attributable to:				
Equity holders of the parent	1,421,441	301,777	1,197,635	(26,545)
Non-controlling interest	79,068	37,776	71,179	20,610
Basic earnings/(loss) per share, RUB	12.46	3.05	11.41	(0.35)
Diluted earnings/(loss) per share, RUB	12.46	2.83	10.94	(0.35)
Other comprehensive (loss)/income, including:	(19,828)	(1,827)	(5,694)	29,193
(Losses)/gains from revaluation of financial assets at fair value through other comprehensive income (less income tax)	(19,828)	(1,827)	(5,694)	29,193
Total comprehensive income	1,480,681	337,726	1,263,120	23,258
Attributable to:				
Equity holders of the parent	1,406,785	300,430	1,193,437	(5,020)
Non-controlling interest	73,896	37,296	69,683	28,278

Summary Consolidated Statement of Financial Position Data

	As at June 30, 2021 (unaudited)	As at December 31, 2020	2019
Total assets	39,042,989	18,327,009	7,890,287
Total equity and reserves	4,905,252	3,430,810	1,287,217
Total liabilities.....	34,137,737	14,896,199	6,603,070

Summary Consolidated Statement of Cash Flows Data

(P in thousands)	For the six months ended June 30, 2021 2020 (unaudited)		For the year ended December 31, 2020 2019	
Net cash flows from/(used in) operating activities	16,413,672	3,039,067	9,474,064	(193,662)
Net cash flows (used in)/from investing activities	(357,419)	(201,650)	(465,871)	864,944
Net cash flows (used in)/from financing activities	(11,067)	806,508	815,317	21,012
Net increase in cash and cash equivalents	16,045,186	3,643,925	9,823,510	692,294
Cash and cash equivalents at the beginning of the period less allowance for impairment	11,089,421	1,142,457	1,142,457	519,786
Cash and cash equivalents at the end of the period less allowance for impairment	26,011,138	4,804,246	11,089,421	1,142,457

Non-IFRS Measures

(P in thousands)	For the six months ended June 30, 2021 2020 (unaudited)		For the year ended December 31, 2020 2019	
EBITDA ⁽¹⁾	1,950,012	450,167	1,641,656	54,744

⁽¹⁾ To provide investors with additional information regarding our results of operations, we have disclosed here and elsewhere in this Offering Memorandum EBITDA, a non-IFRS financial measure that we calculate as profit before tax, depreciation and amortization and before those interest expenses and interest income that do not relate to our core business, such as interest income on loans issued by non-credit institutions, interest expense on a subordinated deposit borrowed by us and interest expense on lease liabilities. EBITDA includes interest expense and interest income from operations that are principal activities of our two credit institutions: interest income and expenses from repurchase transactions, interest expense on current accounts and customers' deposits and interest income on funds in other credit institutions.

Our management uses a conservative approach in assessing operating performance, so EBITDA includes the impairment of non-current assets. Despite the irregularity of such operations, we consider them to be linked to our operating activities.

EBITDA is a supplemental non-IFRS financial measure that is not required by, or presented in accordance with, IFRS. We have included EBITDA in this Offering Memorandum because our management and board of directors believe that EBITDA provides useful information to investors in understanding and evaluating our operating results in the same manner as our management and board of directors.

We believe it is useful to exclude amortization of intangible assets and depreciation of property and equipment from our calculation of EBITDA because the amount of such expenses in any specific period may not directly correlate to the underlying performance of our business operations. EBITDA has limitations as a financial measure, and you should not consider it in isolation or as a substitute for profit

before tax or profit/(loss) for the period as a profit measure or other analysis of our results as reported under IFRS. Some of these limitations are:

- although amortization and depreciation are non-cash charges, the assets being amortized and property and equipment being depreciated may have to be replaced in the future, and EBITDA does not reflect capital expenditure requirements for such replacements or for new capital expenditures;
- EBITDA does not reflect such interest expense items as interest payable on borrowings, interest payable on leases, which has been, and will continue to be for the foreseeable future, a recurring expense in our business; and
- other companies, including companies in our industry, may calculate EBITDA differently, which reduces its usefulness as a comparative measure.

The following table presents a reconciliation of profit before tax to EBITDA for each of the periods indicated:

(P in thousands)	For the six months ended June 30,		For the year ended December 31,	
	2021	2020	2020	2019
	(unaudited)			
Profit before tax	1,894,538	429,358	1,595,893	975
+ Amortization of intangible assets	38,054	5,138	15,254	9,107
+ Depreciation of property and equipment	8,851	4,445	12,462	7,560
+ Interest expense on loans and borrowings	12,486	15,991	28,336	39,906
+ Interest expense on leases	754	757	1,822	1,207
– Interest income on loans issued	(4,671)	(5,522)	(12,111)	(4,011)
EBITDA	1,950,012	450,167	1,641,656	54,744

Key Indicators of Operating Performance⁽¹⁾

	For the six months ended / As of June 30,		For the year ended / As of December 31,	
	2021	2020	2020	2019
Trading volume (\$ in thousands)	205,527,207	45,075,646	167,313,937	16,709,088
Number of total accounts	12,051,712	4,492,227	7,622,643	2,884,896
Number of active accounts	1,416,735	457,389	954,489	159,531
Number of instruments traded	1,629	1,322	1,560	1,244
Equity securities	1,594	1,289	1,519	1,218
Debt securities	35	33	41	26
Average daily volume for the market (\$ in thousands)				
Equity securities	1,605,748	354,930	648,807	66,045
Debt securities	245	205	227	74
Average daily number of transactions by market				
Equity securities	1,505,524	542,612	787,127	56,005
Debt securities	84	81	73	32
Internalization rate (%)	77	76	76	61
Average trading volume per active account (\$ in thousands)	145	99	175	105
Average transactions per account	136	151	213	89

⁽¹⁾ See the definitions of the key indicators of our operating performance in “Presentation of Financial and Other Information” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Indicators of Operating and Financial Performance.”

Turnover Share of Top-5 Instruments

		For the six months ended June 30,		For the year ended December 31,	
		2021	2020	2020	2019
Top-1	Ticker	TSLA ⁽¹⁾	TSLA	TSLA	TSLA
	%	12	11	18	6
Top-2	Ticker	SPCE ⁽²⁾	BA ⁽³⁾	AAPL ⁽⁴⁾	AMZN ⁽⁵⁾
	%	10	7	7	5
Top-3	Ticker	BABA ⁽⁶⁾	CCL ⁽⁷⁾	BA	AMD ⁽⁸⁾
	%	5	5	4	5
Top-4	Ticker	AAPL	AAPL	AMZN	AAPL
	%	4	4	4	5
Top-5	Ticker	BIDU ⁽⁹⁾	M ⁽¹⁰⁾	BABA	NFLX ⁽¹¹⁾
	%	3	3	4	4
Total		34%	30%	36%	25%

(1) Ticker symbol for Tesla, Inc.

(2) Ticker symbol for Virgin Galactic Holdings, Inc.

(3) Ticker symbol for BOEING CO.

(4) Ticker symbol for Apple Inc.

(5) Ticker symbol for AMAZON COM INC.

(6) Ticker symbol for Alibaba Group Holding Ltd.

(7) Ticker symbol for Carnival Corp.

(8) Ticker symbol for ADVANCED MICRO DEVICES INC.

(9) Ticker symbol for Baidu, Inc.

(10) Ticker symbol for Macy's Inc.

(11) Ticker symbol for NETFLIX INC.

Turnover Share of Top-5 Brokers

		For the six months ended June 30,		For the year ended December 31,	
		2021	2020	2020	2019
Top-1	Broker	SPB Bank	SPB Bank	SPB Bank ⁽¹⁾	SPB Bank
	%	42	36	40	34
Top-2	Broker	Tinkoff	Tinkoff	Tinkoff	Tinkoff
	%	33	34	33	29
Top-3	Broker	VTB	VTB	VTB	Freedom Finance
	%	11	12	12	12
Top-4	Broker	Alfa-Bank	Freedom Finance	Alfa-Bank	BrokerCreditService
	%	4	6	5	11
Top-5	Broker	BrokerCreditService	Alfa-Bank	BrokerCreditService	Alfa-Bank
	%	3	5	4	7
Total		93%	93%	94%	95%

(1) Approximately 95% of transactions are comprised of transactions entered into by market makers and brokers trading through SPB Bank.

	Number of active accounts	Average daily trading volumes for key markets (\$ in thousands)			Average daily number of transactions by market		
		Foreign securities	Eurobonds	Russian securities	Foreign securities	Eurobonds	Russian securities
2019, January	30,073	60,042	18	2	32,449	6	2
2019, February	32,370	55,134	27	2	38,550	10	2
2019, March	34,319	51,392	22	6	34,634	8	2
2019, April	37,280	58,123	62	3	35,420	19	2
2019, May	36,569	46,768	42	3	32,575	21	2
2019, June	38,547	48,982	73	1	37,155	36	2
2019, July	46,635	61,561	92	2	44,165	46	2
2019, August	46,202	63,494	66	3	49,409	34	2
2019, September	52,282	68,340	116	2	60,952	52	2
2019, October	61,758	82,740	119	6	72,291	47	2
2019, November	72,455	96,911	127	3	110,190	49	3
2019, December	86,695	98,779	123	11	125,915	60	3
2020, January	109,422	153,609	104	5	179,735	56	2
2020, February	129,952	235,646	140	12	257,587	66	2
2020, March	174,957	244,267	193	5	362,231	115	1
2020, April	235,652	378,338	280	2	735,886	91	1
2020, May	265,327	451,413	227	2	771,684	68	1
2020, June	327,688	665,261	285	6	952,234	86	2
2020, July	323,573	643,797	156	7	587,617	54	1
2020, August	367,038	723,155	257	5	754,514	48	1
2020, September	405,017	823,721	190	1,115	803,439	58	479
2020, October	434,447	782,964	290	1,221	829,979	68	639
2020, November	559,942	1,200,285	239	1,195	1,776,578	89	529
2020, December	608,765	1,435,693	358	1,512	1,430,832	75	688
2021, January	691,391	1,803,998	141	2,455	1,741,714	74	1,257
2021, February	769,410	1,902,838	146	3,510	1,939,109	83	2,215
2021, March	799,853	1,703,239	427	2,725	1,503,290	93	1,382
2021, April	756,962	1,257,607	186	2,788	1,141,007	83	1,134
2021, May	774,506	1,270,000	371	2,574	1,221,327	74	918
2021, June	862,275	1,705,731	177	2,891	1,527,004	98	1,191
2021, July	874,875	1,426,284	156	3,101	1,361,000	84	809
2021, August	854,965	1,304,263	137	1,780	1,237,525	83	577
2021, September	825,112	1,217,781	312	1,846	1,083,460	94	647

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

You should read the following discussion and analysis of our financial condition and results of operations in conjunction with the section entitled “*Selected Consolidated Financial and Other Data*” and our consolidated financial statements and the related notes included elsewhere in this Offering Memorandum. This discussion and analysis contain forward-looking statements that are subject to numerous risks and uncertainties, including, but not limited to, those described in the “*Risk Factors*” section of this Offering Memorandum. Actual results could differ materially from those contained in any forward-looking statements. See “*Cautionary Statement Regarding Forward- Looking Statements*” for more information.

Overview

We are a next-generation securities trading venue, with an innovative business model with unique a set of technology-enabled features, historically specialized in U.S.-listed equities and expanding into other asset classes. Our mission is to build a free world of investments, guided by the principles of responsible investing, sustainability and market competition, providing investors around the world with equal and easy access to investment instruments of the international financial markets, by building a trading platform with deep liquidity, thin spreads, best execution capabilities and around-the-clock trading. We believe that our platform provides retail investors in Russia and beyond with high levels of flexibility to tailor their investment portfolios and strategies to achieve their investment return and risk management goals.

We offer a highly compelling combination of features, supported by our scalable and reliable technology infrastructure, including:

- deep securities trading liquidity pool;
- automated order routing between international exchanges (during their market hours) or our internal liquidity pool, based on the best execution principle (SOR);
- long trading hours that extend beyond the trading hours of the primary listing venues for most of the securities we trade;
- quotes in the currencies of the primary listing venues;
- end-to-end trade execution process, with central counterparty clearing and settlement depository functions provided by our subsidiaries; and
- a suite of market data, analytics, financing and risk management solutions.

We provide a platform for trading equity securities listed on recognized international exchanges, including Nasdaq, the NYSE, the LSE and the Frankfurt Stock Exchange. We are the largest venue for trading foreign equity securities in Russia by trading volume, according to the CBR, and are further developing our platform to support a broader range of equity securities, Eurobonds, derivatives and other financial and data products and services. As of June 30, 2021, 1,809 global securities were available for trading on our platform, including 1,667 global equity securities, 78 DRs and 64 Eurobonds.

As of June 30, 2021, 12.1 million end-user client accounts were opened, and 46 banks and Russian brokers were registered, on our platform. In the six months ended June 30, 2021, a daily average of \$1.6 billion worth of trades were processed on our platform, an increase of more than 300% from a daily average of \$0.4 billion in the same period in 2020. In the six months ended June 30, 2021, our aggregate fee and commission income was P3.02 billion (or \$41.77 million at the exchange rate of P72.37 per U.S. dollar in effect on June 30, 2021), a 248% increase from P869 million (or \$12.42 million at the exchange rate of P69.95 per U.S. dollar in effect on June 30, 2020) in the same period in 2020. Our aggregate fee and commission income in the year ended December 31, 2020 was P2.77 billion (or \$37.49 million at the exchange rate of P73.88 per U.S. dollar in effect on December 31, 2020), a 413% increase from P540 million (or \$8.72 million at the exchange rate of P61.91 per U.S. dollar in effect on December 31, 2019) in the year ended December 31, 2019.

Key Indicators of Operating and Financial Performance

Our management monitors our financial and operational performance on the basis of the following measures.

	For the six months ended / As of June 30,		For the year ended / As of December 31,	
	2021	2020	2020	2019
	(unaudited)			
Fee and commission income (P in thousands)	3,023,334	868,753	2,769,426	539,568
EBITDA (P in thousands) ⁽¹⁾	1,950,012	450,167	1,641,656	54,744
Profit/(loss) for the period (P in thousands)	1,500,509	339,553	1,268,814	(5,935)
Trading volume (\$ in thousands) ⁽²⁾	205,527,207	45,075,646	167,313,937	16,709,088
Number of total accounts ⁽³⁾	12,051,712	4,492,227	7,622,643	2,884,896
Number of active accounts ⁽⁴⁾	1,416,735	457,389	954,489	159,531
Number of instruments traded ⁽⁵⁾	1,629	1,322	1,560	1,244
Equity securities	1,594	1,289	1,519	1,218
Debt securities	35	33	41	26
Average daily volume for the market (\$ in thousands) ⁽⁶⁾				
Equity securities	1,605,748	354,930	648,807	66,045
Debt securities	245	205	227	74
Average daily number of transactions by market ⁽⁷⁾				
Equity securities	1,505,524	542,612	787,127	56,005
Debt securities	84	81	73	32
Internalization rate (%) ⁽⁸⁾	77	76	76	61
Average trading volume per active account (\$ in thousands) ⁽⁹⁾	145	99	175	105
Average transactions per active account ⁽¹⁰⁾	136	151	213	89

⁽¹⁾ *EBITDA* is profit before tax, depreciation and amortization and before those interest expenses and interest income that do not relate to our core business, such as interest income on loans issued by non-credit institutions, interest expense on a subordinated deposit borrowed by us and interest expense on lease liabilities. EBITDA may not be comparable to similarly titled metrics of other companies. Please see “*Selected Consolidated Financial and Other Data—Non-IFRS Measures*” for a reconciliation of EBITDA, which is a non-IFRS measure, to profit before tax and an explanation of why we consider EBITDA useful.

⁽²⁾ *Trading volume* is the monetary volume of transactions with equity securities, excluding repo transactions, that are anonymously conducted (not in negotiated auction trades) on our exchange in the indicated period.

⁽³⁾ *Number of total accounts* is the total number of accounts opened on our exchange as of the indicated date. The number of total accounts reported for prior periods may retrospectively change if any accounts are blocked after the indicated date.

⁽⁴⁾ *Number of active accounts* is the total number of accounts opened on our exchange with at least one trade during the indicated period.

⁽⁵⁾ *Number of instruments traded* is the total number of instruments (securities) listed on our exchange that were traded in the indicated period.

⁽⁶⁾ *Average daily volume for the market* is calculated for each indicated market as the volume in the indicated period divided by the number of trading days.

⁽⁷⁾ *Average daily number of transactions by market* is calculated for each indicated market as the total number of transactions in the indicated period divided by the number of trading days.

⁽⁸⁾ *Internalization rate* is calculated as the total money value of orders executed on our exchange divided by the total money value of orders executed both on our exchange and routed by us to other exchanges.

⁽⁹⁾ *Average trading volume per active account* is calculated as the trading volume in the indicated period divided by the total number of active accounts in the same period.

⁽¹⁰⁾ *Average transactions per active account* is calculated as the total number of transactions in the indicated period divided by the total number of active accounts in the same period.

Please see “*Selected Consolidated Financial and Other Data—Non-IFRS Measures*,” “*Selected Consolidated Financial and Other Data—Key Indicators of Operating Performance*” and “*Presentation of Financial and Other Information*” for more information on the above.

Factors Affecting Our Financial Condition and Results of Operations

Most of our operating revenue is attributable to fee and commission income and interest income. As a result, our financial condition and results of operations are primarily driven by our success in attracting and retaining retail investors to our exchange and increasing the frequency of the transactions they enter into. This depends, in part, on our ability to build relationships with brokers, and through them, their investor clients, and offer them attractive products and execution services as compared to other exchanges. Our results of operations are also affected by our ability to enhance the efficiency of our operations as we continue to grow and by macroeconomic factors, including, in the six months ended June 30, 2021 and in 2020, the COVID-19 pandemic and related market volatility and response measures.

Market activity and macroeconomic environment

Our business and financial condition are impacted by the overall market activity and, in particular, trading volumes and market volatility. Our fee and commission income primarily consists of variable fees that depend on the price of securities and trading volumes, as well as a fixed fee component that we charge. The trading volumes of equity and debt securities and other instruments traded on our exchange have a direct impact on our fee and commission income and profitability from period to period. In the six months ended June 30, 2021, our fee and commission income increased by 248% to P3,023,334 thousand from P868,753 thousand in the six months ended June 30, 2020. Our fee and commission income increased in the year ended December 31, 2020 by 413% to P2,769,426 thousand from P539,568 thousand in the year ended December 31, 2019. The average daily volume of equity securities traded on our market increased by 352% to \$1,605,748 thousand in the six months ended June 30, 2021 from \$354,930 thousand in the six months ended June 30, 2020. In the year ended December 31, 2020, the average daily volume of equity securities traded on our market increased by 882% to \$648,807 thousand from \$66,045 thousand in the year ended December 31, 2019.

Our trading volumes are affected by macroeconomic factors in Russia and other jurisdictions and the financial prospects of the companies listed on our exchange. For instance, an increase in the number of companies going public in favorable economic conditions allows us to list a higher number of liquid equity securities on our exchange, which, combined with the increase in trading volumes, results in an increase in our fee and commission income. Adverse economic conditions, on the contrary, may result in a decline in trading volumes on our exchange, if economic conditions make investing in equity securities less popular. A deterioration of the economic success of the companies listed on our exchange may also result in reduced liquidity and lower trading prices of the securities of these companies, which in turn would reduce our fee and commission income, as well as result in fewer trades that are settled and cleared by SPB Bank and SPB Clearing, respectively. In addition, periods of low interest rates (which economies around the world have generally experienced since the 2008 financial crisis) typically encourage investors to invest in securities with perceived higher return, including the equity securities traded on our exchange, leading to higher trading volumes and fee and commission income to us, while conversely periods of higher interest rates may make equity securities less attractive as an investment. Finally, our fee and commission income may benefit during periods of market volatility, which often increases trading volumes.

In addition, the COVID-19 pandemic has created, and continues to create, significant volatility, uncertainty and economic disruption. See “*Risk Factors—Risks Relating to Our Business and Industry—Our business may be materially adversely affected by the COVID-19 pandemic*.” Our results of operations in the six months ended June 30, 2021 and in the year ended December 31, 2020 were partially driven by the elevated trading volumes and increased volatility on the securities market amidst the COVID-19 pandemic. However, there is no assurance that such trading levels will continue. Although all our business units continue to operate in a usual way, our management had to implement remote work arrangements for most of our employees during the peak infection levels, and we are also required to comply with protective measures and bear costs for personal protective equipment, disinfecting equipment for the office premises, additional disinfection, laboratory COVID-19 diagnostic and antibody tests and vaccination campaign. Our personnel expenses in the six months ended June 30, 2021 increased by 100% to P353,102 thousand from P176,405 thousand in the six months ended June 30, 2020, which reflected in part the implementation of additional protective measures and laboratory COVID-19 diagnostic and antibody

tests. In the year ended December 31, 2020, our personnel expenses increased by 102% to P509,778 thousand from P252,977 thousand in the year ended December 31, 2019, which also partially reflected our implementation of these additional protective measures. We do not believe, however, that these measures, while increasing our costs during the period, have had a significant impact on our trading and other operations. We are continuing to closely monitor the evolving impact of the COVID-19 pandemic on our industry and business in Russia and worldwide, including its effect on our brokers, investors and employees.

Our ability to increase trading by retail investors

Our trading volume and fee and commission income significantly depend on retail investor activity on our exchange, which accounted for 99% of all trades made on our exchange in 2020 (excluding market makers trades). Growth in our revenue depends, in part, on attracting increased numbers of retail investors who trade on our exchange, as well as increasing the trading activity by each investor. In the six months ended June 30, 2021, we had 1,416,735 active accounts trading on our exchange, an increase of 210% from 457,389 active accounts for the six months ended June 30, 2020. We had 954,489 active accounts trading on our exchange in the year ended December 31, 2020, an increase of 498% from 159,531 active accounts for the year ended December 31, 2019. In the six months ended June 30, 2021, average trading volume per active account was \$145 thousand, an increase of 46% from \$99 thousand for the six months ended June 30, 2020. Average trading volume per active account was \$175 thousand during the year ended December 31, 2020, an increase of 67% from \$105 thousand for the year ended December 31, 2020.

Retail trading activity is largely affected by the willingness of brokers to execute trades for their retail investor clients on our exchange. We have strong relationships with our brokers, which we believe enhances the attractiveness of our exchange for retail investors. As of June 30, 2021, we had 46 brokers registered on our exchange, including the largest Russian brokers, such as Alfa-Bank, BrokerCreditService, Credit Bank of Moscow, Freedom Finance, Gazprombank, Tinkoff and VTB, who together accounted for 99% of all trades made on our exchange in the six months ended June 30, 2021 (excluding market maker trades). We believe that the combination of a wide range of liquid foreign securities and our offering of the “Best Execution” model has enabled us to attract an increasing amount of trading activity from retail investors from Russia and other jurisdictions and accordingly resulted in an increase in our fee and commission income. Through our relationships with brokers, who pass on our offerings to their retail clients, we offer retail investors the ability to trade various foreign securities denominated in U.S. dollars and euros, which, besides diversification and exposure to new instruments, gives them the flexibility to manage currency fluctuation risks that may arise from trading solely in rubles. We also target end users through development of our information services provided by BestStocks.ru. See “*Business—Information Services.*” A number of foreign securities listed on our exchange are traded in small lots, and this retail-oriented model facilitates the inflow of retail investors to our exchange and positively impacts our fee and commission income.

In addition, as part of our marketing program, we provide brokers with rebates depending on the total transaction volume we receive from them. We update our rebates program on a regular basis, and may consider increasing the amount of rebates in the future. While the rebates, which are available to all brokers, generally decrease our revenue margins, they help us to increase the pool of our clients. In addition, the rebates offered to market participants depend on the trading volumes and thereby incentivize market participants. See “*Business—Fee Structure and Rebate Program.*”

Fee and commission rates

We derived 57% and 38% of our fee and commission income from clearing services and stock market services provided by SPB Clearing and SPB Exchange, respectively, in the six months ended June 30, 2021. In the year ended December 31, 2020, we derived 64% and 29% of our fee and commission income from clearing services and stock market services provided by SPB Clearing and SPB Exchange, respectively. Our fees include both fixed and variable components. Our clearing fee structure includes:

- a fixed membership fee, which we charge upon a broker’s registration on our exchange;
- a fixed clearing fee, which is payable by the brokers once a month for the provision of access to our exchange and is based on the fee plan applicable to the relevant clearing participant. In the six months ended June 30, 2021, fixed clearing fees totaled P83,000 thousand, compared to P57,000 thousand in the six months ended June 30, 2020. Fixed

clearing fees totaled P120,000 thousand in the year ended December 31, 2020, compared to P84,000 thousand in the year ended December 31, 2019; and

- a variable clearing fee, which is applicable to both parties to a transaction, is payable on all transactions and depends on a number of factors, including the fee plan, category of instruments and type of transaction.

When appropriate, our other fees and commissions have variable components. For instance, our fees and commissions for stock market services include a variable trading commission and a fixed fee for providing access to organized securities trading. See “—*Components of Our Results of Operations—Fee and Commission Income.*”

We believe our current fee and commission rates are attractive to retail brokers because of their simplicity, competitive basis compared with alternative access routes for Russian brokers to foreign stock exchanges and because they enable our brokers to offer their clients attractive commission rates in line with average rates on the Russian market. However, as competition on the securities market intensifies, we may have to decrease our commission levels to stay competitive, and this may adversely affect our financial condition and results of operations. We also offer brokers rebates depending on the total transaction volume we receive from them, which reduce our fee and commission revenue.

We revise our fee and commission rates from time to time. In February 2019, we began distinguishing our fees and commissions for foreign equity securities based on the type of foreign securities. We currently have four different types of foreign securities, with different variable components applicable to each type. The four types of foreign equities, which were introduced in February 2020, are as follows:

- type 1: top-15 equities (the 15 most liquid equities whose average quarterly closing price is at least \$150);
- type 2: small capitalization equities (those whose average closing price is less than \$10 for the five last trading days prior to the monthly update of the list of equities);
- type 3: equities other than types 1 and 2 with a price of \$30 (or 30 other currency units) and more per security; and
- type 4: equities other than types 1 and 2 with a price of less than \$30 (or 30 other currency units) per security.

Enhancing the efficiency of our operations

Our profitability depends on enhancing the efficiency of our operations. In the six months ended June 30, 2021, our non-variable costs (representing administrative and other expenses) accounted for 38% of our total operating expenses, compared to 38% in the six months ended June 30, 2020. Our non-variable costs (representing administrative and other expenses) in the year ended December 31, 2020 accounted for 43% of our total operating expenses, compared to 50% in the year ended December 31, 2019. Although we expect some of our administrative and other fixed expenses to increase in the future to accommodate our growth, our profitability is expected to increase if trading volumes and, consequently, our fee and commission income, continue to grow at a greater rate.

In addition, our operations are more profitable if we execute a higher number of transactions on our exchange rather than routing to other exchanges. As of June 30, 2021, our internalization rate, which represents the percentage of orders executed internally on our exchange by market makers or directly by matching orders of our brokers’ clients, was 77%, compared to 76% as of June 30, 2020. Our internalization rate was 76% as of December 31, 2020, compared to 61% as of December 31, 2019. An increase in our internalization rate results in a decrease of our operating expenses as we avoid the need to pay settlement and clearing costs for trades on other exchanges and instead keep the revenues associated with such activities ourselves. We believe that if liquidity on our exchange increases, we will continue to benefit from a relatively high internalization rate. Our internalization rate has benefitted from our extension in 2021 of trading hours to 19 and increased pre-market liquidity available before U.S. market hours.

Digitalization

The degree of digitalization in the securities market positively affects our trading volumes and fee and commission income. Based on information provided by our brokers, we believe that a significant number of transactions executed on our exchange

were implemented through mobile apps of our brokers. We believe that additional opportunities for retail investors to access our exchange through mobile apps and websites and to review and analyze available information about the instruments traded on our exchange may influence their decision to invest in these securities, which, in turn, will lead to an increase in our trading volumes and fee and commission income.

Regulatory framework

Our business is subject to a number of laws and regulations in Russia, which may expose us to significant regulatory risks and cause additional legal costs to ensure compliance. See “*Regulation.*” The existing legal framework that governs the securities markets is periodically reviewed and amended, resulting in enforcement of new laws and regulations that apply to our business, and the impact of any reform efforts on us and our operations remains uncertain. For example, any legislation that limits our ability to admit foreign securities to trading on our exchange will significantly adversely affect our business and results of operations. Compliance with any new regulatory requirements or licensing terms may require us to dedicate additional financial and operational resources, which may adversely affect our profitability. In addition, compliance with regulations may require our brokers to dedicate significant financial and operational resources, which may negatively affect their ability to pay our fees and commissions and use our exchange and, as a result, our profitability. See “*Risk Factors—Risks Relating to Our Business and Industry—We operate in a highly regulated sector, and any failure to comply with the current requirements or significant regulatory changes may have a material adverse effect on our business and operations.*”

However, under certain circumstances, regulation may increase demand for our services and solutions. For example, under a draft regulation recently proposed by the CBR, Russian stock exchanges will be able to list and trade foreign exchange-traded funds starting from April 2022. This will allow us to increase the number of liquid foreign instruments traded on our exchange. However, under a related set of amendments, Russian retail investors will be required to successfully pass tests to be able to invest in a number of financial instruments as set out in CBR regulations. See “*Regulation—New Developments in Capital Markets Regulation.*” If we decide to expand our operations into these market segments in the future, we may be unable to effectively develop these segments due to this limitation.

Components of Our Results of Operations

Fee and Commission Income

We recognize fee and commission income as services are performed and as we satisfy our obligations to provide a service to customers. Fee and commission income is recognized at a point in time when we meet our obligations to complete the transaction or service. In cases where our performance obligations are completed over time, fee and commission income is recognized on a straight-line or volume-based basis over that period, representing the continuous transfer of services during that time. In cases where there is a fixed annual fee for a service, fee and commission income is recognized rateably throughout the service period. Further details on types of fee and commission income and respective explanation on recognition are set out below.

Clearing Center Services

Through SPB Clearing, we collect payments for providing access to clearing services and a clearing fee, which comprises fixed and variable components and is calculated on the basis of tariff plans that apply to clearing participants, as well as other fees and commissions for providing services related to clearing.

Stock Market Services

Fees for stock market services primarily include a variable trading commission and a fixed fee for providing access to organized securities trading.

Brokerage Services

Through SPB Bank, we collect fees for acting as a broker to foreign and several Russian financial intermediaries who do not have a local brokerage license and are thus unable to participate directly on a Russian-based exchange. Our

brokerage license enables us to provide brokerage services to foreign brokers so that their clients, by having their orders routed through SPB Bank, may participate in the Russian securities market.

Information Services

We generate revenue from providing summarized information about securities traded on our exchange on a subscription basis and data on risk rates that may be used to determine the amount of initial margin for brokers' clients. The amount comprises fixed and variable fees depending on the number of instruments for which the information is provided.

Servicing and Maintaining Bank Accounts

Through SPB Bank, we collect fees from clients for opening and maintaining settlement and current accounts in rubles and foreign currencies, making payments in Russia and abroad, performing cash transactions, providing acceptance and transfer of cash on accounts, providing online banking services using the "client-bank" system, purchasing and selling foreign currencies for rubles on stock and interbank markets, issuing statements of transactions and account status, issuing copies of payment documents, issuing cash collection and forwarding of valuables, as well as acting as a currency control agent.

Repository Services

Through SPB Exchange acting as a repository, we collect fees for centralized post-trading collection and electronic storage of data on over-the-counter transactions with financial instruments.

Listing Services

Fees for listing services include fees for performing preliminary document review, inclusion of securities in the securities list, listing of securities during placement (service rendered to issuers of securities) or during trading (service rendered to issuers of securities and other stakeholders) and maintaining securities in the list, as well as registration of exchange-traded bonds.

Depository Operations

SPB Bank collects fees for the opening and maintenance of, and issuing statements for, depository accounts, issuing statements of transactions performed, performing inventory transactions with securities, registering securities in the shareholders' register and acting as a settlement depository.

Other operating income

We generate other income from brokerage activity other than fee and commission income.

Interest Income

We receive interest income on repurchase agreements, financial assets at fair value through other comprehensive income, loans issued and financial assets at amortized cost. Interest income of all categories is calculated based on the effective interest rate method.

Net Trade and Investment Income/(Expenses)

Net trade and investment income/(expenses) is comprised of gains less losses/(losses less gains) from financial instruments mandatorily classified as at fair value through profit or loss, from derivative financial instruments with securities as an underlying asset and from financial instruments classified as at fair value through other comprehensive income.

Net Income from Dealing in Foreign Currencies

Net income from dealing in foreign currencies is comprised of net income or losses from derivative financial instruments with foreign currency as an underlying asset, revaluation of foreign currency denominated assets and liabilities, as well as purchase and sale of foreign currency.

Other Operating Income

Our other operating income comprises income from participation in an incentive program established for us by one of our brokers. See “—Results of Operations for the Six Months Ended June 30, 2021 and 2020—Other Operating Income” and “—Results of Operations for the Years Ended December 31, 2020 and 2019—Other Operating Income.” Income from the program is recognized on a monthly basis depending on achievement of the specified terms of the program.

Operating Expenses

Our primary categories of operating expenses are direct operating expenses, interest expense and provision for impairment of financial assets.

Direct operating expenses consist of expenses related to our business, such as brokerage, market maker, clearing and other services. Our brokerage expenses consist of commissions paid by SPB Clearing to other brokers. Our market maker expenses are comprised of payments by SPB Exchange to market makers for liquidity support. Our clearing expenses consist of clearing costs paid to MOEX and foreign exchanges for transactions entered into by SPB Bank. We recognize direct operating expenses, which are incurred upon our operating activities. Expenses related to trading, clearing, brokerage and banking services are recognized on a per transaction basis at a point the service is received by us. Other expenses are recognized on a straight-line or volume-based basis over time.

Interest expense consists of interest payable on loans and borrowings, reverse repurchase agreements, leases and current accounts and deposits from customers. Interest expense in all categories is calculated on the basis of the effective interest rate method.

Provision for impairment of financial assets, except for provision for accounts receivable, are charged for the 12-month expected credit losses. Provision for accounts receivable are charged for the lifetime expected credit losses, *i.e.*, less than 12 months.

Gross Operating Result

Gross operating result represents total operating revenue less direct operating expenses, interest expense and provision for impairment of financial assets.

Administrative Expenses

Administrative expenses consist of personnel expenses, which include short-term employee benefits and mandatory contributions to state funds, material maintenance and software support expenses, including software licensing fees, amortization of intangible assets and information and advisory services expenses, which are comprised of expenses related to audit, consulting, law and data protecting services. During the six months ended June 30, 2021, we wrote off intangible assets related to clearing operations on the commodity section due to the cessation of these operations on SPB Exchange.

Segments

For financial reporting purposes, our business is organized into four operating segments:

- clearing and central counterparty services;
- trade organizer services;

- brokerage, depository, banking and settlement depository services; and
- information and technical support services.

See “—Results of Operations by Segments.”

Results of Operations

Below are our results of operations for the six months ended June 30, 2021 and 2020 and the years ended December 31, 2020 and 2019:

(P in thousands)	For the six months ended June 30,		For the year ended December 31,	
	2021	2020	2020	2019
	(unaudited)			
Fee and commission income	3,023,334	868,753	2,769,426	539,568
Interest income	205,608	119,927	279,333	170,722
Net trade and investment income/(expenses)	4,086	2,613	16,743	(12,033)
Net (loss)/income from dealing in foreign currencies....	(2,923)	20,002	75,016	17,348
Other operating income	248,040	42,261	154,287	—
Total operating revenue	3,478,145	1,053,556	3,294,805	715,605
Direct operating expenses	(945,672)	(367,374)	(902,785)	(300,622)
Interest expense	(38,808)	(26,373)	(53,960)	(50,390)
(Provision for impairment)/reversal of provision for impairment of financial assets	(5,128)	8,803	(8,524)	(3,593)
Gross operating result	2,488,537	668,612	2,329,536	361,000
Administrative expenses	(560,516)	(237,228)	(713,398)	(355,139)
Other income	—	—	1,948	114
Other expenses	(33,483)	(2,026)	(22,193)	(5,000)
Profit/(loss) before tax	1,894,538	429,358	1,595,893	975
Income tax expense	(394,029)	(89,805)	(327,079)	(6,910)
Profit/(loss) for the period	1,500,509	339,553	1,268,814	(5,935)
Profit/(loss) attributable to:				
Equity holders of the parent	1,421,441	301,777	1,197,635	(26,545)
Non-controlling interest	79,068	37,776	71,179	20,610
Basic earnings/(loss) per share, RUB	12.46	3.05	11.41	(0.35)
Diluted earnings/(loss) per share, RUB	12.46	2.83	10.94	(0.35)
Other comprehensive (loss)/income, including:	(19,828)	(1,827)	(5,694)	29,193
(Losses)/gains from revaluation of financial assets at fair value through other comprehensive income (less income tax)	(19,828)	(1,827)	(5,694)	29,193
Total comprehensive income	1,480,681	337,726	1,263,120	23,258
Attributable to:				
Equity holders of the parent	1,406,785	300,430	1,193,437	(5,020)
Non-controlling interest	73,896	37,296	69,683	28,278

Results of Operations for the Six Months Ended June 30, 2021 and 2020

Fee and Commission Income

Below is our fee and commission income, broken down by source, for the six months ended June 30, 2021 and 2020 and as a percentage of total fee and commission income:

	For the six months ended June 30,				Change, P in thousands%	% Increase / (Decrease) Rate
	2021 (P in thousands)	2021 (% of fee and commission income)	2020 (P in thousands)	2020 (% of fee and commission income)		
	(unaudited)					
Fee and commission income						
Clearing center services.....	1,708,141	57	627,617	72	1,080,524	172
Stock market services	1,134,416	38	184,217	21	950,199	516
Brokerage services	134,983	5	12,256	1	122,727	1,001
Information services	14,805	—	11,279	2	3,526	31
Software	12,250	—	90	—	12,160	13,511
Repository services.....	5,160	—	4,730	1	430	9
Information and technical support services	4,835	—	2,812	1	2,023	72
Outsourcing	2,319	—	2,218	—	101	5
Listing services.....	2,065	—	2,935	1	(870)	(30)
Servicing and maintaining bank accounts.....	1,796	—	10,913	2	(9,117)	(84)
Market maker services.....	1,282	—	2,021	—	(739)	(37)
Depository operations	720	—	1,043	—	(323)	(31)
Commodity market services...	—	—	5,835	1	(5,835)	(100)
Other fee and commission income	562	—	787	—	(225)	(29)
Total fee and commission income	<u>3,023,334</u>	<u>100</u>	<u>868,753</u>	<u>100</u>	<u>2,154,581</u>	<u>248</u>

Our fee and commission income, broken down by operating segments, for the six months ended June 30, 2021 is as follows:

(P in thousands)	Six months ended June 30, 2021					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
	(unaudited)					
Clearing center services	1,708,141	—	—	—	—	1,708,141
Stock market services	—	1,135,172	—	—	(756)	1,134,416
Brokerage services	—	—	140,162	—	(5,179)	134,983
Information services	13,605	1,620	—	—	(420)	14,805
Software	840	10,018	—	12,160	(10,768)	12,250
Repository services	—	5,820	—	—	(660)	5,160
Information and technical support services	—	—	—	6,553	(1,718)	4,835
Outsourcing	—	—	2,319	—	—	2,319
Listing services	—	2,065	—	—	—	2,065
Servicing and maintaining bank accounts	—	—	2,138	—	(342)	1,796
Market maker services	—	—	1,282	—	—	1,282
Depository operations	—	—	30,107	—	(29,387)	720
Commodity market services	—	—	—	—	—	—
Other fee and commission income	9	765	636	—	(848)	562
Total fee and commission income	<u>1,722,595</u>	<u>1,155,460</u>	<u>176,644</u>	<u>18,713</u>	<u>(50,078)</u>	<u>3,023,334</u>
<i>Intersegment income</i>	<u>(840)</u>	<u>(12,418)</u>	<u>(35,103)</u>	<u>(1,717)</u>	<u>50,078</u>	<u>—</u>
Total fee and commission income excluding intersegmental operations	<u>1,721,755</u>	<u>1,143,042</u>	<u>141,541</u>	<u>16,996</u>	<u>—</u>	<u>3,023,334</u>

Our fee and commission income, broken down by operating segments, for the six months ended June 30, 2020 is as follows:

	Six months ended June 30, 2020					
(P in thousands)	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
	(unaudited)					
Clearing center services	627,755	—	—	—	(138)	627,617
Stock market services	—	184,220	—	—	(3)	184,217
Brokerage services	—	—	13,016	—	(760)	12,256
Information services	10,795	544	—	—	(60)	11,279
Software	840	143	—	—	(893)	90
Repository services	—	5,110	—	—	(380)	4,730
Information and technical support services	—	—	—	3,281	(469)	2,812
Outsourcing	—	—	2,218	—	—	2,218
Listing services	—	2,935	—	—	—	2,935
Servicing and maintaining bank accounts	—	—	11,242	—	(329)	10,913
Market maker services	—	—	63,427	—	(61,406)	2,021
Depository operations	—	—	17,962	—	(16,919)	1,043
Commodity market services	—	5,835	—	—	—	5,835
Other fee and commission income	862	41	520	—	(636)	787
Total fee and commission income	640,252	198,828	108,385	3,281	(81,993)	868,753
<i>Intersegment income</i>	<i>(1,614)</i>	<i>(496)</i>	<i>(79,414)</i>	<i>(469)</i>	<i>81,993</i>	<i>—</i>
Total fee and commission income excluding intersegmental operations .	638,638	198,332	28,971	2,812	—	868,753

Our total fee and commission income increased by 248% to P3,023,334 thousand for the six months ended June 30, 2021 from P868,753 thousand for the six months ended June 30, 2020, primarily due to an increase in clearing center and stock market services revenue. Our fee and commission income significantly correlates with trading volume; however, some of the commissions we receive have a significant fixed component. Our anonymous equity trading volume (not negotiated auction trades) in the six months ended June 30, 2021 increased by 356% (compared with the six months ended June 30, 2020), while our total fee and commission income increased by only 248% in the same period. Our income from clearing center services and stock market services, which are mostly linked to trading volumes and have an insignificant non-variable component, grew by 172% and 516%, respectively, in the six months ended June 30, 2021 compared with the six months ended June 30, 2020. In addition, while our income from brokerage services increased to P134,983 thousand for the six months ended June 30, 2021 from P12,256 thousand for the six months ended June 30, 2020, other services related to fee and commission income, which have a significant non-variable component, increased only by 3% in the six months ended June 30, 2021 compared with the six months ended June 30, 2020.

Clearing center services. The increase in our fee and commission income attributable to clearing center services by 172% to P1,708,141 thousand for the six months ended June 30, 2021 from P627,617 thousand for the six months ended June 30, 2020 was mainly a result of the 4.6-fold increase in our trading volume (which increased to \$206 billion in the six months ended June 30, 2021 from \$45 billion in the six months ended June 30, 2020), primarily driven by a 210% increase in the number of active accounts and a 177% increase in the average number of trades per trading day.

Stock market services. Our fee and commission income from stock market services increased to ₱1,134,416 thousand for the six months ended June 30, 2021 from ₱184,217 thousand for the six months ended June 30, 2020, mainly due to the increase in our trading volume.

Brokerage services. Our fee and commission income derived from brokerage services increased to ₱134,983 thousand for the six months ended June 30, 2021 from ₱12,256 thousand for the six months ended June 30, 2020. The increase was primarily driven by the overall increase in our commissions in the six months ended June 30, 2021 and the increase in the trading volume generated by SPB Bank's clients on various exchanges. These brokerage services are rendered by SPB Bank to a relatively small pool of its own clients, which is different from the pool of clients of SPB Exchange.

Information services. The increase in our fee and commission income attributable to information services by 31% to ₱14,805 thousand for the six months ended June 30, 2021 from ₱11,279 thousand for the six months ended June 30, 2020 was primarily due to an increase in demand from a number of brokers that require information for marginal trading operations, which, to some extent, was impacted by the increase in the number of stocks traded on our exchange.

Software. Our fee and commission income derived from software increased by ₱12,250 thousand for the six months ended June 30, 2021 from ₱90 thousand for the six months ended June 30, 2020. The increase was mainly due to the increase in sales of access to licensed software equipment provided by Best Stocks to legal entities and the introduction of new services, such as the sale of subscription-based information services to individuals.

Servicing and maintaining bank accounts. Our fee and commission income derived from servicing and maintaining bank accounts decreased by 84% to ₱1,796 thousand for the six months ended June 30, 2021 from ₱10,913 thousand for the six months ended June 30, 2020. The decrease was mainly due to the activities of a significant client that ceased making foreign currency purchase and sale transactions at SPB Bank in the six months ended June 30, 2021.

Interest Income

Interest income increased by 71% to ₱205,608 thousand for the six months ended June 30, 2021 from ₱119,927 thousand for the six months June 30, 2020, primarily as a result of an increase of interest received under our reverse repurchase agreement (repo) operations, mainly due to the growth in trading volume and the accompanying increase in clients' assets available for overnight repo operations.

Net Trade and Investment Income

Net trade and investment income increased to ₱4,086 thousand for the six months ended June 30, 2021 from ₱2,613 thousand for the six months ended June 30, 2020.

Net trade and investment income for the six months ended June 30, 2021 was comprised of SPB Bank's gain of ₱7,609 thousand earned from financial instruments at fair value through other comprehensive income trade operations, which was offset by a realized loss from financial instruments mandatorily classified as at fair value through profit or loss in the amount of ₱4,544 thousand and by gains from derivative financial assets with securities as an underlying asset in the amount of ₱1,021 thousand.

Net (Loss)/Income from Dealing in Foreign Currencies

Net loss from dealing in foreign currencies amounted ₱2,923 thousand for the six months ended June 30, 2021, compared to net income of ₱20,002 thousand for the six months ended June 30, 2020. The difference was mainly due to the activities of a significant client that ceased making foreign currency purchase and sale transactions at SPB Bank in the six months ended June 30, 2021.

Other Operating Income

In the six months ended June 30, 2021, we derived other operating income amounting to ₱248,040 thousand from participation in an incentive program established for us by one of our brokers, compared to ₱42,261 thousand in the six months ended June 30, 2020. Under the program, we receive income from the broker, depending on the volume of certain

business activities between the Company and the broker during a specified period of time. The income is calculated and settled on a monthly basis. The Company expects to continue receiving income under this program in the future; however, such income is expected to decrease as a percentage of the Company's total operating revenues as we plan to engage additional brokers and add new products under various commercial agreements.

Direct Operating Expenses

Below are our direct operating expenses, broken down by source, for the six months ended June 30, 2021 and 2020 and as a percentage of total direct operating expenses:

For the six months ended June 30,					
	2021	2021	2020	2020	
	(P in thousands)	(% of direct operating expenses)	(P in thousands)	(% of direct operating expenses)	% Increase/ (Decrease) Rate
	(unaudited)				
Direct operating expenses					
Brokerage services	(474,089)	50	(289,433)	79	(184,656) 64
Market maker services	(363,042)	38	(14,352)	4	(348,690) 2,430
Depository services	(51,624)	6	(12,256)	3	(39,368) 321
Clearing services	(18,813)	2	(22,177)	6	3,364 (15)
Obtaining market data	(16,760)	2	(6,790)	2	(9,970) 147
Technical and software support services	(11,645)	1	(5,285)	1	(6,360) 120
Stock market services	(9,699)	1	(17,081)	5	7,382 (43)
Total direct operating expenses	<u>(945,672)</u>	<u>100</u>	<u>(367,374)</u>	<u>100</u>	<u>(578,298)</u> <u>157</u>

Below are our direct operating expenses, broken down by segments, for the six months ended June 30, 2021:

Six months ended June 30, 2021					
(unaudited)					
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions
	Total				
Direct operating expenses					
Brokerage services	(478,463)	—	(791)	—	5,165 (474,089)
Market maker services	—	(363,042)	—	—	— (363,042)
Depository services	(78,304)	—	(2,709)	—	29,389 (51,624)
Clearing services	—	—	(18,813)	—	— (18,813)
Obtaining market data	(420)	(16,385)	(135)	(240)	420 (16,760)
Technical and software support services	(2,094)	(10,565)	—	(2,109)	3,123 (11,645)
Stock market services	—	—	(9,795)	—	96 (9,699)
Total direct operating expenses	<u>(559,281)</u>	<u>(389,992)</u>	<u>(32,243)</u>	<u>(2,349)</u>	<u>38,193</u> <u>(945,672)</u>

Below are our direct operating expenses, broken down by segments, for the six months ended June 30, 2020:

Six months ended June 30, 2020						
(unaudited)						
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Direct operating expenses						
Brokerage services	(283,969)	—	(6,223)	—	759	(289,433)
Market maker services ...	—	(75,758)	—	—	61,406	(14,352)
Depository services	(26,370)	—	(2,835)	—	16,949	(12,256)
Clearing services	—	—	(22,177)	—	—	(22,177)
Obtaining market data	—	(6,772)	(18)	—	—	(6,790)
Technical and software support services	(1,675)	(3,880)	(37)	(1,381)	1,688	(5,285)
Stock market services	—	—	(17,081)	—	—	(17,081)
Total direct operating expenses	<u>(312,014)</u>	<u>(86,410)</u>	<u>(48,371)</u>	<u>(1,381)</u>	<u>80,802</u>	<u>(367,374)</u>

Our total direct operating expenses increased by 157% to P945,672 thousand for the six months ended June 30, 2021 from P367,374 thousand for the six months ended June 30, 2020, mainly due to increases in direct expenses related to market maker services period-to-period, which resulted from the approximately 4.6-fold increase in our trading volume in the six months ended June 30, 2021, compared with the six months ended June 30, 2020. The growth rate of direct operating expenses in the six months ended June 30, 2021 compared with the six months ended June 30, 2020 (157% period-to-period) was lower than the growth rate in equity trading volume (356% period-to-period) and revenues (248% period-to-period), primarily due to the lower growth of routing expenses relative to trading volume, as a result of an increase in the internalization rate to 77% in the six months ended June 30, 2021 from 76% in the six months ended June 30, 2020, as well as lower external brokers' routing commissions (per equity security routed) in the six months ended June 30, 2021. Non-routing direct operating expenses grew by 505%, primarily due to the growth in expenses related to market maker services in the six months ended June 30, 2021.

Brokerage services. The increase in our direct operating expenses attributable to brokerage services by 64% to P474,089 thousand for the six months ended June 30, 2021 from P289,433 thousand for the six months ended June 30, 2020 was mainly the result of the increase in our routing expenses following the increase in our trading volume. However, the relative increase in brokerage services expenses was lower than the trading volume and revenue increase for the reasons explained above.

Market maker services. Our operating expenses related to market maker services increased to P363,042 thousand for the six months ended June 30, 2021 from P14,352 thousand for the six months ended June 30, 2020, mainly due to the increase in trading volume.

Clearing services. Our operating expenses attributable to clearing services decreased by 15% to P18,813 thousand for the six months ended June 30, 2021 from P22,177 thousand for the six months ended June 30, 2020, mainly due to the decrease of services from third parties (however, in the six months ended June 30, 2021, SPB Clearing on a standalone basis provided a greater amount of clearing services compared to the six months ended June 30, 2020).

Interest Expense

Interest expense increased by 47% to P38,808 thousand for the six months ended June 30, 2021 from P26,373 thousand for the six months ended June 30, 2020, mainly as a result of an increase in the volume of repo transactions required to hedge SPB Bank's risks in connection with its market maker activity on the Eurobond market and an increase in the other interest

expenses to ₱6,336 thousand from ₱186 thousand. In the six months ended June 30, 2021, other interest expenses primarily consisted of interest on accounts payables to NP RTS under the agreement to purchase software for stock trading, clearing, stock data storage, reports generation and other functions, which amounted to ₱6,253 thousand. The purchase price amounted to ₱400,000 thousand, of which ₱200,000 thousand was paid by us in December 2020 (see “*Related Party Transactions—Relationship with NP RTS—Purchase Agreement*”).

(Provision for Impairment)/Reversal of Provision for Impairment of Financial Assets

Provision for impairment of financial assets amounted to ₱5,128 thousand for the six months ended June 30, 2021, compared with the reversal of provision for impairment of financial assets of ₱8,803 thousand for the six months ended June 30, 2020. The change in allowance for cash and cash equivalent by ₱6,041 thousand was mainly due to the increase in cash on clearing accounts in a bank by ₱11,569,088 thousand. The change in allowance for amounts due from financial institutions by ₱4,564 thousand was primarily as a result of the cash placements with institutions with various credit ratings and the change in provision for repo agreements by ₱14 thousand and on accounts receivable by ₱718 thousand, mainly comprised of a large number of provisions with insignificant individual values due to a large number of various counterparties. The net change in provision for impairment on loans and borrowings issued by ₱2,919 thousand was due to the reversal of allowance for a repaid loan issued to NP RTS (see “*Related Party Transactions—Relationship with NP RTS—Loan Agreements*”) and the recognized allowance for a new loan issued to Matching Solutions (“*Related Party Transactions—Relationship with Matching Solutions—Loan Agreements*”).

Administrative Expenses

Below are our administrative expenses, broken down by source, for the six months ended June 30, 2021 and 2020 and as a percentage of total administrative expenses:

	For the six months ended June 30,					
	2021	2021	2020	2020	Change, P in thousands	% Increase/ (Decrease) Rate
	(P in thousands)	(% of administrative expenses)	(P in thousands)	(% of administrative expenses)		
	(unaudited)					
Administrative expenses						
Remuneration to employees.....	(282,999)	50	(138,303)	58	(144,696)	105
Social insurance contributions ...	(70,103)	13	(38,102)	16	(32,001)	84
Information and advisory services	(62,399)	11	(11,519)	5	(50,880)	442
Amortization of intangible assets.....	(38,054)	7	(5,138)	2	(32,916)	641
Taxes (other than income tax and social insurance contributions).....	(23,220)	4	(5,738)	3	(17,482)	305
Loss from write-off of intangible assets	(20,927)	4	—	—	(20,927)	100
Maintenance and software support expenses.....	(13,885)	2	(8,289)	4	(5,596)	68
Depreciation of property and equipment	(8,851)	2	(4,445)	2	(4,406)	99
Communications	(8,691)	2	(5,481)	2	(3,210)	59
License fees and intellectual property usage expenses	(8,385)	1	(7,289)	3	(1,096)	15
Office supplies.....	(4,602)	1	(3,255)	1	(1,347)	41
Rebranding expenses	(3,543)	1	—	—	(3,543)	100
Banking.....	(3,457)	1	(1,916)	1	(1,541)	80
Current repair and maintenance.	(2,785)	—	(2,923)	1	138	(5)
Lease and maintenance of office premises and equipment	(2,248)	—	(442)	—	(1,806)	409
Advertising	(1,995)	—	(287)	—	(1,708)	595
Representations expenses	(972)	—	(412)	—	(560)	136
Other	(3,400)	1	(3,689)	2	289	(8)
Total.....	(560,516)	100	(237,228)	100	(323,288)	136

Administrative expenses increased by 136% to P560,516 thousand for the six months ended June 30, 2021 from P237,228 thousand for the six months ended June 30, 2020, primarily as a result of an increase in personnel expenses and internal information and advisory services by 105% and 442%, or to P282,999 thousand and P62,399 thousand, respectively.

Personnel expenses. The increase in personnel expenses, comprised of remuneration to employees and social insurance contributions, was primarily due to the substantial scaling of our business and hiring new employees as a result of a substantial extension of our operations and development of new business lines, including derivatives, clearing participation certificates and foreign exchange trading, which required additional staff recruiting. There was a 23% (or 74 people) rise in the headcount as of June 30, 2021 compared with June 30, 2020, including IT, customer services and marketing and sales personnel. The increase in personnel expenses in the six months ended June 30, 2021 also reflected in part the implementation of additional protective measures and laboratory COVID-19 diagnostic and antibody tests (see “—Factors Affecting Our Financial Condition and Results of Operations—Market activity and macroeconomic environment”).

Information and advisory services. The increase in Information and advisory services by 442% to P62,399 thousand was mainly due to the increase in audit and consulting services fees to prepare for capital raising activities.

Other Expenses

Other expenses increased to P33,483 thousand for the six months ended June 30, 2021 from P2,026 thousand for the six months ended June 30, 2020, primarily due to P29,178 thousand of withholding tax on income received by ultimate recipients paid by us.

Income Tax Expense

Income tax expense for the six months ended June 30, 2021 amounted to P394,029 thousand, compared to P89,805 thousand for the six months ended June 30, 2020. Our effective tax rate was 20.80% the six months ended June 30, 2021, compared to 20.92% in the six months ended June 30, 2020, as some of our group companies generated losses from operating activities, offsetting the tax paid by others which generated taxable income. Income tax in the six months ended June 30, 2021 was also affected by accrued intragroup dividends and payments (which are non-deductible) to self-regulated financial organizations (no intragroup dividends were paid in the six months ended June 30, 2020). The increase in income tax expense was mainly attributable to an increase in taxable profit in the six months ended June 30, 2021 compared with the six months ended June 30, 2020.

Profit for the Period

As a result of the above factors, our total profit for the six months ended June 30, 2021 was P1,500,509 thousand, as compared to a profit of P339,553 thousand for the six months ended June 30, 2020.

Results of Operations for the Years Ended December 31, 2020 and 2019

Fee and Commission Income

Below is our fee and commission income, broken down by source, for the years ended December 31, 2020 and 2019 and as a percentage of total fee and commission income:

	For the year ended December 31,					
	2020	2020	2019	2019	Change, P in thousands	% Increase/ (Decrease) Rate
	(P in thousands)	(% of fee and commission income)	(P in thousands)	(% of fee and commission income)		
Fee and commission income						
Clearing center services	1,760,944	64	226,165	42	1,534,779	679
Stock market services.....	780,407	29	100,720	19	679,687	675
Brokerage services	134,237	5	122,677	23	11,560	9
Information services.....	24,916	1	20,862	4	4,054	19
Servicing and maintaining bank accounts	24,831	1	14,335	3	10,496	73
Repository services	9,790	—	7,777	1	2,013	26
Listing services.....	9,546	—	8,456	2	1,090	13
Commodity market services.	6,442	—	8,784	1	(2,342)	(27)
Information and technical support services	6,353	—	5,197	1	1,156	22
Outsourcing	4,548	—	4,657	1	(109)	(2)
Market maker services	2,998	—	9,449	2	(6,451)	(68)
Depository operations	2,075	—	7,426	1	(5,351)	(72)
Other fee and commission income	2,339	—	3,063	—	(724)	(24)
Total fee and commission income	<u>2,769,426</u>	<u>100</u>	<u>539,568</u>	<u>100</u>	<u>2,229,858</u>	<u>413</u>

Our fee and commission income, broken down by operating segments, for the year ended December 31, 2020 is as follows:

For the year ended December 31, 2020						
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Clearing center services.....	1,761,474	—	—	—	(530)	1,760,944
Stock market services	—	780,413	—	—	(6)	780,407
Brokerage services.....	—	—	137,996	—	(3,759)	134,237
Information services	23,757	1,747	288	—	(875)	24,917
Servicing and maintaining bank accounts	—	—	25,313	—	(482)	24,831
Repository services.....	—	10,780	—	—	(990)	9,790
Listing services.....	—	9,591	—	—	(45)	9,546
Commodity market services	—	6,442	—	—	—	6,442
Information and technical support services	—	—	—	7,807	(1,454)	6,353
Outsourcing	—	—	4,548	—	—	4,548
Market maker services.....	—	—	98,532	—	(95,534)	2,998
Depository operations.....	—	—	68,319	—	(66,244)	2,075
Other fee and commission income.	3,067	2,315	1,213	591	(4,847)	2,339
Total fee and commission income.....	<u>1,788,297</u>	<u>811,288</u>	<u>336,209</u>	<u>8,398</u>	<u>(174,766)</u>	<u>2,769,426</u>
<i>Intersegment income.....</i>	<i>(3,274)</i>	<i>(3,625)</i>	<i>(166,413)</i>	<i>(1,454)</i>	<i>174,766</i>	<i>—</i>
Total fee and commission income excluding intersegmental operations	<u>1,785,023</u>	<u>807,663</u>	<u>169,796</u>	<u>6,944</u>	<u>—</u>	<u>2,769,426</u>

Our fee and commission income, broken down by operating segments, for the year ended December 31, 2019 is as follows:

(P in thousands)	For the year ended December 31, 2019					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
Clearing center services.....	226,186	—	—	—	(21)	226,165
Stock market services	—	100,726	—	—	(6)	100,720
Brokerage services.....	—	—	123,984	—	(1,307)	122,677
Information services	19,715	1,327	—	—	(180)	20,862
Servicing and maintaining bank accounts	—	—	14,675	—	(340)	14,335
Repository services	—	8,437	—	—	(660)	7,777
Listing services	—	8,460	—	—	(4)	8,456
Commodity market services	—	8,784	—	—	—	8,784
Information and technical support services	—	—	—	5,562	(365)	5,197
Outsourcing	—	—	4,657	—	—	4,657
Market maker services.....	—	—	47,209	—	(37,760)	9,449
Depository operations	—	—	8,948	—	(1,522)	7,426
Other fee and commission income	3,630	—	4,281	—	(4,848)	3,063
Total fee and commission income	249,531	127,734	203,754	5,562	(47,013)	539,568
<i>Intersegment income</i>	<i>(3,227)</i>	<i>(849)</i>	<i>(42,571)</i>	<i>(366)</i>	<i>47,013</i>	<i>—</i>
Total fee and commission income excluding intersegmental operations	246,304	126,885	161,183	5,196	—	539,568

Our total fee and commission income increased by 413% to ₱2,769,426 thousand for the year ended December 31, 2020 from ₱539,568 thousand for the year ended December 31, 2019, primarily due to an increase in clearing center and stock market services revenue. Our fee and commission income significantly correlates with trading volume; however, some of the commissions we receive have a significant fixed component. Our anonymous equity trading volume (not negotiated auction trades) increased by 901% year-on-year, while our total fee and commission income increased by only 413% in the same period. While our income from clearing center services and stock market services, which are mostly linked to trading volumes and have an insignificant non-variable component, grew by 679% and 675%, respectively, year-on-year, other services related to fee and commission income, which have a significant non-variable component, increased only by 7% year-on-year.

Clearing center services. The increase in our fee and commission income attributable to clearing center services by 679% to ₱1,760,944 thousand for the year ended December 31, 2020 from ₱226,165 thousand for the year ended December 31, 2019 was mainly a result of the approximately ten-fold increase in our trading volume (which increased to \$167 billion in the year ended December 31, 2020 from \$17 billion in the year ended December 31, 2019), primarily driven by a 498% increase in the number of active accounts and a 1,305% increase in the average number of trades per trading day.

Stock market services. Our fee and commission income from stock market services increased by 675% to ₱780,407 thousand for the year ended December 31, 2020 from ₱100,720 thousand for the year ended December 31, 2019, mainly due to the increase in our trading volume.

Brokerage services. Our fee and commission income derived from brokerage services increased by 9% to ₱134,237 thousand for the year ended December 31, 2020 from ₱122,677 thousand for the year ended December 31, 2019. The increase was primarily driven by the overall increase in our commissions in 2020 and the increase in the trading volume generated by SPB Bank's clients on various exchanges. These brokerage services are rendered by SPB Bank to a relatively small pool of its own clients, which is different from the pool of clients of SPB Exchange.

Information services. The increase in our fee and commission income attributable to information services by 19% to P24,916 thousand for the year ended December 31, 2020 from P20,862 thousand for the year ended December 31, 2019 was primarily due to an increase in demand from a number of brokers that require information for marginal trading operations, which, to some extent, was impacted by the increase in the number of stocks traded on our exchange.

Servicing and maintaining bank accounts. Our fee and commission income derived from servicing and maintaining bank accounts increased by 73% to P24,831 thousand for the year ended December 31, 2020 from P14,335 thousand for the year ended December 31, 2019. The increase was mainly due to the increase in servicing commissions resulting from a large volume of currency exchange operations conducted by one of our participants in the year ended December 31, 2020.

Interest Income

Interest income increased by 64% to P279,333 thousand for the year ended December 31, 2020 from P170,722 thousand for the year ended December 31, 2019, primarily as a result of an increase of interest received under our reverse repurchase agreement (repo) operations, mainly due to the growth in trading volume and the accompanying increase in clients' assets available for overnight repo operations.

Net Trade and Investment Income/(Expenses)

Net trade and investment income/(expenses) increased to income of P16,743 thousand for the year ended December 31, 2020 from expenses of P12,033 thousand for the year ended December 31, 2019.

Net trade and investment income for the year ended December 31, 2020 amounted to P16,743 thousand and was mainly comprised of SPB Bank's gain of P15,877 thousand earned from financial instruments at fair value through other comprehensive income, a realized loss of financial assets at fair value through profit or loss in the amount of P6,093 thousand (which was partially offset by gains from derivative financial instruments with securities as an underlying asset in the amount of P5,932 thousand) and a gain from the assigned share option personnel plan in the amount of P970 thousand.

Net trade and investment loss generated in the year ended December 31, 2019 amounted to P12,033 thousand and was primarily comprised of SPB Clearing's loss in the amount of P3,775 thousand, mainly as a result of trading with financial instruments at fair value through profit or loss and SPB Bank's loss in the amount of P8,257 thousand, primarily due to P17,562 thousand losses from trading in Russian federal loan bonds (OFZs) (which were partly offset by P4,382 thousand gains from derivative financial instruments and gains from financial instruments in the amount of P4,939 thousand at fair value through other comprehensive income). The results of our trading operations with securities depend to a large degree on securities revaluations which are not easy to predict and forecast.

Net Income from Dealing in Foreign Currencies

Net income from dealing in foreign currencies increased by 332% to P75,016 thousand for the year ended December 31, 2020 from P17,348 thousand for the year ended December 31, 2019, primarily as a result of a P258,246 thousand change in currency-nominated assets and liabilities revaluation for the year ended December 31, 2020, partially offset by negative changes in net losses from derivative financial instruments with foreign currency as an underlying asset and net gains/(losses) from purchase and sale of foreign currency of P73,497 thousand and P127,081 thousand, respectively.

Other Operating Income

In 2020, we derived other operating income amounting to P154,287 thousand from participation in an incentive program established for us by one of our brokers, compared to nil in 2019. Under the program, we receive income from the broker depending on the volume of certain business activities between the Company and the broker during a specified period of time.

Direct Operating Expenses

Below are our direct operating expenses, broken down by source, for the years ended December 31, 2020 and 2019 and as a percentage of total direct operating expenses:

	For the year ended December 31,					
	2020	2020	2019	2019	Change, P in	% Increase/ (Decrease) Rate
	(P in thousands)	(% of direct operating expenses)	(P in thousands)	(% of direct operating expenses)	thousands	
Direct operating expenses						
Brokerage services	(602,167)	67	(146,154)	49	(456,013)	312
Market maker services	(120,217)	13	(11,143)	4	(109,074)	979
Clearing services	(76,844)	9	(24,401)	8	(52,443)	215
Depository services	(39,698)	4	(72,725)	24	33,027	(45)
Stock market services	(27,695)	3	(18,432)	6	(9,263)	50
Obtaining market data	(19,907)	2	(12,448)	4	(7,459)	60
Technical and software support services	(12,315)	1	(12,847)	4	532	(4)
Submitting applications	(3,942)	1	(2,091)	1	(1,851)	89
Other direct operating expenses	—	—	(381)	—	381	(100)
Total direct operating expenses ...	<u>(902,785)</u>	<u>100</u>	<u>(300,622)</u>	<u>100</u>	<u>(602,163)</u>	<u>200</u>

Below are our direct operating expenses, broken down by segments, for the year ended December 31, 2020:

	For the year ended December 31, 2020					
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository	Information and technical activities support	Elimination of intragroup transactions	Total
Direct operating expenses						
Brokerage services	(606,038)	—	(8,252)	—	12,123	(602,167)
Market maker services	—	(215,752)	—	—	95,535	(120,217)
Clearing services	—	—	(76,844)	—	—	(76,844)
Depository services	(100,743)	—	(5,279)	—	66,324	(39,698)
Stock market services	—	—	(27,695)	—	—	(27,695)
Obtaining market data	—	(19,877)	(35)	—	5	(19,907)
Technical and software support services	(5,120)	(9,819)	(35)	(2,853)	5,512	(12,315)
Submitting applications	—	—	(3,942)	—	—	(3,942)
Total direct operating expenses .	<u>(711,901)</u>	<u>(245,448)</u>	<u>(122,082)</u>	<u>(2,853)</u>	<u>179,499</u>	<u>(902,785)</u>

Below are our direct operating expenses, broken down by segments, for the year ended December 31, 2019:

	For the year ended December 31, 2019					
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository	Information and technical activities support	Elimination of intragroup transactions	Total
Direct operating expenses						
Brokerage services	(114,095)	—	(40,628)	—	8,569	(146,154)
Market maker services	—	(48,903)	—	—	37,760	(11,143)
Clearing services	—	—	(24,401)	—	—	(24,401)
Depository services	(64,708)	—	(9,592)	—	1,575	(72,725)
Stock market services	—	—	(18,432)	—	—	(18,432)
Submitting applications	—	—	(2,091)	—	—	(2,091)
Technical and software support services	(3,835)	(6,279)	—	(2,733)	—	(12,847)
Obtaining market data	—	(12,448)	—	—	—	(12,448)
Other direct operating expenses	(101)	(3,446)	—	(162)	3,328	(381)
Total direct operating expenses ..	(182,739)	(71,076)	(95,144)	(2,896)	51,232	(300,622)

Our total direct operating expenses increased by 200% to P902,785 thousand for the year ended December 31, 2020 from P300,622 thousand for the year ended December 31, 2019, mainly due to increases in direct expenses related to brokerage and market maker services year-on-year, which resulted from the approximately ten-fold increase in our trading volume in the year ended December 31, 2020 compared with the year ended December 31, 2019. The growth rate of direct operating expenses in 2020 compared with 2019 (200% year-on-year) was lower than the growth rate in equity trading volume (901% year-on-year) and revenues (413% year-on-year), primarily due to the lower growth of routing expenses (the largest component of operating expenses) relative to trading volume, as a result of an increase in the internalization rate to 76% in the year ended December 31, 2020 from 61% in the year ended December 31, 2019, as well as lower external brokers' routing commissions (per equity security routed) in 2020. Non-routing direct operating expenses grew by only 95%, resulting in a reduction of the overall direct operating expenses growth rate to 200% in the year ended December 31, 2020.

Brokerage services. The increase in our direct operating expenses attributable to brokerage services by 312% to P602,167 thousand for the year ended December 31, 2020 from P146,154 thousand for the year ended December 31, 2019 was mainly the result of the increase in our routing expenses following the increase in our trading volume. However, the relative increase in brokerage services expenses was lower than the trading volume and revenue increase, for the reasons explained above. Brokerage services revenue increased by only 9% in the year ended December 31, 2020, since it only includes revenue of SPB Bank from its brokerage services rendered to a small pool of its clients.

Market maker services. Our operating expenses related to market maker services increased by 979% to P120,217 thousand for the year ended December 31, 2020 from P11,143 thousand for the year ended December 31, 2019, mainly due to the 901% increase in our equity trading volume in the year ended December 31, 2020 compared with the year ended December 31, 2019.

Clearing services. Our operating expenses attributable to clearing services increased by 215% to P76,844 thousand for the year ended December 31, 2020 from P24,401 thousand for the year ended December 31, 2019, primarily as a result of an increased demand for services provided by SPB Bank to clients trading on our exchange and MOEX driven by the general increase in trading operations conducted by SPB Bank's clients on our exchange and on MOEX.

Other direct operating expenses. Our other direct operating expenses amounted to nil for the year ended December 31, 2020 and P381 thousand for the year ended December 31, 2019. Our other direct operating expenses in 2019 were primarily comprised of expenses for information and consulting services.

Interest Expense

Interest expense increased by 7% to P53,960 thousand for the year ended December 31, 2020 from P50,390 thousand for the year ended December 31, 2019, mainly as a result of the increase in the volume of repo transactions required to hedge SPB Bank's risks in connection with its market maker activity on the Eurobond market.

Provision for Impairment of Financial Assets

Provision for impairment of financial assets increased by 137% to P8,524 thousand for the year ended December 31, 2020 from P3,593 thousand for the year ended December 31, 2019. The change in allowance for cash and cash equivalent by P3,048 thousand was mainly due to the increase in cash on clearing accounts in a bank by P8,557,105 thousand. The change in allowance for amounts due from financial institutions by P5,511 thousand was primarily as a result of the cash placements with institutions with various credit ratings and the change in provision for repo agreements by P1,755 thousand and on accounts receivable by P2,684 thousand, mainly comprised of a large number of provisions with insignificant individual values due to a large number of various counterparties. Additional charges on these categories of financial assets were partly offset by a decrease in provision for impairment on loans and borrowings issued by P4,474 thousand due to the increase of credit rating of borrowers compared to the expenses incurred in the year ended December 31, 2019.

Administrative Expenses

Below are our administrative expenses, broken down by source, for the years ended December 31, 2020 and 2019 and as a percentage of total administrative expenses:

	For the year ended December 31,					
	2020	2020	2019	2019	Change, P	% Increase/ (Decrease)
	P in thousands	(% of administrative expenses)	(P in thousands)	(% of administrative expenses)	in thousands	Rate
Administrative expenses.....						
Personnel expenses, including social insurance contributions.....	(509,778)	71	(252,977)	71	(256,801)	102
Information and advisory services.....	(61,760)	9	(20,696)	5	(41,064)	198
Loss from write-off of intangible assets and revaluation of fixed assets	(29,429)	4	—	—	(29,429)	100
Amortization of intangible assets	(15,254)	2	(9,107)	3	(6,147)	67
License fees and intellectual property usage expenses	(14,066)	2	(8,981)	3	(5,085)	57
Maintenance and software support expenses	(16,698)	2	(8,524)	2	(8,174)	96
Taxes other than income tax	(12,884)	2	(9,032)	3	(3,852)	43
Depreciation of property and equipment	(12,462)	2	(7,560)	2	(4,902)	65
Communications	(11,878)	2	(11,916)	3	38	—
Office supplies.....	(8,193)	1	(3,184)	1	(5,009)	157
Current repair and maintenance.....	(6,193)	1	(5,874)	2	(319)	5
Banking	(4,193)	1	(6,585)	2	2,392	(36)
Representation expenses	(1,798)	—	(1,848)	1	50	(3)
Lease and maintenance of office premises and equipment	(1,020)	—	(1,176)	—	156	(13)
Advertising	(483)	—	(670)	—	187	(28)
Security	(230)	—	(306)	—	76	(25)
Insurance	(90)	—	(725)	—	635	(88)
Other	(6,989)	1	(5,978)	2	(1,011)	17
Total.....	(713,398)	100	(355,139)	100	(358,259)	101

Administrative expenses increased by 101% to ₱713,398 thousand for the year ended December 31, 2020 from ₱355,139 thousand for the year ended December 31, 2019.

Personnel expenses. Personnel expenses, comprised of personal expenses and social insurance contributions, increased by 102% to ₱509,778 thousand in the year ended December 31, 2020, mainly due to both hiring new employees as a result of a substantial extension of our operations and development of new business lines, including derivatives, clearing participation certificates and foreign exchange trading, which required additional staff recruiting, and annual bonuses awarded to our staff at the end of 2020 amounting to ₱80,437 thousand, excluding social insurance contributions (in 2019, we did not pay any such bonuses). The rest of the increase in the personnel expenses was due to social insurance contribution from annual bonuses amounting to ₱12,420 thousand and due to the substantial scaling of our business amounting to ₱163,945 thousand. The latter was accompanied by a 42% (or 59 people) rise in the headcount as of the year ended December 31, 2020 compared with the end of the year ended December 31, 2019, including IT, customer services and marketing and sales personnel. The employee increase was also partly caused by obtaining a license as a non-bank credit organization for one of our subsidiaries in October 2020, which required hiring new personnel. The increase in our personnel expenses in the year ended December 31, 2020 also partially reflected our implementation of COVID-19 protective measures (see “—Factors Affecting Our Financial Condition and Results of Operations—Market activity and macroeconomic environment”).

Information and advisory services. The increase in information and advisory services by 198% to ₱61,760 thousand was mainly due to the increase in audit fees.

Loss from write-off of intangible assets and revaluation of fixed assets. In 2020, we incurred a loss from write-off of intangible assets in the amount of ₱5,985 thousand, which consisted of cost of intangible assets amounting to ₱10,164 thousand less amortization amounting to ₱4,179 thousand and a loss from revaluation of fixed assets amounting to ₱23,444 thousand, which consisted of negative revaluation attributable to revalued amount of fixed assets amounting to ₱26,874 thousand and related depreciation amounting to ₱3,430 thousand.

Other Expenses

Other expenses increased by 344% to ₱22,193 thousand for the year ended December 31, 2020 from ₱5,000 thousand for the year ended December 31, 2019, primarily due to an increase in payments to self-regulated organizations, as well as to newly incurred other miscellaneous expenses not recognized in the year ended December 31, 2019. We make payments to self-regulated organizations to support stock market development, to provide us with an opportunity to discuss our business questions with key stock market players, to provide us with access to market information and to receive methodological support from these self-regulated organizations.

Income Tax Expense

Income tax expense for the year ended December 31, 2020 amounted to ₱327,079 thousand, compared to ₱6,910 thousand for the year ended December 31, 2019. Our effective tax rate was 21% in 2020, compared to 709% in 2019, as some of our group companies generated losses from operating activities, offsetting the tax paid by others which generated taxable income. Income tax in the year ended December 31, 2019 was also affected by accrued intragroup dividends and payments (which are non-deductible) to self-regulated financial organizations (no intragroup dividends were paid in 2020). The increase in income tax expense was mainly attributable to an increase in taxable profit in the year ended December 31, 2020 year-on-year.

Profit/(Loss) for the Period

As a result of the above factors, our total profit for the year ended December 31, 2020 was ₱1,268,814 thousand, as compared to a loss of ₱5,935 thousand for the year ended December 31, 2019.

Results of Operations by Segments

We generally manage our business based on the products and services we offer, rather than on the profitability of a specific segment. Fee and commission income is allocated to the segment which performed the related services, offset by direct operating expenses of the segment receiving the fee and commission income. For instance:

- revenue of SPB Clearing is mainly comprised of clearing fees and some commissions for information services;
- SPB Exchange, acting as trade organizer, receives trading fees and commissions for repository, listing, commodity market services and also some information services commissions;
- our brokerage depository, banking and settlement depository income comes primarily from brokerage services, fees for servicing and maintaining bank accounts, market maker services, depository operations and outsourcing; and
- income of our information and technical support segment is comprised of commissions for information and technical support.

Below are our results of operations for the six months ended June 30, 2021 and 2020 on a segment basis:

(P in thousands)	Six months ended June 30, 2021					
	(unaudited)					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
Fee and commission income from external customers	1,722,595	1,155,460	176,644	18,713	(50,078)	3,023,334
<i>Intersegment fee and commission income</i>	840	12,417	35,103	1,718	(50,078)	—
Interest income	116,776	3,895	85,941	536	(1,540)	205,608
Net trade and investment income/(expenses)	(502)	—	4,588	—	—	4,086
Net income from dealing in foreign currencies	(503)	174	(2,542)	(52)	—	(2,923)
Other operating income	—	—	248,040	—	—	248,040
Total operating revenue	1,838,366	1,159,529	512,671	19,197	(51,618)	3,478,145
Direct operating expenses, including:	(559,281)	(389,992)	(32,243)	(2,349)	38,193	(945,672)
<i>Intersegment direct operating expenses</i>	(35,411)	(1,486)	(95)	(1,201)	38,193	—
Interest expense	(12,082)	(6,432)	(21,869)	(37)	1,612	(38,808)
(Provision for impairment)/ reversal of provision for impairment of financial assets ..	(25,385)	(1,175)	11,868	535	9,029	(5,128)
Gross operating result	1,241,618	761,930	470,427	17,346	(2,784)	2,488,537
Administrative expenses	(128,995)	(228,101)	(185,360)	(30,894)	12,834	(560,516)
Other expenses	(29,178)	(3,269)	(1,036)	—	—	(33,483)
Profit/(loss) before tax	1,083,445	530,560	284,031	(13,548)	10,050	1,894,538
Income tax (expense)/benefit	(222,478)	(107,899)	(61,652)	6	(2,006)	(394,029)
Profit/(loss) for the period	860,967	422,661	222,379	(13,542)	8,044	1,500,509

(P in thousands)	Six months ended June 30, 2020					
	(unaudited)					
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Fee and commission income from external customers	640,252	198,828	108,385	3,281	(81,993)	868,753
Intersegment fee and commission income.....	1,614	496	79,414	469	(81,993)	—
Interest income	35,500	8,889	82,840	792	(8,094)	119,927
Net trade and investment income/ (expenses)	1,072	221	1,655	—	(335)	2,613
Net income from dealing in foreign currencies	3,854	(95)	16,243	—	—	20,002
Other operating income	—	—	42,261	—	—	42,261
Total operating revenue	<u>680,678</u>	<u>207,843</u>	<u>251,384</u>	<u>4,073</u>	<u>(90,422)</u>	<u>1,053,556</u>
Direct operating expenses, including:	(312,014)	(86,410)	(48,371)	(1,381)	80,802	(367,374)
Intersegment direct operating expenses	(17,770)	(63,019)	—	(13)	80,802	—
Interest expense	(333)	(267)	(31,922)	(53)	6,202	(26,373)
(Provision for impairment)/ reversal of provision for impairment of financial assets ..	(1,090)	(475)	5,004	6,029	(665)	8,803
Gross operating result	<u>367,241</u>	<u>120,691</u>	<u>176,095</u>	<u>8,668</u>	<u>(4,083)</u>	<u>668,612</u>
Administrative expenses	(38,335)	(54,099)	(146,496)	(954)	2,655	(237,228)
Other expenses	(26)	(2,000)	—	—	—	(2,026)
Profit/(loss) before tax	<u>328,880</u>	<u>64,592</u>	<u>29,600</u>	<u>7,714</u>	<u>(1,428)</u>	<u>429,358</u>
Income tax (expense)/benefit	(66,188)	(14,399)	(7,846)	(1,543)	171	(89,805)
Profit/(loss) for the period.....	<u>262,692</u>	<u>50,193</u>	<u>21,754</u>	<u>6,171</u>	<u>(1,257)</u>	<u>339,553</u>

Clearing and Central Counterparty

Total fee and commission income attributable to our clearing and central counterparty segment, excluding intersegmental operations, increased by 170% to P1,721,755 thousand for the six months ended June 30, 2021 from P638,638 thousand for the six months ended June 30, 2020, mainly due to the 172% increase in our income from clearing center services, which increased to P1,708,141 thousand in the six months ended June 30, 2021 from P627,617 thousand in the six months ended June 30, 2020.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our clearing and central counterparty segment increased by 115% to P719,510 thousand for the six months ended June 30, 2021 from P334,028 thousand for the six months ended June 30, 2020, primarily due to an increase in direct operating expenses by 157% period-on-period. This increase was lower than the relative fee and commission income (excluding intersegment operations) increase of 248%, primarily due to an increase in our internalization rate to 77% in the six months ended June 30, 2021 from 76% in the six months ended June 30, 2020, and a decrease in broker commissions per equity security routed to other exchanges.

As a result of the above, net profit of our clearing and central counterparty segment, excluding intersegment operations, increased to P860,967 thousand for the six months ended June 30, 2021 from P262,692 thousand for the six months ended June 30, 2020.

Trade Organizer

Total fee and commission income, excluding intersegmental operations, attributable to our trade organizer segment increased by 476% to P1,143,043 thousand for the six months ended June 30, 2021 from P198,332 thousand for the six months ended

June 30, 2020, mainly due to the growth of our operations. The segment's growth rate of 476% is larger than the corresponding total Group growth rate of 248%, since the former, to a larger extent than the latter, is comprised of trading fee income, which reflects the trade volume dynamics.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our trade organizer segment increased by 682% to P627,483 thousand for the six months ended June 30, 2021 from P80,232 thousand for the six months ended June 30, 2020, primarily as a result of the growth in direct operating expenses due to the trading volume and in administrative expenses due to hiring and education of new staff in the six months ended June 30, 2021, as well as the increase in our trading volume.

As a result of the above, net profit of our trade organizer segment, excluding intersegmental operations, amounted to P422,661 thousand for the six months ended June 30, 2021, compared to net profit of P50,193 thousand for the six months ended June 30, 2020.

Brokerage, Depository, Banking and Settlement Depository

Total fee and commission income, excluding intersegmental operations, attributable to our brokerage, depository, banking and settlement depository segment increased by 389% to P141,541 thousand for the six months ended June 30, 2021 from P28,971 thousand for the six months ended June 30, 2020, mainly due to an increase in the trading volume of operations executed by SPB Bank. This income does not correlate with the money value of our trading volumes as the client pools of our exchange and SPB Bank differ.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our brokerage, depository, banking and settlement depository segment increased by 3% to P228,545 thousand for the six months ended June 30, 2021 from P221,785 thousand for the six months ended June 30, 2020, primarily due to an increase in routing commissions paid to external brokers as a result of the significant increase in trading volume on our exchange in the six months ended June 30, 2021 compared with the six months ended June 30, 2020. We pay routing commissions to outside brokers when our clients' and market makers' orders are sent for execution to another venue or market instead of being executed internally on our exchange.

As a result of the above, net profit of our brokerage, depository, banking and settlement depository segment, excluding intersegmental operations, amounted to P222,379 thousand for the six months ended June 30, 2021, compared to P21,754 thousand for the six months ended June 30, 2020.

Information and Technical Support

Total fee and commission income, excluding intersegmental operations, attributable to our information and technical support segment increased by 504% to P16,996 thousand for the six months ended June 30, 2021 from P2,812 thousand for the six months ended June 30, 2020, mainly as a result of an increase in demand from a number of brokers that require information for marginal trading operations, which, in turn, was primarily due to the increase in the number of additional logins purchased by our participants and purchases of extended functionality, as well as due to the increase in sales of access to the license software equipment provided by Best Stocks to legal entities and the introduction of new services, such as the sale of subscription-based information services to individuals. As a result, Best Stocks earned revenue of P12,160 thousand for the six months ended June 30, 2021, while there was no revenue for the first six months ended June 30, 2020.

Total expenses represented by direct operating expenses, interest expense, administrative expenses and other expenses, excluding intersegmental operations, and including reversal of provision for impairment of financial assets, incurred by our information and technical support segment increased to P31,544 thousand for the six months ended June 30, 2021 from P3,654 thousand of income for the six months ended June 30, 2020, primarily due to expenses of Best Stocks, our subsidiary, which is a joint project with Prytek incorporated in 2020 and engaged in provision of analytical services. The key expenses were comprised of salary costs and license amortization totaling P13,052 thousand and P194 thousand, respectively.

As a result of the above, net loss of our information and technical support segment, excluding intersegmental operations, amounted to P13,542 thousand for the six months ended June 30, 2021, compared to a net profit of P6,171 thousand for the six months ended June 30, 2020.

Below are our results of operations for the years ended December 31, 2020 and 2019 on a segment basis:

(P in thousands)	Year ended December 31, 2020					
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Fee and commission income from external customers	1,785,023	807,663	169,796	6,944	—	2,769,426
<i>Intersegment fee and commission income</i>	<i>3,274</i>	<i>3,625</i>	<i>166,413</i>	<i>1,454</i>	<i>(174,766)</i>	<i>—</i>
Interest income	122,739	14,149	150,258	1,593	(9,406)	279,333
Net trade and investment income/(expenses)	5,320	221	15,716	—	(4,514)	16,743
Net income from dealing in foreign currencies	61,764	(24)	13,276	—	—	75,016
Other operating income	—	—	154,287	—	—	154,287
Total operating revenue	<u>1,978,120</u>	<u>825,634</u>	<u>669,746</u>	<u>9,991</u>	<u>(188,686)</u>	<u>3,294,805</u>
Direct operating expenses, including:	(711,901)	(245,448)	(122,082)	(2,853)	179,499	(902,785)
<i>Intersegment direct operating expenses</i>	<i>(71,906)</i>	<i>(98,766)</i>	<i>(51)</i>	<i>(464)</i>	<i>171,187</i>	<i>—</i>
Interest expense	(4,004)	(783)	(47,891)	(97)	(1,185)	(53,960)
(Provision for impairment)/Reversal of provision for impairment of financial assets	(21,370)	(6,212)	(17,542)	6,024	30,576	(8,524)
Gross operating result	<u>1,240,845</u>	<u>573,191</u>	<u>482,231</u>	<u>13,065</u>	<u>20,204</u>	<u>2,329,536</u>
Administrative expenses	(136,504)	(203,701)	(361,076)	(13,206)	1,089	(713,398)
Other income	102	—	1,846	—	—	1,948
Other expenses	(101)	(7,000)	(15,092)	—	—	(22,193)
Profit/(loss) before tax	<u>1,104,342</u>	<u>362,490</u>	<u>107,909</u>	<u>(141)</u>	<u>21,293</u>	<u>1,595,893</u>
Income tax expense	(222,789)	(75,655)	(22,204)	(369)	(6,062)	(327,079)
Profit/(loss) for the period	<u>881,553</u>	<u>286,835</u>	<u>85,705</u>	<u>(510)</u>	<u>15,231</u>	<u>1,268,814</u>

(P in thousands)	Year ended December 31, 2019					
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Fee and commission income from external customers	246,304	126,885	161,183	5,196	—	539,568
<i>Intersegment fee and commission income</i>	<i>3,227</i>	<i>849</i>	<i>42,571</i>	<i>366</i>	<i>(47,013)</i>	<i>—</i>
Interest income	23,770	920	152,442	1,567	(7,977)	170,722
Net trade and investment income/(expenses)	(8,270)	8,505	83,390	—	(95,658)	(12,033)
Net income from dealing in foreign...	(5,877)	373	22,852	—	—	17,348
Total operating revenue	259,154	137,532	462,438	7,129	(150,648)	715,605
Direct operating expenses, including:	(182,739)	(71,076)	(95,143)	(2,896)	51,232	(300,622)
<i>Intersegment direct operating expenses</i>	<i>(3,227)</i>	<i>(849)</i>	<i>(42,571)</i>	<i>(366)</i>	<i>47,013</i>	<i>—</i>
Interest expense	(554)	(645)	(48,093)	(108)	(990)	(50,390)
(Provision for impairment)/Reversal of provision for impairment of financial assets	(461)	(6,038)	299	(1,179)	3,786	(3,593)
Gross operating result	75,400	59,773	319,501	2,946	(96,620)	361,000
Administrative expenses	(45,789)	(67,694)	(243,069)	(2,078)	3,491	(355,139)
Other income	126	37	24	—	(73)	114
Other expenses	(1,380)	(5,000)	—	—	1,380	(5,000)
Profit/(loss) before tax	28,357	(12,884)	76,456	868	(91,822)	975
Income tax expense	(9,839)	(1,481)	(10,345)	(184)	14,939	(6,910)
Profit/(loss) for the period	18,518	(14,365)	66,111	684	(76,883)	(5,935)

Clearing and Central Counterparty

Total fee and commission income attributable to our clearing and central counterparty segment, excluding intersegment operations, increased by 625% to P1,785,023 thousand for the year ended December 31, 2020 from P246,304 thousand for the year ended December 31, 2019, mainly due to the 679% increase in our income from clearing center services, which increased to P1,760,944 thousand in the year ended December 31, 2020.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our clearing and central counterparty segment increased by 252% to P801,872 thousand for the year ended December 31, 2020 from P227,570 thousand for the year ended December 31, 2019, primarily due to an increase in direct operating expenses by 257% year-on-year. This increase was lower than the relative fee and commission income (excluding intersegment operations) increase of 625%, primarily due to an increase in our internalization rate to 76% in the year ended December 31, 2020 from 61% in the year ended December 31, 2019 and a decrease in broker commissions per equity security routed to other exchanges.

As a result of the above, net profit of our clearing and central counterparty segment, excluding intersegment operations, increased to P950,185 thousand for the year ended December 31, 2020 from P18,518 thousand for the year ended December 31, 2019.

Trade Organizer

Total fee and commission income, excluding intersegmental operations, attributable to our trade organizer segment increased by 537% to P807,663 thousand for the year ended December 31, 2020 from P126,885 thousand for the year ended December 31, 2019, mainly due to the growth of our operations. The segment's growth rate of 537% is larger than the

corresponding total Group growth rate of 413% since the former, to a larger extent than the latter, is comprised of trading fee income, which reflects the trade volume dynamics.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our trade organizer segment increased by 144% to P364,378 thousand for the year ended December 31, 2020 from P149,567 thousand for the year ended December 31, 2019, primarily as a result of the growth in direct operating expenses due to the trading volume and in administrative expenses due to hiring and education of new staff in the year ended December 31, 2020, as well as the increase in our trading volume.

As a result of the above, net profit of our trade organizer segment, excluding intersegmental operations, amounted to P381,976 thousand for the year ended December 31, 2020, compared to net loss of P14,365 thousand for the year ended December 31, 2019.

Brokerage, Depository, Banking and Settlement Depository

Total fee and commission income excluding intersegmental operations attributable to our brokerage, depository, banking and settlement depository segment represented by SPB Bank increased by 5% to P169,796 thousand for the year ended December 31, 2020 from P161,183 thousand for the year ended December 31, 2019, mainly due to an increase in the trading volume of operations executed by SPB Bank. This income does not correlate with the money value of our trading volumes as the client pools of our exchange and SPB Bank differ.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our brokerage, depository, banking and settlement depository segment increased by 64% to P561,786 thousand for the year ended December 31, 2020 from P343,411 thousand for the year ended December 31, 2019, primarily due to an increase in routing commissions paid to external brokers as a result of the significant increase in trading volume on our exchange in the year ended December 31, 2020 year-on-year. We pay routing commissions to outside brokers when our clients' and market makers' orders are sent for execution to another venue or market instead of being executed internally on our exchange.

As a result of the above, the results of our brokerage, depository, banking and settlement depository segment, excluding intersegmental operations, amounted to a P80,657 thousand net loss for the year ended December 31, 2020, compared to a P66,111 thousand net profit for the year ended December 31, 2019.

Information and Technical Support

Total fee and commission income, excluding intersegmental operations, attributable to our information and technical support segment increased by 34% to P6,944 thousand for the year ended December 31, 2020 from P5,196 thousand for the year ended December 31, 2019, mainly as a result of an increase in demand from a number of brokers that require information for marginal trading operations, which, in turn, was primarily due to the increase in the number of additional logins purchased by our participants and purchases of extended functionality.

Total expenses represented by direct operating expenses, interest expense, provision for impairment of financial assets, administrative expenses and other expenses, excluding intersegmental operations, incurred by our information and technical support segment increased by 64% to P9,668 thousand for the year ended December 31, 2020 from P5,895 thousand for the year ended December 31, 2019, primarily due to expenses of Best Stocks, our subsidiary, which is a joint project with Prytek incorporated in 2020 and engaged in provision of analytical services. While Best Stocks generated no revenue in 2019 and 2020, it incurred administrative expenses of P10.6 thousand in 2020 (compared with nil in 2019). The key expenses were comprised of salary costs and license amortization totaling P8.3 thousand and P1.8 thousand, respectively.

As a result of the above, net loss of our information and technical support segment, excluding intersegmental operations, amounted to P1,500 thousand for the year ended December 31, 2020, compared to a net profit of P684 thousand for the year ended December 31, 2019.

Liquidity and Capital Resources

As of June 30, 2021, we had cash and cash equivalents of P26,011,138 thousand. Our cash and cash equivalents consisted primarily of clearing accounts with Russian banks (P20,908,429 thousand) and correspondent accounts (P4,764,469 thousand).

We believe that, based on our current operating plan, our existing cash and cash equivalents, together with or without the proceeds of this Offering, will be sufficient to meet our anticipated cash needs to finance capital expenditures and operating expenses dedicated to business expansion for at least the next twelve months from the date of this Offering Memorandum. Although we believe that, following the completion of this Offering, we will have sufficient cash and cash equivalents to cover our capital expenditures and operating expenses in the ordinary course of business and to continue to expand our business, we may, from time to time, explore additional financing sources.

As of June 30, 2021 and as of December 31, 2020, our accounts payable amounted to P606,995 thousand and P460,081 thousand, respectively.

Cash Flows

The following table summarizes our cash flows for the six months ended June 30, 2021 and 2020 and the years ended December 31, 2020 and 2019:

(P in thousands)	For the six months ended		For the year ended	
	June 30,		December 31,	
	2021	2020	2020	2019
	(unaudited)			
Net cash flows from/(used in) operating activities	16,413,672	3,039,067	9,474,064	(193,662)
Net cash flows (used in)/from investing activities	(357,419)	(201,650)	(465,871)	864,944
Net cash flows (used in)/from financing activities	(11,067)	806,508	815,317	21,012

Net cash flows from/(used in) operating activities

During the six months ended June 30, 2021, we generated P16,413,672 thousand from our operating activities, compared to P3,039,067 thousand generated from operating activities in the six months ended June 30, 2020. This increase was primarily attributable to clients' guarantee funds placed in banks clearing accounts caused by the approximately 4.6-fold increase in our trading volume in the six months ended June 30, 2021, compared with the six months ended June 30, 2020.

During the year ended December 31, 2020, we generated P9,474,064 thousand from our operating activities, compared to P193,662 thousand used in operating activities during the year ended December 31, 2019. This change was primarily attributable to the increase in clients' guarantee funds placed in banks clearing accounts caused by the approximately ten-fold increase in our trading volume in the year ended December 31, 2020 compared with the year ended December 31, 2019.

Net cash flows (used in)/from investing activities

During the six months ended June 30, 2021, we used P357,419 thousand in our investing activities, compared to P201,650 thousand used in investing activities in the six months ended June 30, 2020. This change was mainly due to the net increase in financial assets at fair value through other comprehensive income in the amount of P471,556 thousand, the cash outflow due to loans issued in the six months ended June 30, 2020 in the amount of P127,551 thousand and cash inflow due to the repayment of loans issued in the six months ended June 30, 2021 in the amount of P191,798 thousand.

During the year ended December 31, 2020, we used P465,871 thousand in our investing activities, compared to P864,944 thousand generated from investing activities during the year ended December 31, 2019. This change was mainly due to the acquisition of property, equipment, intangible assets and loans issued during 2020 to NP RTS (see "Related Party Transactions—Relationship with NP RTS") and a decrease in the volume of financial assets at fair value through other comprehensive income in 2019. In 2020, we acquired from NP RTS multifunctional software for stock trading, clearing, stock data storage, reports generation and other functions we have utilized since 2014 under a license agreement, as we

consider this intangible asset critical for our business (see “*Related Party Transactions—Relationship with NP RTS—License Agreements*”).

Net cash flows (used in)/from financing activities

During the six months ended June 30, 2021, we used P11,067 thousand in our financing activities, compared to P806,508 thousand generated from our financing activities during the six months ended June 30, 2020. The main change in net cash flows from financing activities was due to the proceeds from the share issuance in the six months ended June 30, 2020 in the amount of P817,001 thousand compared to nil in the six months ended June 30, 2021.

During the year ended December 31, 2020, we generated P815,317 thousand from our financing activities, compared to P21,012 thousand during the year ended December 31, 2019. Net cash generated by financing activities in 2020 primarily represented proceeds from an additional issue of our Shares, compared to a decrease in cash due to dividends paid by SPB Bank in 2019, offset by a cash decrease from disposal of treasury shares.

Capital Expenditures

In the six months ended June 30, 2021 and 2020, our capital expenditures were P81,324 thousand and P58,570 thousand, respectively, and mainly included expenses related to our stock trading and clearing software systems. Our capital expenditures for the years ended December 31, 2020 and 2019 were P587,185 thousand and P8,332 thousand, respectively, and mainly included expenses related to our stock trading and clearing software systems. We also acquired new servers and office equipment to support our significant growth in the recent years.

Borrowings

As of June 30, 2021, December 31, 2020 and 2019, our borrowings represented the amortized cost of one subordinated ruble-denominated deposit from NP RTS, our shareholder, received by SPB Bank. The deposit matures in 2027, and the interest rate is equal to the key rate of the CBR. See “*Related Party Transactions—Relationship with NP RTS—Subordinated Deposit Agreement*.”

Off-Balance Sheet Arrangements

As described in Note 19 to our consolidated financial statements for the years ended December 31, 2020 and 2019, which are included elsewhere in this Offering Memorandum, certain securities received under repo transactions and used as collateral, and rights and obligations under the concluded but not fulfilled sale and purchase agreements with respect to securities are reported off-balance sheet.

Quantitative and Qualitative Disclosures about Market Risk

In the normal course of business we are exposed to various risks, including, but not limited to, credit, market (including currency and interest rate risk) and liquidity risks. We regularly assess each of these risks to minimize any negative effects on our business as a result of these factors. For a detailed discussion and sensitivity analysis of our exposure to these risks, see Note 32 to our consolidated financial statements for the years ended December 31, 2020 and 2019 included elsewhere in this Offering Memorandum.

New Standards, Interpretations and Amendments Adopted by Us

The following material amendments to the existing standards became effective on or after January 1, 2019.

IFRS 16 Leases

IFRS 16 Leases became effective on January 1, 2019, and we changed our accounting policies amending the procedure for recognition, measurement, presentation and disclosure of leases in our financial statements.

We recognize right-of-use assets and lease liabilities at the lease commencement date. Right-of-use assets are initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, adjusted for the purposes of recognition of revalued lease liabilities.

Lease liabilities are initially measured at the present value of lease payments not yet made at the commencement date of the lease and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, our incremental borrowing rate. We use the market borrowing rate as a discount rate.

Subsequently, the carrying amount of a lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. It is re-measured where there is a change in future lease payments resulting from a change in an index or a rate, or where there is a change in the expected amounts payable under residual value guarantees, or a change in the assessment of whether the purchase or renewal options are reasonably certain to be exercised or the termination option is reasonably certain not to be exercised, where applicable.

The effect on the consolidated financial statements at the transition date is as follows:

(P in thousands)	January 1, 2019
Operating lease payments due (less than 1 year) recognized in the financial statements at December 31, 2018 within contingencies	7,474
Future lease payments under IFRS 16 considering the expected lease terms and renewal options	12,849
Effect of discounting	(2,453)
Lease liabilities	17,870
Right-of-use assets	17,870

At the transition date, we recognized lease liabilities in the amount of P17,870 thousand, and right-of-use assets in the equal amounts. The transfer to accounting for leases under IFRS 16 *Leases* had no impact on retained earnings for previous periods.

Internal Control over Financial Reporting

In the course of preparing our financial statements for the years ended December 31, 2020 and 2019 for this Offering, we and our auditors identified control deficiencies that we concluded represented material weaknesses in our internal control over financial reporting. The material weaknesses identified for the years ended December 31, 2020 and 2019 include (i) the lack of internal control over IFRS financial statement close process, including a sufficient number of personnel with appropriate knowledge and expertise and (ii) ineffective information technology general controls in our IT systems related to accounting and reporting due to lack of controls over user access rights and segregation of duties and controls over change management. To address these material weaknesses, in 2021, we developed and have begun to execute a remediation plan that includes hiring additional personnel, developing internal financial control, internal audit and financial management quality assessment procedures, and implementing and improving existing integrated automated systems for reports preparation and verification with the involvement of external consultants. Our remediation plan for improvement of internal controls over our IT systems includes developing an IT strategy in 2022, establishing the control matrix within each key information system used by our group companies and analyzing and adjusting IT and information security internal documentation. We will not be able to fully remediate these material weaknesses until these steps have been completed and have been operating effectively for a sufficient period of time. We cannot assure you that the measures we have taken to date, and any actions we may take in the future, will be sufficient to remediate the control deficiencies that led to the material weaknesses in our internal control over financial reporting or that they will prevent or avoid potential future material weaknesses. See *“Risk Factors—Risks Relating to the Offering and Ownership of the Shares—We have identified material weaknesses in our internal control over financial reporting, and if our remediation of such material weaknesses is not effective, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.”*

OUR INDUSTRY

The Russian Economy

In 2020, Russia was the eleventh largest economy in the world and the largest economy in Central and Eastern Europe (“CEE”) as well as in the Commonwealth of Independent States (“CIS”), with a nominal GDP of \$1,527 billion, according to the Economist Intelligence Unit (“EIU”). Russia’s GDP per capita (at purchasing power parity (“PPP”)) in 2020 was \$29,180, which was broadly on par with China (\$17,580), almost double that of Brazil (\$15,110) and nearly five times more than India’s (\$6,530), according to the EIU.

The following table shows certain key Russian macroeconomic data for the periods indicated:

	2016	2017	2018	2019	2020
Nominal GDP (₽ billions)	85,485	91,766	104,479	110,008	110,130
Nominal GDP (\$ billions)	1,275	1,573	1,667	1,699	1,527
Real GDP growth/(decline) (% , year-on-year)	0.2%	1.8%	2.5%	1.3%	(3.1%)
GDP per capita (\$ at PPP)	23,824	25,681	28,903	29,760	29,180
Consumer prices growth (% , per annum)	5.3%	2.5%	4.3%	3.0%	4.9%
Total population (millions)	148.3	148.6	148.8	148.9	149.0

Source: Economist Intelligence Unit.

Compared with the other BRIC (Brazil, Russia, India and China) countries, Russia benefits from a large number and volume of natural resources. According to the BP Statistical Review of World Energy (the “BP Review”), Russia’s volume of oil and gas reserves per capita in 2019 was substantially higher than those of India, China and Brazil. High levels of natural resource exports and government revenue generated from such exports have contributed significantly to Russia’s economy, according to the BP Review.

The world economy has experienced periods of prolonged commodity price upturns, dubbed “supercycles.” During the cycle of the 2000’s (between 2002 and 2008), commodity prices soared, and lately they began to experience an upward trend again, starting in the second half of 2020. As mentioned above, Russia enjoys large reserves of natural resources and exports them, thus the upturn is likely to benefit the Russian economy.

Commodities index



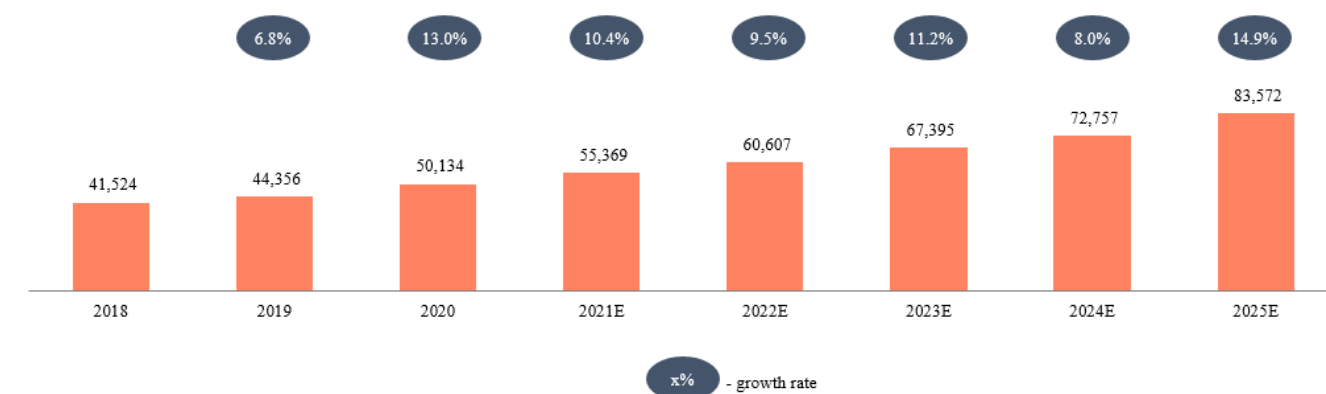
Source: Bloomberg.

The COVID-19 pandemic and the government-imposed restrictions in response to the COVID-19 pandemic, including restrictions on the operating hours of retail and restaurant businesses, resulted in significant changes in the way businesses operate and the lifestyle of Russians in general.

In response to the economic uncertainty arising from the COVID-19 pandemic, the CBR implemented a monetary and credit policy by, among other things, reducing the CBR's interest rate (the “**Key Rate**”) to 4.25% from 6.25% in 2020. In the second half of 2020, the reductions of the Key Rate decreased the weighted average long-term and short-term deposit rates to below the rate of inflation of 4.9%, according to the CBR. These reductions in deposit interest rates caused a substantial reduction in financial returns on bank deposits. This phenomenon, where the inflation rate exceeds the key rate, was observed only in 2015.

At the end of 2020, the total value of assets held by Russians was estimated to amount to ₺50 trillion. In 2020, the largest share of these assets was ruble bank deposits, constituting 33% of the total value of assets, a 9 percentage point decrease from a 42% of the total value of assets in 2018. We believe that the decrease was primarily attributable to the decrease in average deposit rates, the depreciation of the ruble against the U.S. dollar and a high rate of inflation (relative to the Key Rate). According to RBC, by the end of 2025, the proportion of investment assets in Russia held in the form of ruble deposits will decrease to 21%. We believe, however, that deposits will continue to be widely relied on as a way of preserving savings, especially for Russian citizens aged 50 years and older, which will offset any decrease in the absolute value of ruble deposits.

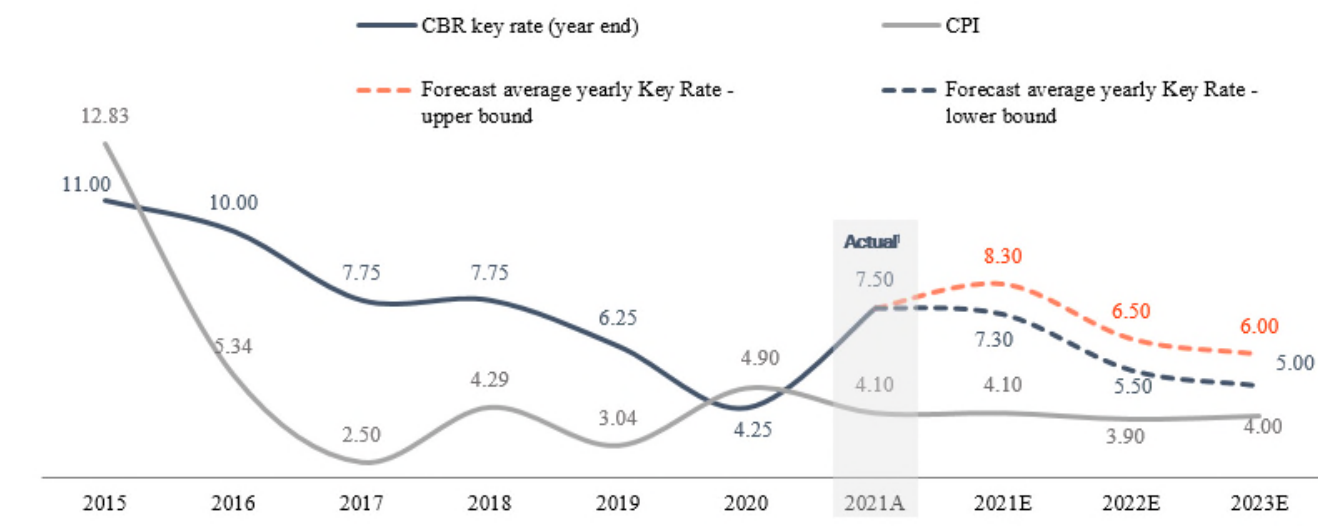
Dynamics of investments of individuals in 2018 – 2020 and forecast for 2021 – 2025, ₺ billion, %



Source: RBC Report.

We believe that the economic environment since 2020, with the value of savings held in bank deposits being eroded due to relatively high levels of inflation, has prompted Russians to consider alternative ways to preserve and invest their savings, including by investing in stock markets. In 2020, the number of people who used brokerage services (“**Broker Clients**”) increased to 9.9 million, or by approximately 132%, from 4.2 million in 2019, according to RBC. In 2020, the share of unique brokerage clients who were aged 18 years old and above accounted for 7.6% of the Russian population, according to RBC.

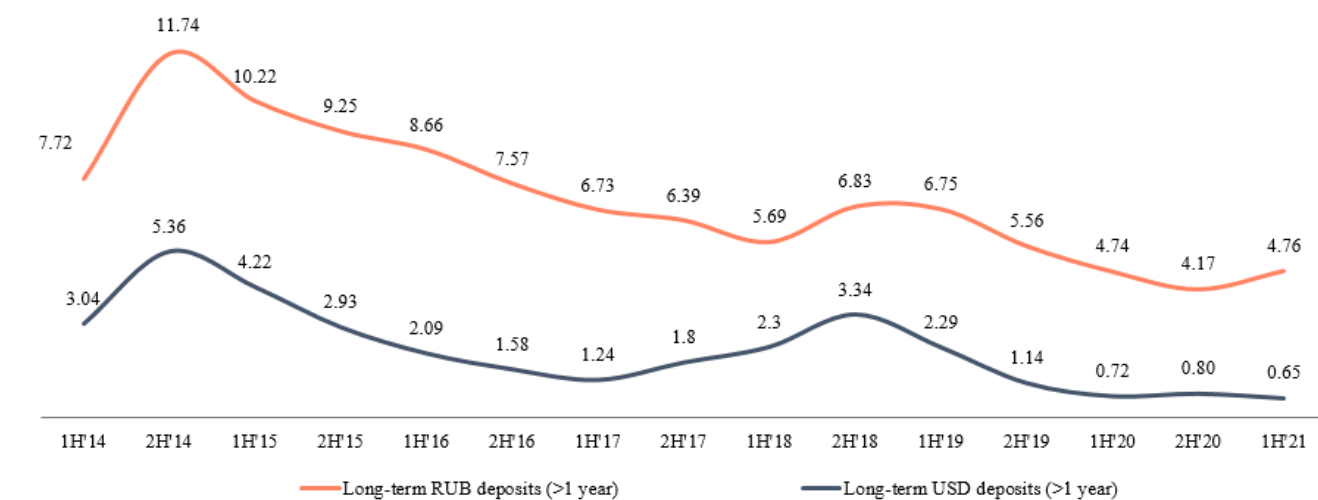
CBR Key Rate and Consumer Price Index, 2015 – 2023E



Source: CBR.

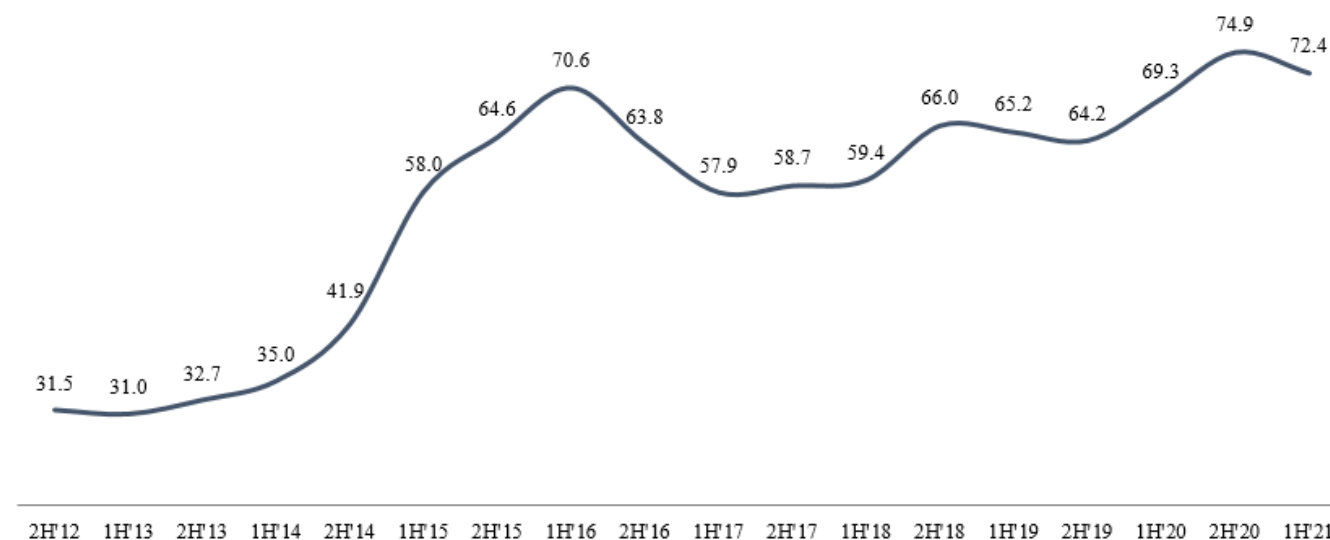
⁽¹⁾ As of November 18, 2021.

Comparison of the weighted average interest rate on long-term RUB and USD deposits, 1H'14 – 2H'20, %



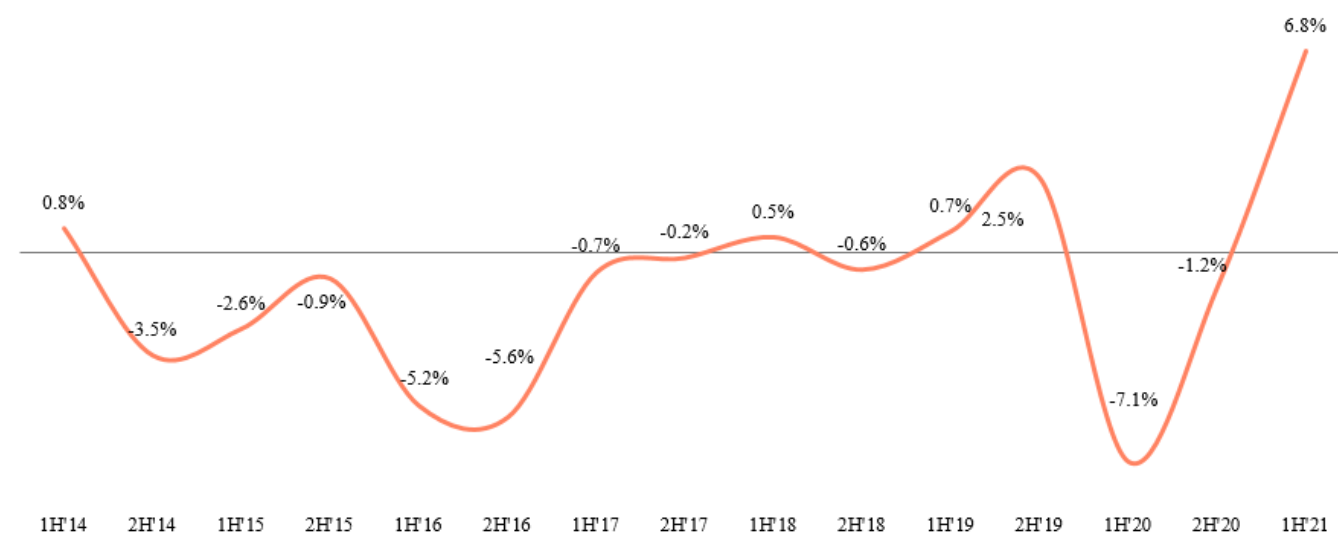
Source: CBR.

U.S. dollar to Russian Ruble exchange rate, 2H'12 – July 2021



Source: CBR.

Russian population disposable income dynamics (year-on-year growth rate), 2H'14 – 1H'21, %



Source: Rosstat, the Ministry of Economic Development of Russia.

General Overview of the Exchange Sector

Securities exchanges are organized markets designed to provide centralized facilities for the listing and trading of financial instruments, including securities issued by companies, sovereigns and other entities for the purpose of raising capital. Generally, the main sources of revenue of securities exchanges are fees collected from issuers, for the admission to listing their securities on the securities exchange and annual listing fees, and financial intermediaries that deal in financial instruments traded on the exchange. Securities exchanges also receive revenue from the sale of market data and technological solutions.

In many countries, capital markets, depository, clearing and settlement services are provided by separate organizations. In more recent years, leading securities exchanges and holding companies, such as Cboe Global Markets (in their acquisition of

European Central Counterparty N.V.), Euronext FX Inc. (in its acquisition of FastMatch), and the London Stock Exchange (in its acquisition of LCH), have restructured their businesses to adopt a vertical structure that integrates most, if not all, of these activities within a single corporate group (“**Fullservice Model**”), operating with a wider product and service offering than traditional exchanges as financial markets infrastructure operators. Exchanges adopting the Full-service Model benefit from additional revenue streams, including fees for the provision of clearing and settlement services and custody and depository services and net interest income earned from client funds held on their balance sheets.

The securities exchange industry is generally supervised by a financial regulatory agency and, in some cases, securities exchanges may also exercise quasi-governmental authority as a self-regulatory organization responsible for supervising their members and affiliated markets.

Key Global Trends in the Exchange Sector

According to the publication “Bank of 2030: the digital future of securities exchange operations” published by Deloitte Development LLC in 2020 (the “**Digital Future Report**”), there were 130 global securities exchanges in 2020, which facilitate the trading of, among other things, equities, ETFs, futures, swaps and options. We believe, based on the information provided in the Digital Future Report, that the securities exchange industry is currently undergoing a transformation characterized by, among other things, a global shift towards the Full-service Model, enabled by technological advancements. The key drivers behind this transformation include:

- regulatory changes have a restricting effect on existing revenue streams, including laws that impose fee structure transparency requirements for market data services and connectivity;
- reduced margins due to increased competition from the growing number of exchanges and the increasing ease in which market participants are able to move their investment activities to other exchanges due to technological advancements;
- increasingly strict regulatory regimes being adopted across the world, with a particular focus on transparency, regulatory supervision, sound operational controls and risk management structures, policies and procedures increases regulatory compliance risks;
- growing cybersecurity risks that require increasingly sophisticated measures to protect data and IT infrastructures; and
- a developing digital ecosystem with, among other things, nascent technologies, big data analysis, cloud computing and storage, artificial intelligence, blockchain, cognitive technologies, that participants in the exchange industry can leverage to effectively compete in the industry.

According to the Digital Future Report, global exchanges have invested heavily, over the past five years, in technologies that support high-frequency trading, colocation venues (such as data centers) and direct accessibility to markets for trading partners. Also, according to the Digital Future Report, some global exchanges have neglected investing in technological improvements for their non-trading operations. In line with what is presented in the Digital Future Report, we believe that securities exchanges that invest in technologies that would improve their non-trading operations as part of a more comprehensive strategy to improve all their exchange operations more generally, might benefit significantly, including in terms of operational efficiency gains, a reduced operational footprint (by using such technologies as cloud services) and a firm foundation for future development. We believe that exchanges that successfully make such investments would enjoy new revenue streams, streamlined operations and resemble a symbiotic network of counterparties on an ecosystem made possible by emerging digital shifts.

According to the Digital Future Report, a number of major exchanges have, in recent years, in addition to improving their customer experiences, offered new services and reinforced their regulatory compliance practices and incorporated digital transformation agendas in their business strategies. We believe that the core areas, in which international exchanges can develop and innovate, include:

- the minimization of manual processes by initiatives, such as automating the client onboarding, payment and listing processes in order to improve, among other things, market surveillance;
- the provision of market data on demand, including the generation of market models that market participants can use to facilitate their trading activities;
- automation of routine processes, including risk, compliance and regulatory reporting;
- streamlining the launch of digital products and services in the future, including those that incorporate blockchain and cloud technologies; and
- provision of access to exchanges across the globe. Establishing deep partnerships to enhance client experience and expand services on offer (such as dual listings).

Equity Market Size and Performance of the Industry Globally

The following table sets out a selection of key statistics of the global equity market:

	As at and for the year ended December 31,			
	2017	2018	2019	2020
	<i>(\$ billions, except as otherwise indicated)</i>			
Trading volume by value (electronic order book).....	84,251	97,319	88,914	137,634
Market capitalization (domestic companies)	87,162	74,432	93,328	109,206
Turnover velocity.....	97%	131%	95%	126%
Number of EOB transactions (millions)	19,572	21,866	24,275	38,020
Number of listed companies	50,220	51,582	52,263	47,919

Source: World Federation of Exchanges.

The rising retail investor trend

According to Reuters, the number of retail investors in Europe doubled since the start of 2020, as the imposition of government measures to manage the impact and spread of the COVID-19 pandemic (such as stay-at-home rules) and high savings rates triggered a surge in stock investing by retail investors. The trend was still less prevalent in Europe than in the United States, where stock markets investing by retail investors increased significantly in the summer of 2020 before reaching all-time highs in January 2021, according to Reuters.

According to the publication “The rise of newly empowered retail investors” published by Deloitte Development LLC in 2021 (the “**Retail Investors Report**”), there appears to be an emerging class of retail investors that, unlike the current majority of retail investors who are more likely to rely on professional advice, choose a more self-directed investment strategy (“**Emerging Investors**”). Emerging Investors can be categorized into two groups:

- young, first-time investors, with limited discretionary income, who rely heavily on self-directed research and publicly available information, including social media content, to inform their investment decisions; and
- more experienced investors, with higher levels of disposable income. These are experienced investors with in-depth market knowledge and may hold traditional accounts in wealth management firms or other online brokerage services. A number of investors in this category even engage with other investors, especially new ones, by sharing their investment strategies on social media and other public forums.

According to the Retail Investors Report, social media platforms play a crucial role in the Emerging Investor’s approach to investing. Social media platforms serve as forums for sharing investment-related ideas and strategies, while content on social media platforms serve as educational content about the financial markets. While recent trends seem to indicate that Emerging Investors often do not rely on conventional investment wisdom, we also believe that the internet sources from which

Emerging Investors typically obtain information to inform their investment decisions are fraught with misleading, and sometimes false, information, which could jeopardize their investments, according to the Retail Investors Report.

According to Retail Investors Report, Emerging Investors also often utilize advanced tools and products (such as options trading) to carry out more complex investment strategies. Furthermore, there is evidence that an expanding share of these new investors are increasingly aware of and appreciate the complexities of the markets, as well as the interconnectedness between the various players in the financial ecosystem.

According to the Retail Investors Report, there was a significant increase in options trading activity. This could pose risks for individual investors and the market as a whole (options being a more advanced and complex instrument than equities). However, according to the Financial Industry Regulatory Authority (“**FINRA**”), options trading activity is mainly conducted by a minority group; moreover, experienced investors report using options more than new entrants. FINRA defines “experienced investors” as investors who opened a taxable investment account in 2020 and owned an existing taxable investment account opened before 2020 (“**Experienced Investors**”). FINRA defines “new investors” as investors who opened one or more non-retirement investment account(s) in 2020, and did not own a taxable investment account before 2020 (“**New Investors**”). According to the Retail Investors Report, Experienced Investors reported trading options with a new account at double the rate of New Investors, and also reported that they were more likely to take on financial risks. According to the Retail Investors Report, Experienced Investors generally preferred to invest in call options, which positions them to receive substantial returns if their investments are successful. Last year, a majority of call-option contracts were entered into by small investors (with fewer than ten contracts in their portfolio), representing a shift in the dynamics of the call-option market which was historically dominated by large investors (with ten or more contracts in their portfolio), according to The Economist.

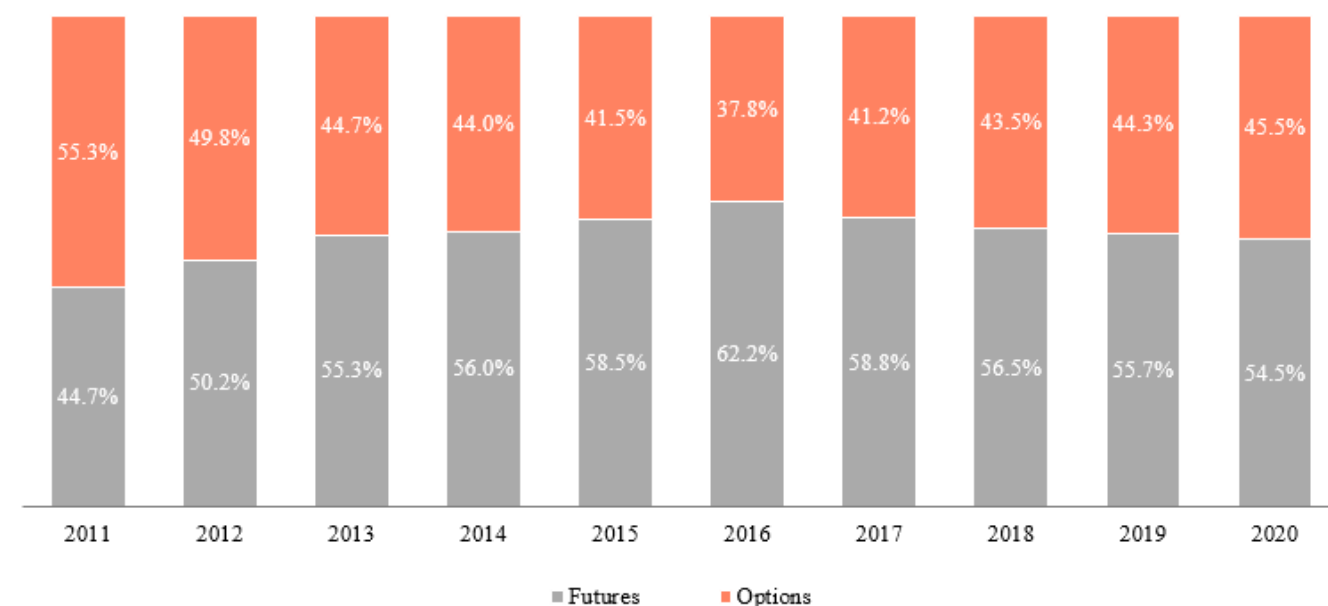
According to the Retail Investors Report, the proliferation of online trading platforms, especially trading platforms that do not require their clients to maintain a minimum balance of funds on their accounts, facilitate fractional trading and zero-commission trading (a business model that is enabled by, among other methods, the offsetting of lost revenue from trading commissions by payments for trade order traffic) (“**Zero-commission Trading**”) is a key driver behind the exponential growth in the number of retail investors and their activity. According to the Retail Investors Report, investors benefit from platforms that facilitate Zero-commission Trading because it lowers the execution costs for market makers, who can, in turn, trade securities at lower prices than would otherwise be available through more conventional methods of trading on stock exchanges.

Derivatives Market Globally

A derivative is a financial instrument whose value is based on an underlying asset, usually in a non-linear way (meaning a 1% increase in the price of the underlying asset does not necessarily yield a 1% increase in the price of the derivative), or another reference value. The underlying asset may be, among other things, equity, an index, a debt instrument, a currency or a commodity.

In a study of 49 stock exchanges published by the World Federation of Exchanges (“**WFE**”), 46.19 billion derivatives (consisting approximately of 21 billion options and 25.2 billion futures) were traded in 2020, a 40.4% increase from 32.89 billion derivatives (consisting approximately of 14.76 billion options and 18.13 billion futures) in 2019. This represented an increase of 126.8% from 2010, with an average annualized growth rate of 9.4% and a year-on-year increase that was 3.5 times higher than the year-on year increase in 2019. Although the high level of growth in 2020 was mainly attributable to the COVID-19 pandemic (which brought about increased volatility), the growth in the share of options trading (in total trading of options and futures) has experienced sustained growth since 2015, according to WFE.

Share of total volumes: options vs futures



Source: World Federation of Exchanges.

Stock Exchange Industry Trends in Russia

An inflow of retail investors to the stock market in Russia

We believe the significant growth in number of retail brokerage accounts between 2018 and 2020 was driven by several trends, including:

- the proliferation of mobile and online trading applications and the possibility of opening brokerage accounts remotely, coupled with broader access to market and financial information;
- millennials with a relatively higher propensity to invest;
- recent high returns in equity markets that increase the attractiveness of investing in securities as compared to investing in traditional investment classes, such as bank deposits and real estate;
- the opportunity to diversify ruble exposure via foreign securities; and
- Russians joining the growing global trend of retail investing.

According to RBC, the main drivers of growth in the number of retail investors in Russia between the second half of 2019 and the second half of 2020 were:

1. Low economic growth

Under economic conditions characterized by awakening currency, a decrease in disposable income, low Key Rates, the COVID-19 pandemic and the consequential economic downturn, Russians began to look for new ways to invest and preserve their own savings. According to RBC, investing in publicly-traded stocks was one of the more popular modes of investing among Russians in 2020. In 2020, there were 9.9 million Broker Clients, an increase of more than 130% from 4.2 million in 2019. 7.6% of Broker Clients in Russia in 2020 was over 18 years of age.

2. Increased accessibility to investment services

As of July 2021, all major banks and several private brokers offer access to mobile trading services. According to RBC, the registration process for new clients has been significantly streamlined and bank clients are able to manage most of their banking needs online. We believe that the widespread adoption of these, and similar, technologies which reduce the administrative burden of using investment and banking services is, and will continue to be, one of the main drivers of growth in the number of retail investors in Russia.

3. New generation of tech savvy investors

According to RBC, the investment and banking industry is serving a new generation of investors, aged between 20 and 40 years old who are both active users of modern online technologies, including mobile phones, tablets, internet-enabled smartphones and social media and are more adept at adopting new digital services. We believe that because most members of this investor group were born either in the late USSR or in the Russian Federation, they are less apprehensive about investing in the stock markets. In particular, this generation of investors was not directly affected by the financial crisis of older respondents who lost their savings during the collapse of the USSR and to a much lesser extent trust the banking and financial system. On the other hand, the dominance of millennials (the population between 20 to 40 years of age) in the market (more than 65% of the total number of retail investors according to the CBR) accounts for a low share of active broker accounts. According to RBC, this is due to the lack of savings for investment in this population group, as well as the economic reasons described above.

4. COVID-19 pandemic

The COVID-19 pandemic and the related government-imposed restrictions on movement in public areas catalyzed the adoption of online services, in the place of in-person services, for many day-to-day activities, according to RBC. For instance, we believe that the Russian population has generally become more comfortable with shopping and ordering food online, accessing entertainment online, as well as conducting business activities online, than before the COVID-19 pandemic.

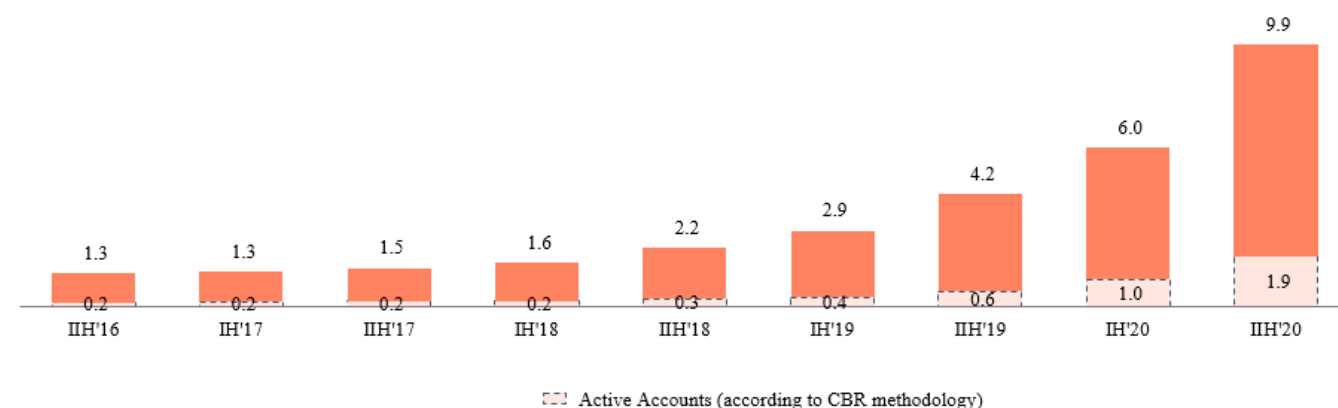
5. Collapse of stock markets during the acute phase of the pandemic in the spring of 2020

We believe that during the period of rapid recovery of stock prices in the second half of 2020 to April 2021, due to the support measures taken by the governments during the COVID-19 pandemic and the wide coverage in the mass and social media of these measures and the impact of COVID-19 in general, a significant number of new retail investors entered the market.

6. The development of IIAs

Individual Investment Accounts (“**IIA**”) were introduced in 2015. Holders of IIAs may receive a tax deduction of up to P400,000 of their annual income, or benefit from an exemption from tax on income from securities transactions.

Number of retail clients on brokerage services (millions), 2016 – 2020

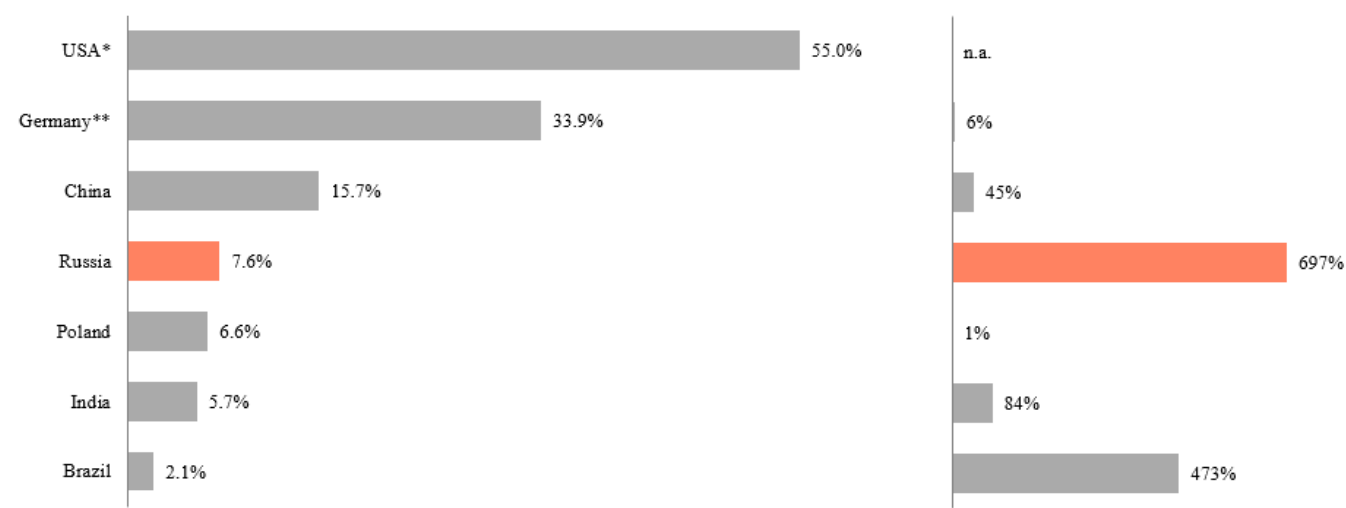


Source: RBC Report.

Although Russia showed the highest growth rates in the number of retail investors in securities markets in 2020, compared to 2018, among the countries assessed by RBC, the proportion of the population with brokerage accounts to the total population of Russia is significantly lower than in the United States, Germany and China. We believe this is an indicator of high potential for growth in the share of retail investors in the future.

Share of population (over 18 years old) with brokerage accounts in different countries of the world, 2020 (left column)

Increase in number of brokerage accounts in 2020/2018 (right column)

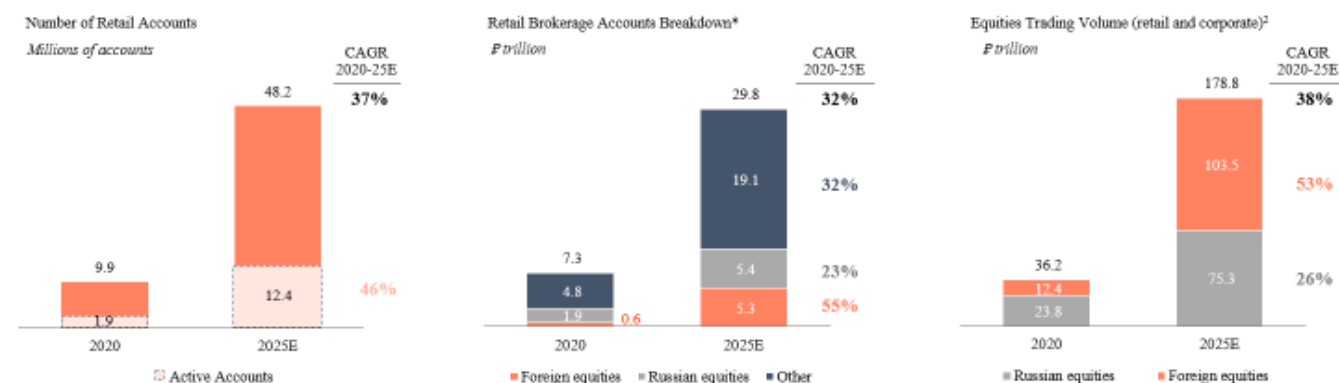


Source: RBC Report.

* U.S. statistics takes into account the share of the adult population investing in the stock market. The share of the population with brokerage accounts is significantly higher, but considering the specifics of this country, this indicator is not indicative.

** Data for Germany are given at the end of 2019.

Strong projected growth for SPB Exchange's addressable market

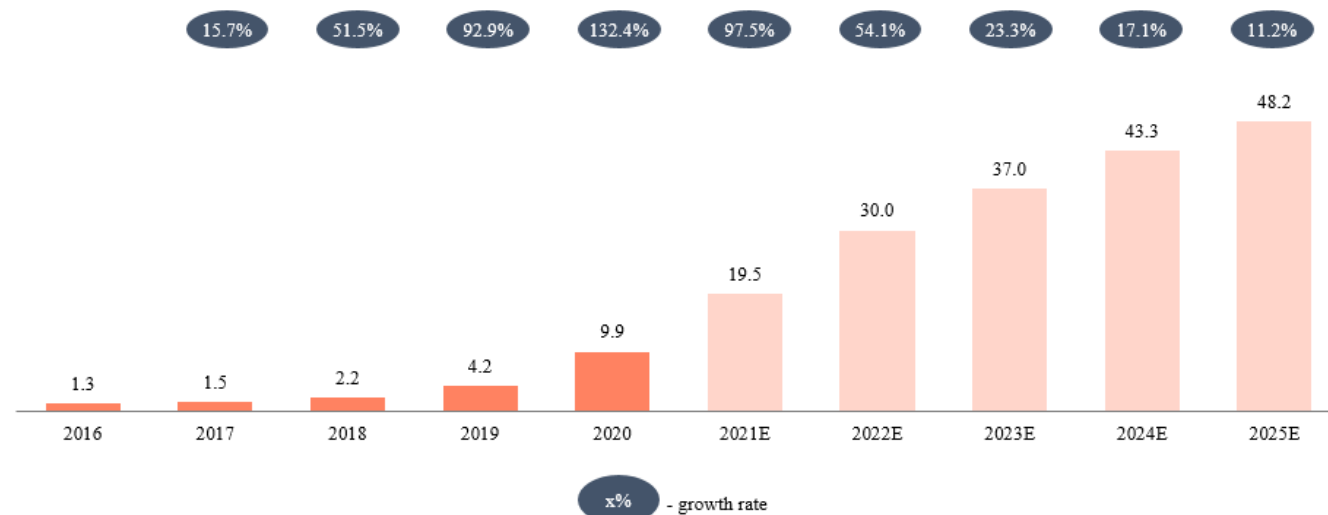


Source: RBC Report.

* Does not include IIAs.

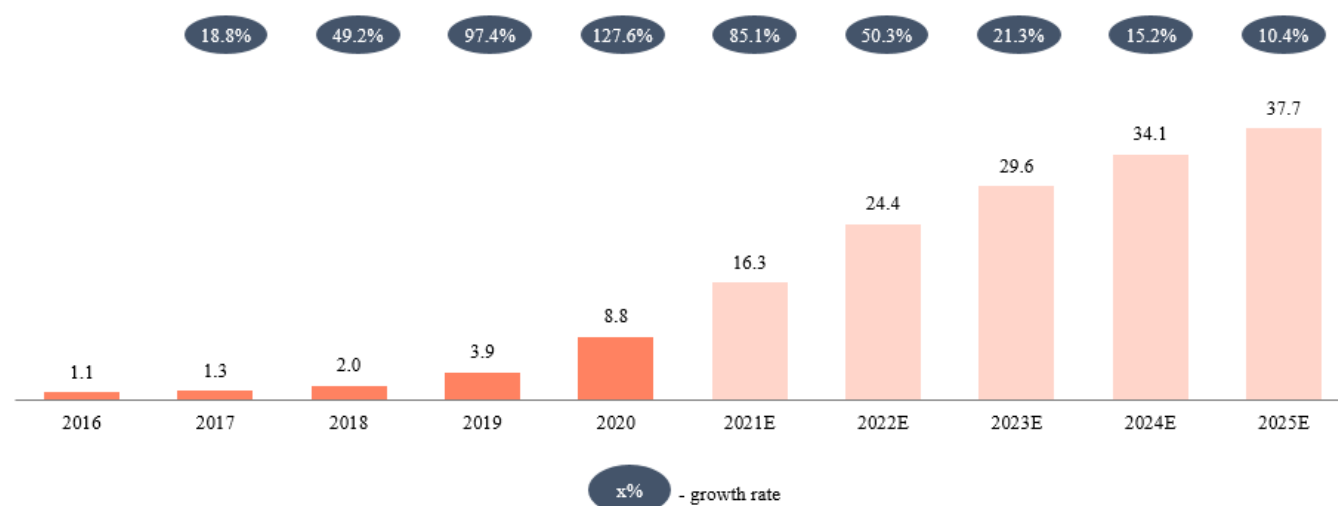
According to RBC, the number of unique clients using brokerage services (*i.e.*, distinct clients of brokerage services, irrespective of the number of brokerage services with which they hold accounts) is expected to increase to approximately 37.7 million in 2025, or about 32% of the total population in Russia that is over the age of 18 years old. In the same period, RBC expects activity of brokerage clients (which means, in respect of any client, the making of at least one transaction on a stock market in the relevant period) to increase to 26% by 2025.

Number of retail investors using brokerage services (according to the CBR methodology) in 2016 – 2020 and forecast for 2021 – 2025, million, %



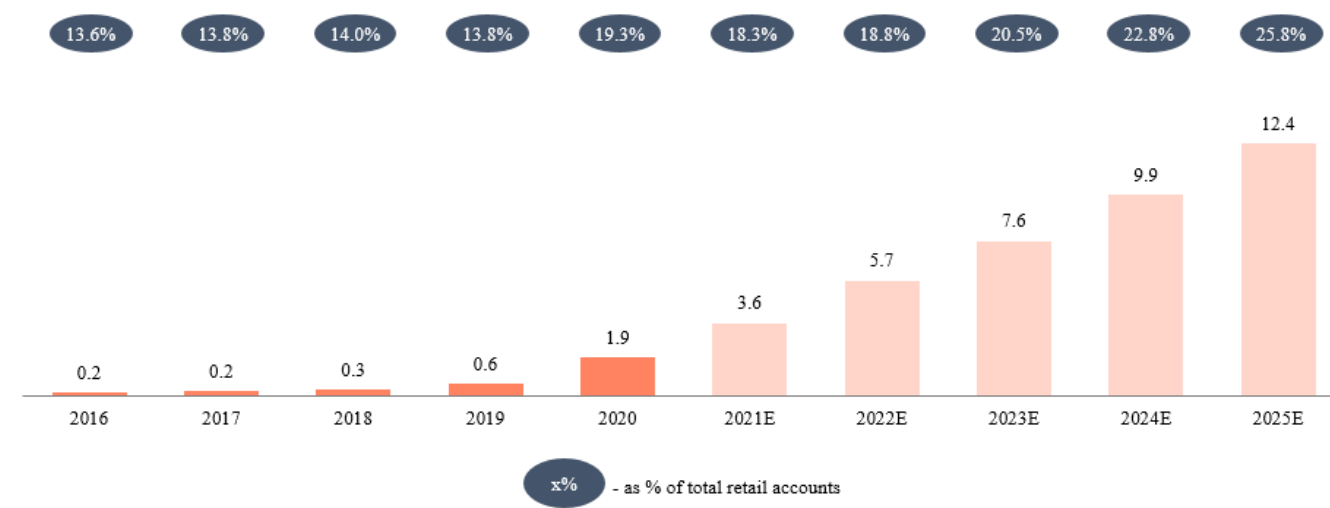
Source: RBC Report.

Number of unique clients using brokerage services in 2016 – 2020 and forecast for 2021 – 2025, million, %



Source: RBC Report.

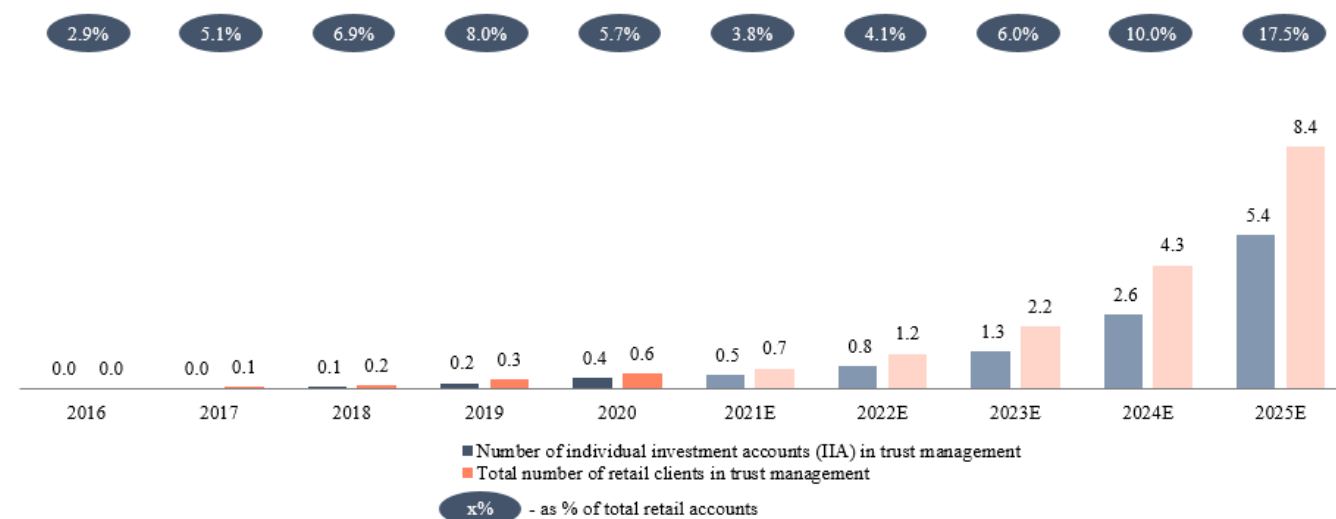
Number of active clients of brokerage services (according to the CBR methodology) in 2016 – 2020 and forecast for 2021 – 2025, million, %



Source: RBC Report.

According to RBC, Russians today are generally not sufficiently familiar with investing in stock markets. We believe that there will be a significant increase in the number of Russian retail investors who will engage professional portfolio managers to manage their investments after 2024.

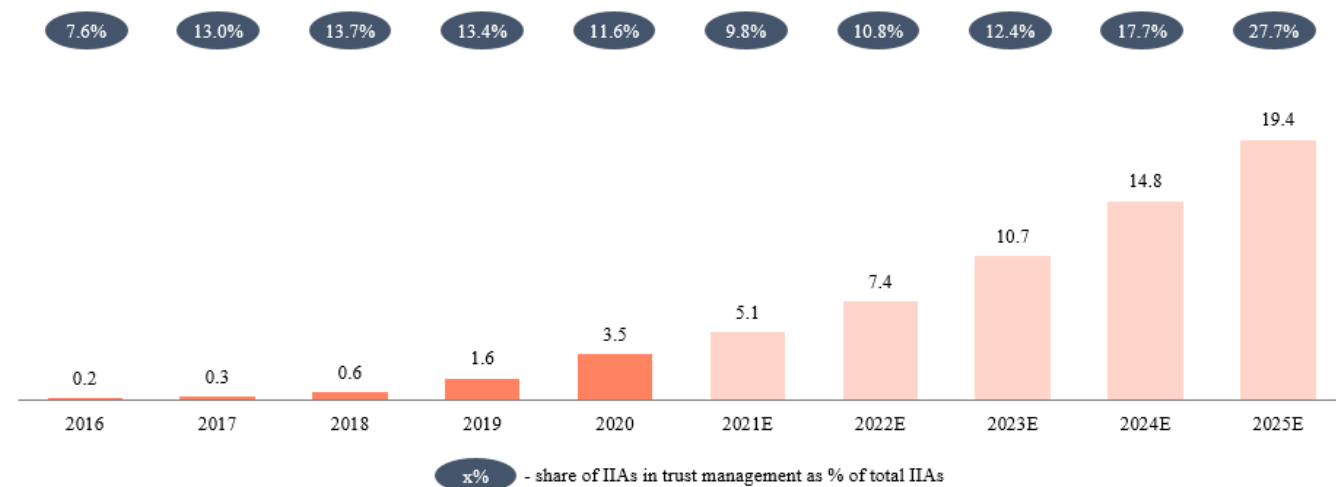
Number of clients in trust management (retail investors) in 2016 – 2020 and forecast for 2021 – 2025, million, %



Source: RBC Report.

According to RBC, the number of IIAs is expected to increase to 19.4 million by 2025, primarily attributable to income growth after 2022 and the tax incentives IIAs provide. Moreover, the accelerated development of institutions for the transfer of funds into asset management is also expected, in the case of IIAs, as some retail investors (especially among those who have only recently started investing and are likely to lack financial experience) might fall short and incur losses and, in consequence, prefer to entrust a professional third party to conduct investment activity for them, according to RBC. Additional reasons include marketing efforts by banks and brokers to promote their trust management services, including the improvement of access and lowered barriers of entry.

Number of individual investment accounts (IIA) in 2016 – 2020 and forecast for 2021 – 2025, million, %



Source: RBC Report.

Structure of Investment Assets in Russia

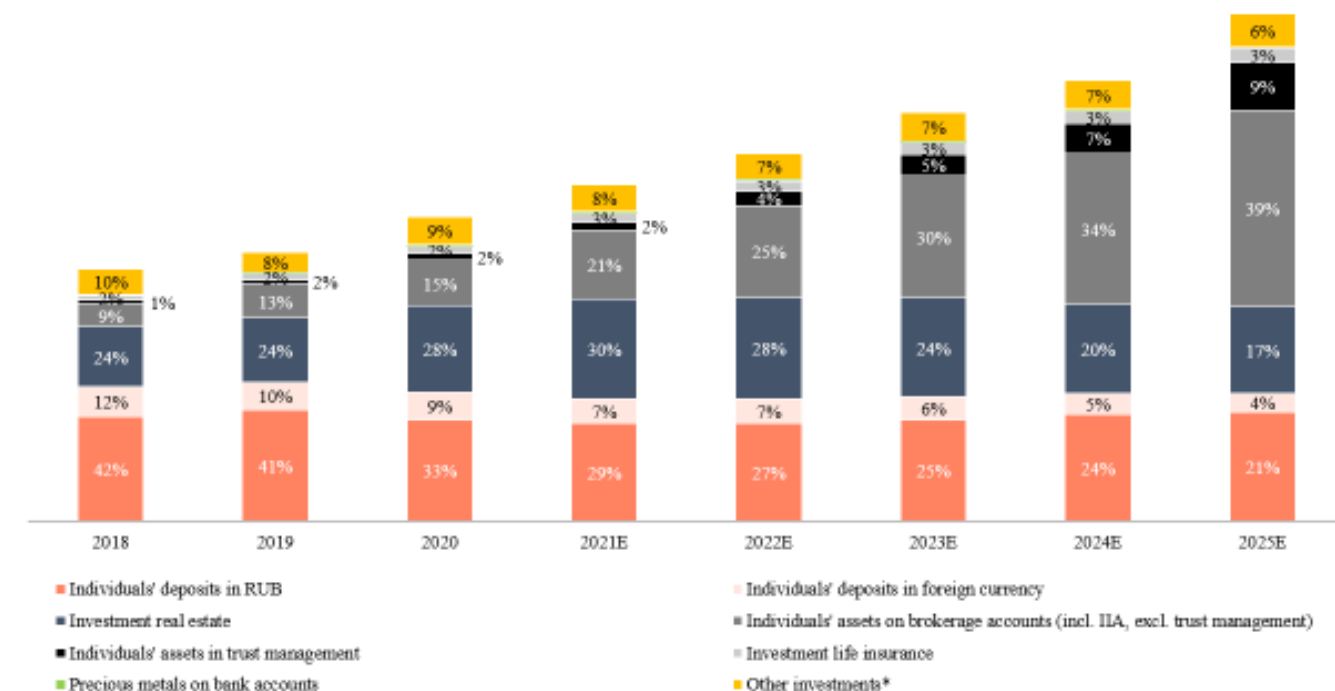
According to data and research published by RBC, we believe that the main investment assets in Russia, between 2020 and 2025 (inclusive), will include:

- deposits of individuals in rubles and foreign currencies;
- assets of individuals in brokerage accounts;
- portfolio assets of individuals in trust management (including assets in trust management on IIAs);
- investment life insurance (estimated by the total sum insured);
- gold and other precious metals in special bank accounts;
- real estate investments; and
- other investment assets, including physical gold and precious metals, cryptocurrencies, art objects, crowdlending investments.

According to RBC forecasts, the share of deposits denominated in foreign currencies as a proportion of investment assets in Russia is also expected to decrease from 9% at the end of 2020 to 4% by the end of 2025, primarily due to the lack of competitive interest rates for foreign currency deposits.

The share of real estate investments as well as assets held in brokerage accounts as a proportion of the total investment instruments of individuals increased significantly between 2018 (24% and 9%, respectively) and 2020 (28% and 15%, respectively), according to RBC. According to RBC the increase in the value of investments in real estate, in the same period, was primarily attributable to the increase in real estate prices as a result of the mortgage interest rate subsidy programs adopted to support the construction industry during the COVID-19 pandemic. However, RBC expects the growth of real estate prices in 2021 and 2022 to slow significantly in light of the Russian President's proposals in 2020 to tighten the conditions of these programs, including by fixing interest rates at 7% and limiting the maximum loan amount to 3 million rubles. We also anticipate that programs subsidizing interest rates on mortgage loans will be abolished in 2022, which will reduce the attractiveness of real estate investments as an asset class.

Dynamics of structure of investment instruments of individuals in 2018 – 2020 and forecast for 2021 – 2025, %



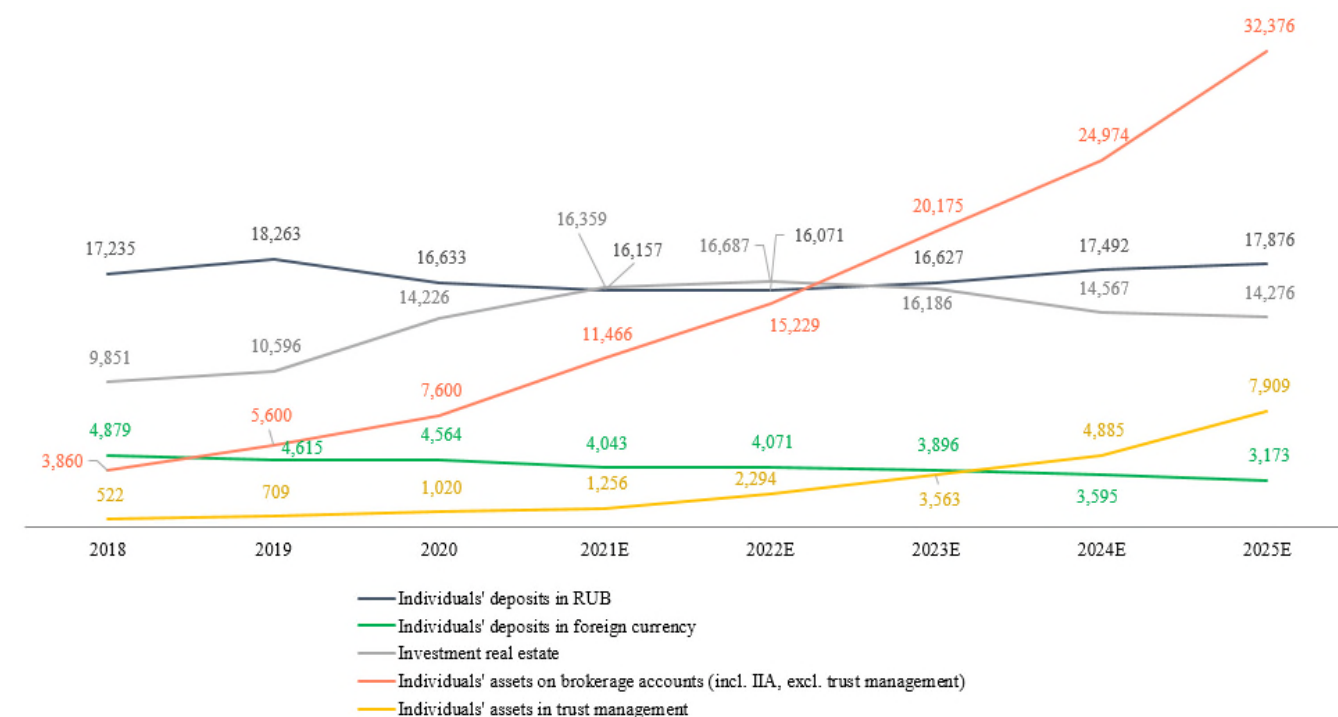
Source: RBC Report.

* Other investments include physical gold and jewelry, cryptocurrencies, art objects and crowdlending.

We believe that investing assets through brokerage accounts (“**Brokerage Assets**”) will be one of the most widespread investment strategies in Russia by 2025, due to the relatively high inflation rate (which exceeds the Key Rate), the ease of opening brokerage accounts and the penetration of modern FinTech services. We believe that the share of Brokerage Assets of investment instruments held by Russians will increase to approximately 39% by 2025, which is 2.5 times higher than in 2020. We believe the main drivers behind the growth in the value of Brokerage Assets held by Russians would be:

- an increase in the number of clients of brokerage services;
- an increase in the trading activity of brokerage clients; and
- the growth of Russian and world stock indices, which will be an important factor in the annual revaluation of stock exchange assets already available to the Russian population to invest in.

Dynamics of the value of assets for key investment instruments of individuals in 2018 – 2020 and forecast for 2021 – 2025, P billion



Source: RBC Report.

Compared to the United States, a number of European countries, China, Chile and, among other countries, Brazil, Russian investors have a significantly smaller proportion of securities (shares, bonds, units) and assets in trust management relative to the total value of investment assets held by Russians. Among developing economies, Russia is only ahead of India and Turkey in terms of the proportion of securities (shares, bonds, units) and assets in trust management relative to the total value of investment assets held by the local population. The investment markets in India and Turkey have unique features. For example, in India, a very high proportion of the population lives below the poverty line. In Turkey, there have been significant fluctuations in recent years of the exchange rate of the local national currency, the Lira, and the Central Bank of Turkey maintains the high key rate of 19% per annum as of May 2021. Our expectations of growth in the share of investment assets held by Russians in the form of securities is based on observations of similar trends in other countries, including:

- Greece, where the share of the value of deposits and cash as a proportion of the total value of investment assets held by Greeks decreased from 79.6% to 60.8% while the proportion of the value of securities increased from 9.2% up to 31.6%, between 2011 to 2017, according to RBC;
- China, where the share of the value of securities and assets held under trust management as a proportion of the total value of investment assets held by the Chinese increased from 26.7% up to 50% while investments held in deposits and foreign currencies decreased from 62% to 40%, between 2010 to 2019;
- Poland, where the share of the value of securities as a proportion of the total value of investment assets held increased from 16% to 42% between 2001 and 2005;
- Spain, where the share of the value of securities as a proportion of the total value of investment assets held by the Spanish increased from 33% to 50% between 1995 and 1998; and
- even countries with an already large amount of investment assets held in securities relative to other investments, are still experiencing some growth in the share of public investment in securities. For example, in the United States,

where the current structure of investment assets of the population has been generally stable since the 1950s, between 2010 and 2020, the share of securities and trust management in the investment assets of the population increased from 48.2% to 54.7%.

The following table shows the shares of main instruments in the structure of investment assets of the population by countries of the world in 2020:

Country	Deposits, Currency on Account	Securities and Trust Management	Ratio: (Deposits & Currency) / (Securities & Trust Management)
U.S.	13.0%	54.7%	0.2
Brazil**	20.4%	51.8%	0.4
China*	40.0%	49.9%	0.8
Belgium	32.1%	43.6%	0.7
Spain	42.2%	38.1%	1.1
Portugal.....	48.2%	32.6%	1.5
Greece	59.2%	31.6%	1.9
Chile	17.8%	30.2%	0.6
Norway	27.3%	29.4%	0.9
France*	27.2%	28.8%	0.9
Poland	52.9%	27.3%	1.9
Germany*	39.9%	23.1%	1.7
Russia***	50.0%	20.3%	2.5
Great Britain*	25.0%	15.9%	1.6
Turkey*	75.6%	13.3%	5.7
India	38.5%	7.7%	5.0

Source: RBC Report, Statistics Poland, Narodowy Bank Polski, Instituto Brasileiro de Geografia e Estatística (IBGE), Wind Info, CICC Research, Federal Reserve System, Türkiye Cumhuriyet Merkez Bankası, CDSL of India, NDSL of India, Reserve Bank of India, B3: A Bolsa do Brasil, Reuters, Deutsche Bundesbank, China Securities Depository and Clearing Corporation, OECD, Eurostat, CBR, MOEX.

* Data for 2019.

** Data for 2017.

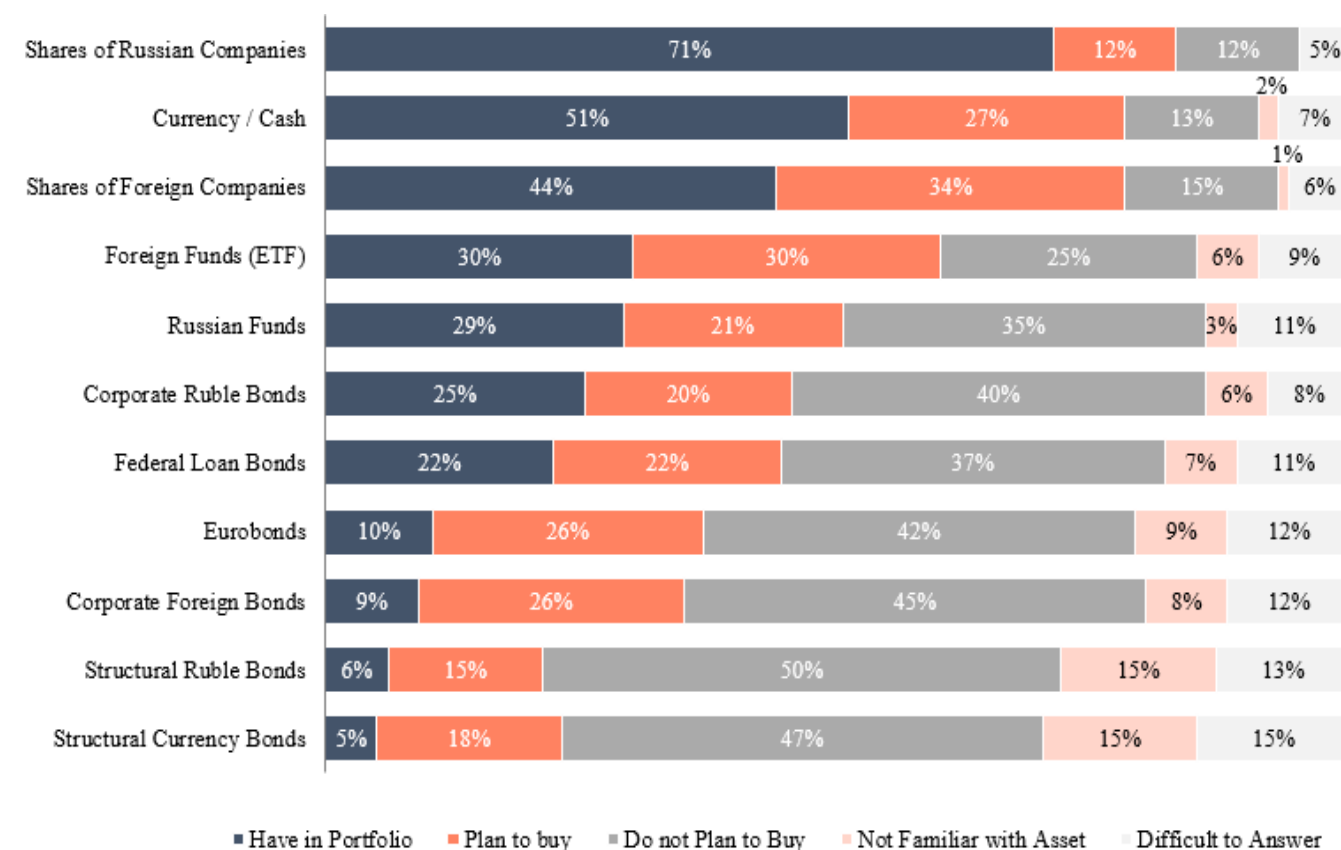
*** Methodology (in order to obtain indicators comparable with other countries): assets in investment real estate excluded, assets of pension funds included.

In Russia, the share of the value of securities and trust management as a proportion of the value of all investment assets held by Russians increased (in accordance with methodologies that allow comparing indicators with other countries) from 11.7% in 2018 up to 20.3% in 2020. According to RBC, this share is expected to increase to 52% by the end of 2025, which is a level that is similar to the United States, China and Brazil in 2020. We believe that the volume of assets held in the brokerage accounts by Russians will be approximately P32.4 trillion by the end of 2025.

Retail Investor Portfolios in Russia

As of May 2021, according to RBC, shares of Russian companies were the most commonly held investment asset by Russian retail investors, according to RBC. 71% of Russian retail investors hold shares in at least one Russian company, while 12% are planning to buy shares in at least one Russian company. We believe that the key reason for investing in the shares of Russian companies is that these brands and companies are well known to Russians. Respondents indicated that they preferred the convenience of not having to file dividend declarations, the potential returns from the appreciation of undervalued Russian companies, high dividends and the ability to acquire shares in Russian companies in rubles. These advantages were noted by more than one-third of Russians surveyed by RBC.

Russian retail investors' securities preferences, May 2021

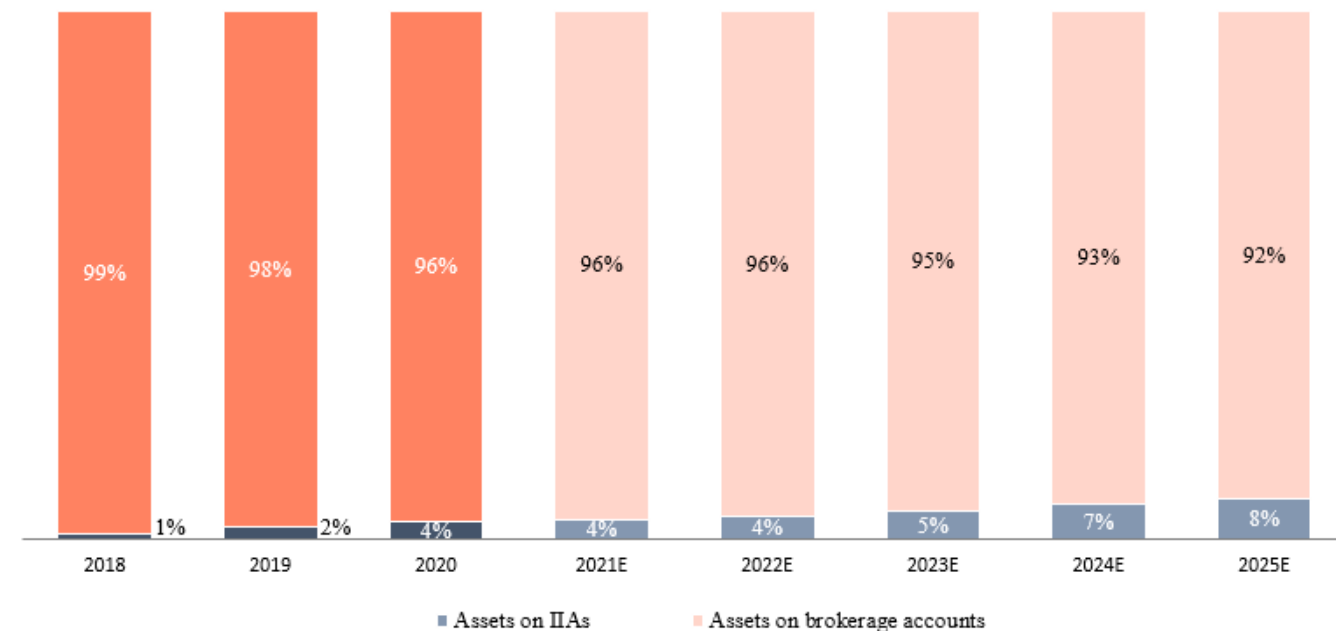


Source: RBC Report.

The second most commonly held investment asset in 2021, was foreign currencies and cash. According to RBC, in May 2021, 51% of Russians had cash savings in rubles or a foreign currency and 27% intended to acquire foreign currencies in the future. 78% of Russians (including Russians who already own shares in foreign companies) intended to acquire shares of foreign companies. According to RBC, in May 2021, 50% of Russians believed that the key benefit of holding foreign currencies is the ability to directly invest in the foreign companies. According to RBC, as of May 2021, 60% and 50% of Russians intended to acquire shares (or in the case of those who already hold such shares, acquiring more shares) in foreign funds or Russian funds, respectively. According to RBC, as of May 2021, Russians generally considered structured foreign currency and ruble bonds to be the least attractive investment assets. According to RBC, the most popular assets, among the assets that Russians expressed an intention to acquire, as of May 2021, were shares in foreign companies, ETFs, foreign currencies, Russian funds and bonds in foreign currencies. We believe that retail investors are increasingly in favor of increasing their holding of foreign investment assets, primarily due to low expectations about Russia's economic growth, the uncertain international political landscape, the risk of new sanctions being imposed on Russia and concerns about unpredictable fluctuations of the Russian ruble.

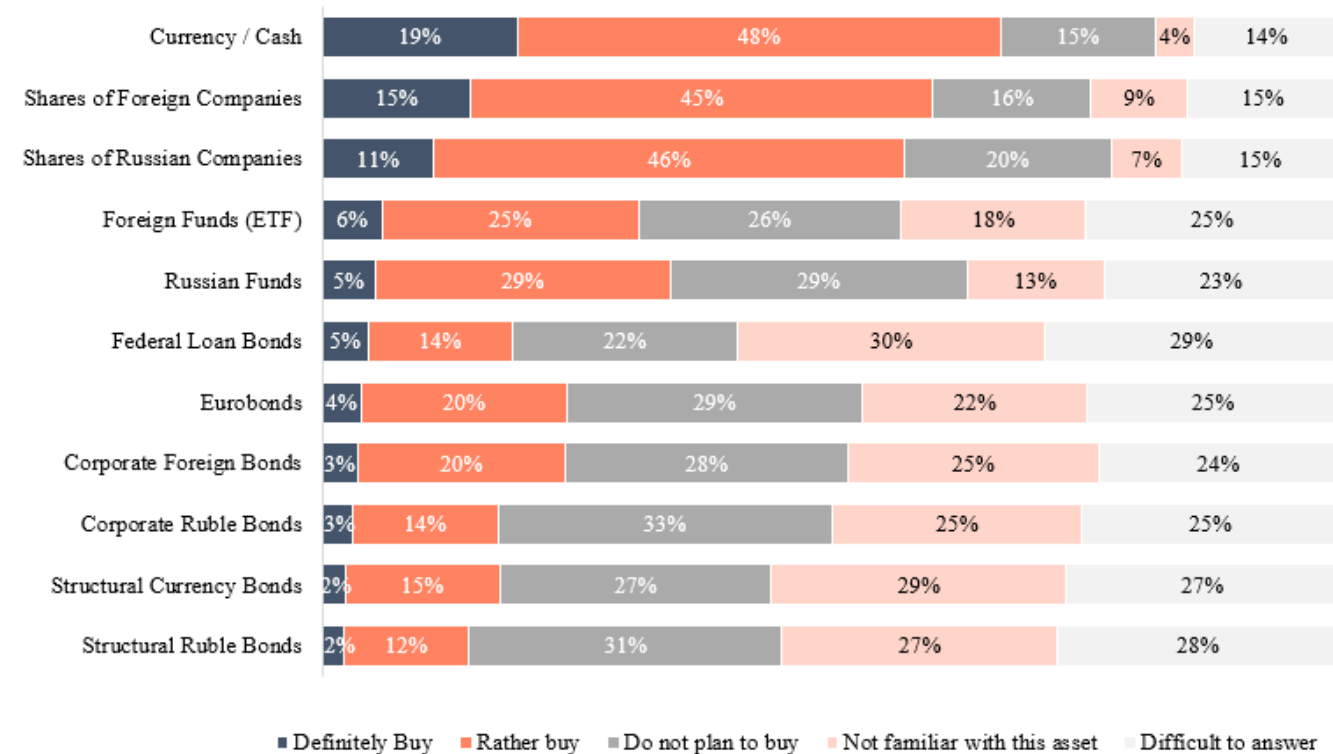
4% of the assets held by Russians in brokerage accounts as of June 2021 were held in IIAs. Despite the large number of IIAs in Russia (reaching 3.5 million by the end of 2020), the total assets held in IIAs are generally insignificant (at ₺270 billion at the end of 2020). We believe this is due to, among other things, the three-year minimum investment period for IIAs. This means that the investment funds are locked up and will not be accessible to IIA holders for at least three years, even in the event of an economic crisis. This is a particular concern for Russians due to the perceived unpredictability of the Russian economy. Therefore, we believe that Russians prefer to place their investment assets on brokerage accounts, rather than on IIAs, ensuring that they are more accessible.

Structure of assets in retail investors' brokerage accounts and IIAs in 2018 – 2020 and forecast for 2021 – 2025, %



Source: RBC Report.

Asset preferences of Russian individuals planning to start investing, 2021

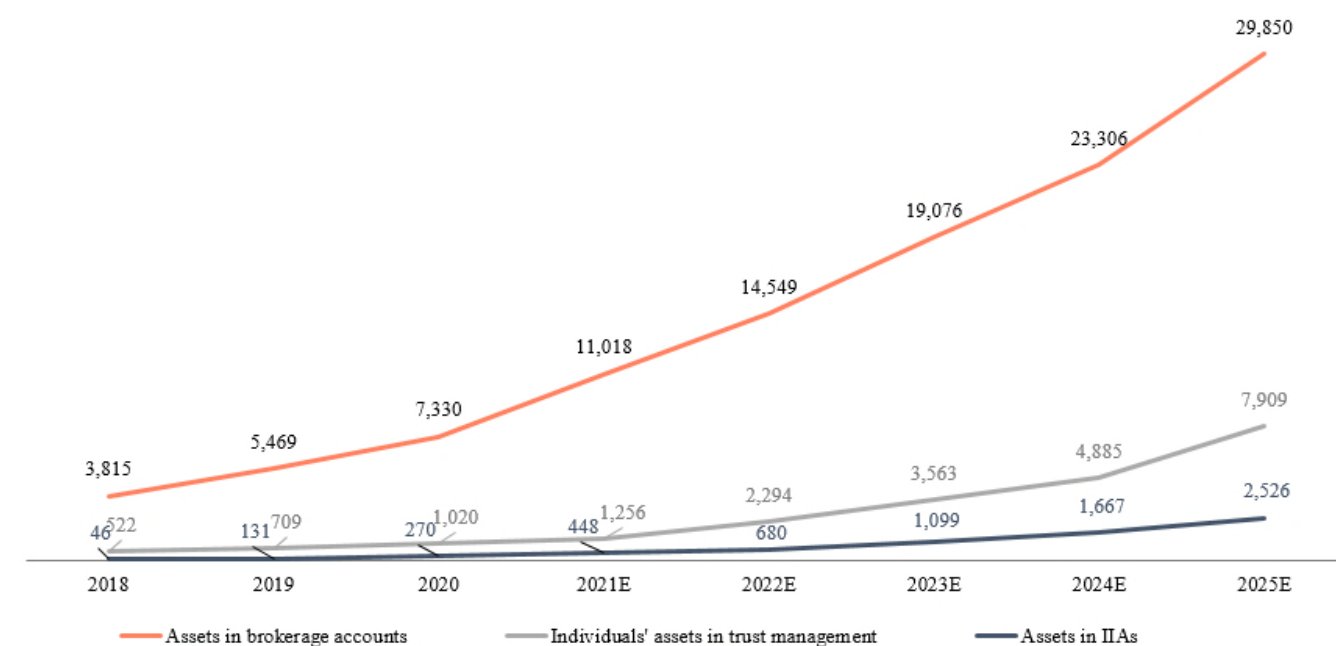


Source: RBC Report.

RBC expects a sharp increase in the level of investment in investment trusts as early as 2022, following the enactment of the anticipated Law on Restrictions for Unqualified Investors (the “**Unqualified Investors Law**”). According to RBC, once the Unqualified Investors Law becomes effective, brokers and banks will adapt their trust management products to comply with the new legislation and offer trust management services to a new wave of clients. According to RBC, the volume of assets in trust management will reach P8.0 trillion in 2025, a nearly 700% increase from the volume of assets in trust management as of December 31, 2020. We believe that one of the main drivers of the development of trust management services in the future will be the ability to offer these products online, similar to how brokerage businesses now offer their services online, marking a departure from the current practice of the trust management market of requiring clients to be physically present in their offices to be serviced. However, in 2021, the growth rate of assets in trust management is expected to experience a slight decrease, primarily due to the anticipated drop in sales of combined products (for example, a deposit combined with a transfer of part of the assets into trust management), according to RBC.

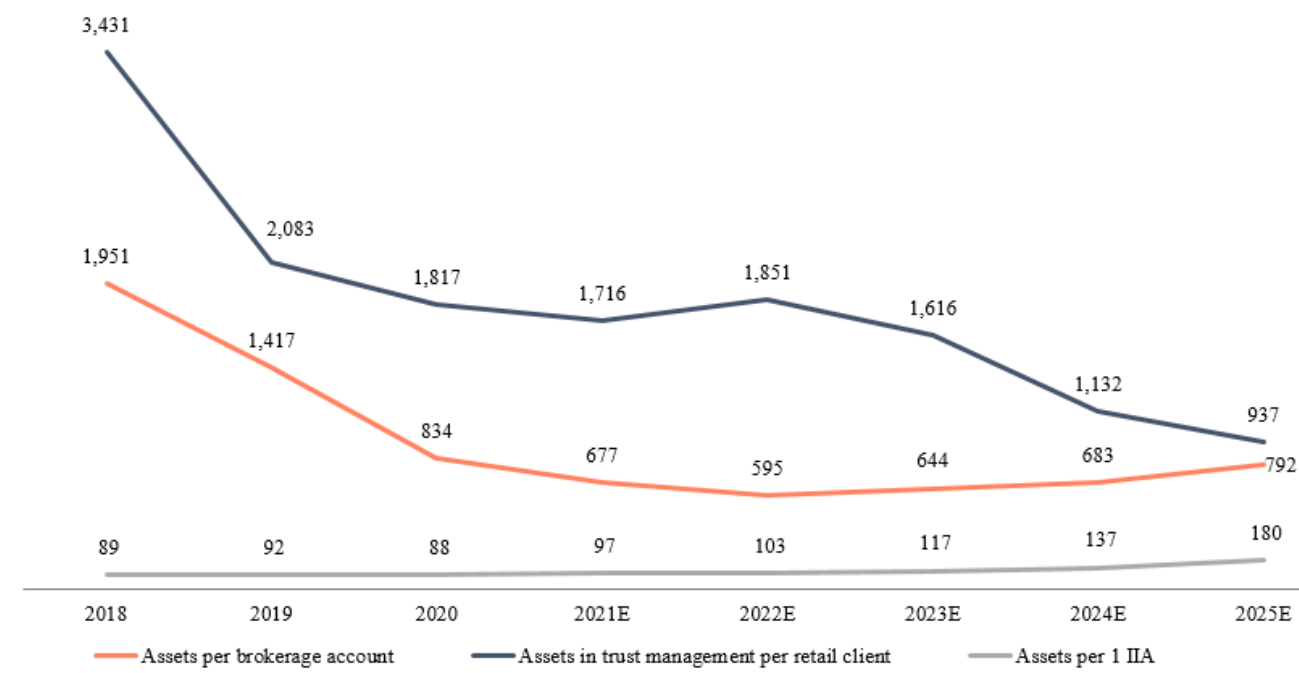
In December 2020, the CBR published its recommendations to credit institutions to refrain from offering combined products to non-qualified investors until the introduction of mandatory testing for individuals to earn the title of qualified investors, which is provided by the Unqualified Investors Law. However, as noted earlier, by the spring of 2022, it is expected, according to RBC, that this issue would be resolved and the trust management market would return to full growth.

Volume of retail investors’ assets in brokerage accounts in 2018 – 2020 and 2021 – 2025 (forecast), P billion



Source: RBC Report.

Average volume of assets per individual retail client in 2018 – 2020 and 2021 – 2025 (forecast), P thousands



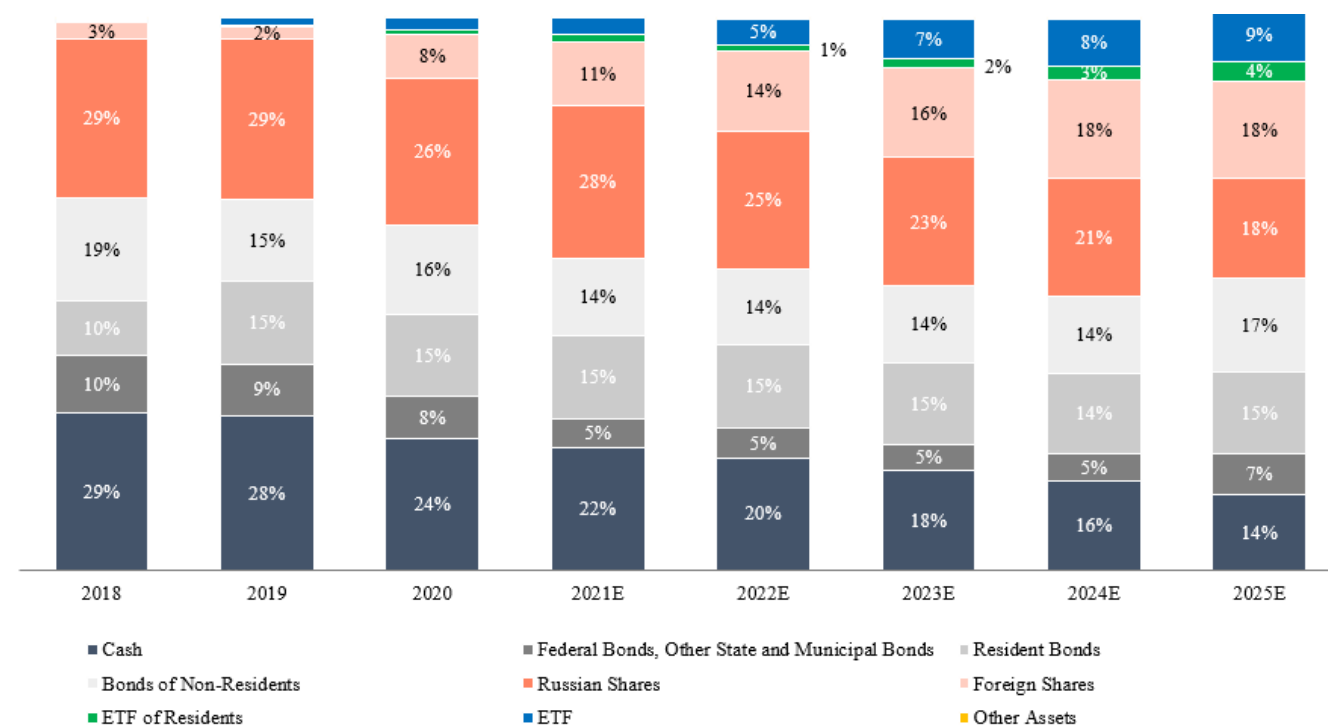
Source: RBC Report.

RBC expects significant changes to occur in the structure of investment asset portfolios in Russian brokerage accounts and IIAs in 2025, including:

- the share of foreign shares is expected to increase from 8% at the end of 2020 to 18% by the end of 2025, primarily attributable to the greater appeal of holding foreign assets among current and new retail investors in Russia, accessibility to a wider supply of foreign assets, expectations of higher returns from holding foreign assets and greater accessibility to foreign currency; and
- shares in funds, foreign ETFs in particular, are expected to take up a larger share of the investment portfolios of Russian investors, facilitated by introduction of new investment strategies aimed at minimization of investment risks. We believe ETFs are particularly good investment instruments for inexperienced investors who might not have adequate market knowledge to compose a diverse portfolio from the available foreign securities by themselves.

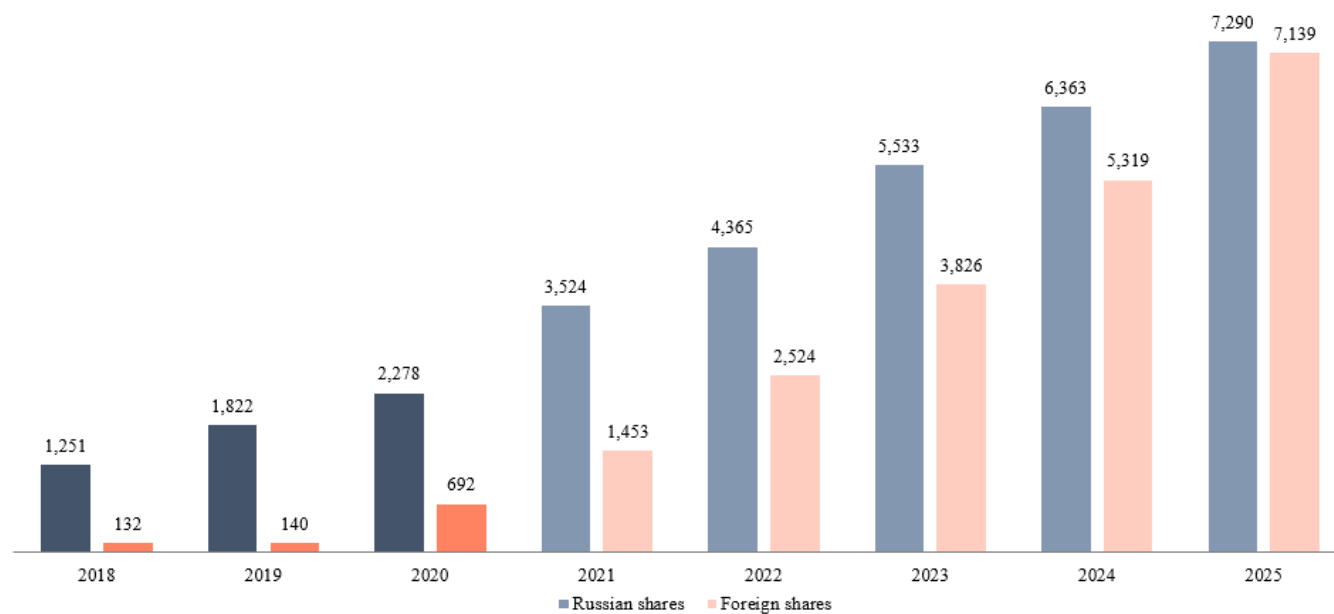
Similar trends will be observed for investments into IIAs, provided that the current regulatory provision of tax deductions for foreign assets remains in place. As of July 2021, the repeal of tax benefits for foreign securities on the IIAs is being discussed by authorities. However, if the Restrictive Measures are implemented, this would then be expected to lead to a significant change in RBC's forecast of the structure of investment asset portfolios in Russian brokerage accounts and IIAs in 2025, as well as a decrease in the forecasts of the total amount of IIA assets by at least 45% to P1,400 billion instead of P2,526 billion by the end of 2025.

Structure of brokerage assets in 2018 – 2020 and forecast for 2021 – 2025, %



Source: RBC Report.

Volume of assets in Russian and foreign shares on brokerage accounts and IIA of retail investors in 2018-2020 and forecast for 2021-2025, ₪ billion



Source: RBC Report.

According to RBC, Russian shares (including depositary receipts) and foreign shares were the most popular assets held in retail brokerage accounts and under trust management, and are expected to grow to aggregate values of ₪7.1 – 7.3 trillion each by 2025. As of December 31, 2020, the value of Russian shares held by retail investors in Russia was more than three times the value of foreign shares held by retail investors in Russia.

BUSINESS

Overview

We are a next-generation securities trading venue, with an innovative business model with a unique set of technology-enabled features, historically specialized in U.S.-listed equities and expanding into other asset classes. Our mission is to build a free world of investments, guided by the principles of responsible investing, sustainability and market competition, providing investors around the world with equal and easy access to investment instruments of the international financial markets, by building a trading platform with deep liquidity, thin spreads, best execution capabilities and around-the-clock trading. We believe that our platform provides retail investors in Russia and beyond with high levels of flexibility to tailor their investment portfolios and strategies to achieve their investment return and risk management goals.

We offer a highly compelling combination of features, supported by our scalable and reliable technology infrastructure, including:

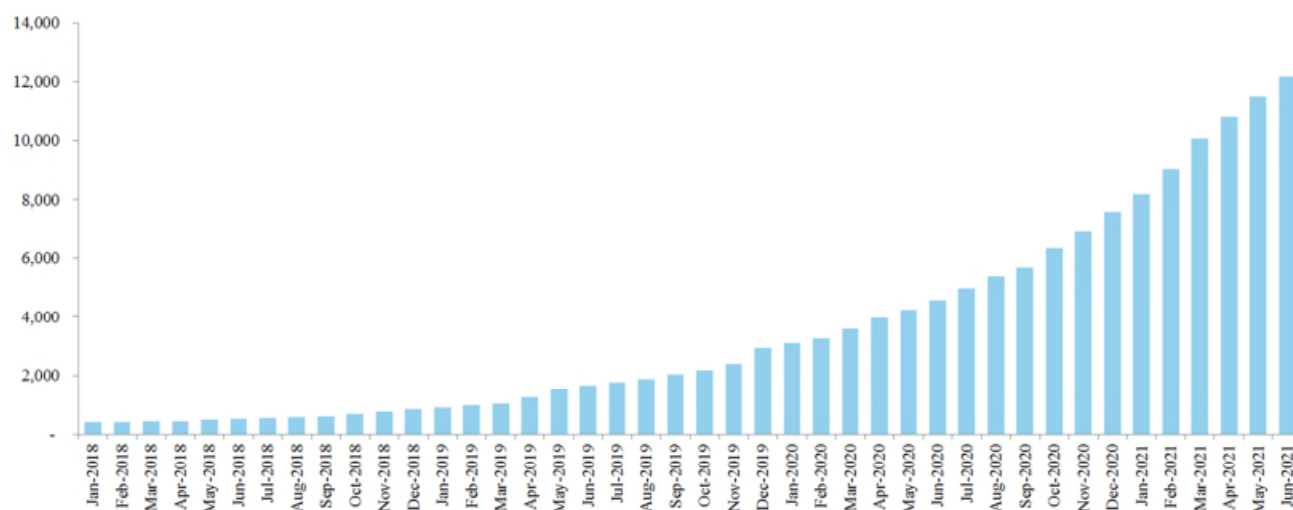
- deep securities trading liquidity pool;
- automated order routing between international exchanges (during their market hours) or our internal liquidity pool, based on the best execution principle (“**Smart Order Routing**” or “**SOR**”);
- long trading hours that extend beyond the trading hours of the primary listing venues for most of the securities we trade;
- quotes in the currencies of the primary listing venues;
- end-to-end trade execution process, with central counterparty clearing and settlement depository functions provided by our subsidiaries; and
- a suite of market data, analytics, financing and risk management solutions.

We provide a platform for trading equity securities listed on recognized international exchanges, including Nasdaq, the NYSE, the LSE and the Frankfurt Stock Exchange. We are the largest venue for trading foreign equity securities in Russia by trading volume, according to the CBR, and are further developing our platform to support a broader range of equity securities, Eurobonds, derivatives and other financial and data products and services. As of June 30, 2021, 1,809 global securities were available for trading on our platform, including 1,667 global equity securities, 78 DRs and 64 Eurobonds.

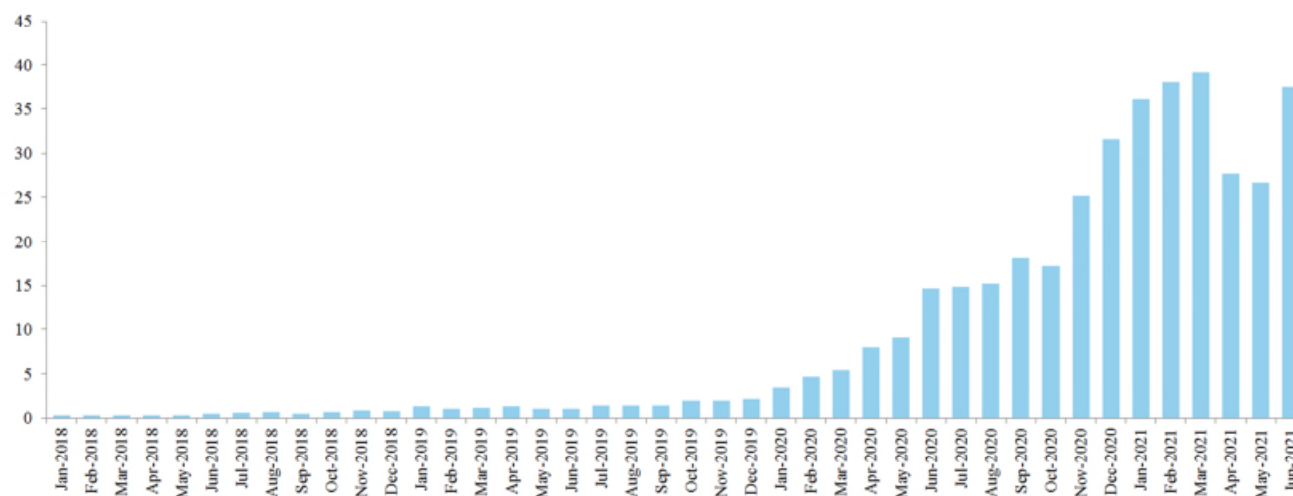
With our B2B2C business model, we are focused on delivering the best customer experience to retail investors, who are our end users and access our platform via their brokerage accounts with financial intermediaries. These financial intermediaries, who are our direct clients, consist of brokerages and banks that serve retail brokerage clients and are set up to execute orders on our platform. Other market participants include professional trading houses, which act as market makers for securities traded on our platform and trade securities on our platform through other financial intermediaries or on their own account. By focusing on retail investors as our end users and limiting HFT only to those who act as liquidity providers (as opposed to liquidity takers), we achieve substantial trade volumes from retail accounts and enable smaller lots trading and thinner spreads.

As of June 30, 2021, 12.1 million end-user client accounts were opened, and 46 banks and Russian brokers were registered, on our platform. In the six months ended June 30, 2021, a daily average of \$1.6 billion worth of trades were processed on our platform, an increase of more than 300% from a daily average of \$0.4 billion in the same period in 2020. In the six months ended June 30, 2021, our aggregate fee and commission income was P3.02 billion (or \$41.77 million at the exchange rate of P72.37 per U.S. dollar in effect on June 30, 2021), a 248% increase from P869 million (or \$12.42 million at the exchange rate of P69.95 per U.S. dollar in effect on June 30, 2020) in the same period in 2020. Our aggregate fee and commission income in the year ended December 31, 2020 was P2.77 billion (or \$37.49 million at the exchange rate of P73.88 per U.S. dollar in effect on December 31, 2020), a 413% increase from P540 million (or \$8.72 million at the exchange rate of P61.91 per U.S. dollar in effect on December 31, 2019) in the year ended December 31, 2019.

Number of end-user client accounts, 000



Monthly trading volume, \$ billion



Our History

Between 1994 and 2000, a team, including current members of our top management Roman Goryunov and Eugene Serdyukov (together, our **“core team”**), assembled to develop a regional equity securities and derivatives exchange business in Russia. In 1997, Non-Profit Partnership “Saint Petersburg Stock Exchange” was created and became the first licensed stock exchange in Russia, with NP RTS as one of its partners. In the same year, Non-Profit Partnership “Saint Petersburg Stock Exchange” launched an electronic derivative trading platform and, by 2000, it became the leading derivatives exchange in Russia.

From 2001, our core team and NP RTS focused their efforts on developing RTS Stock Exchange (**“RTS”**) and FORTS, its derivatives segment. In 2004, our core team was joined by our current Chairperson, Jacques Der Megreditchian, as the Chairperson of the Board of RTS. In 2009, Non-Profit Partnership “Saint Petersburg Stock Exchange” was reorganized as Open Joint-Stock Company “Saint Petersburg Exchange,” with NP RTS changing its status from a partner to a shareholder of

the exchange. By 2010, our core team had built RTS into a leading exchange in Russia, as well as a top-10 derivatives exchange globally by number of contracts traded. During their tenure at RTS, our core team was instrumental in the development and introduction of numerous innovative products to the Russian market, such as the RTS Index Futures, which became the most liquid security in Russia.

In 2011, RTS merged with MICEX to form what is today MOEX. Under the merger terms, RTS was valued at approximately \$1.2 billion. Following the merger, in 2012, our core team decided to pursue its own strategic and corporate culture vision, and moved on from MOEX to re-focus on SPB Exchange and develop on its basis a new platform for trading foreign securities. In 2014, foreign equity securities trading started on our platform and, in 2016, we implemented our best execution principle and SOR system. By the end of 2017, all the equity securities in the S&P 500 Index were available for trading on our platform and we have also introduced a T+2 settlement cycle to match the cycle of U.S. exchanges. The development of our business model, focused on retail customers, solidly positions us to capture the growing business opportunity presented by the growth of retail investing in Russia, which has been accelerating since 2017. In 2020, we transformed our governance structure with a number of our key market participants becoming also our shareholders. In the same year, we received the Best Project for Development of National Stock Market Award by the National Association of Stock Market Participants, which is awarded annually by an independent jury comprised of market experts. We were granted this award for the creation of infrastructure for the development of stock markets and active contributions towards strengthening stock markets in Russia. In 2021, we changed our name to its current form Public Joint-Stock Company “SPB Exchange.”

Our Strengths

Global Markets Gateway for Retail Investors

We offer investors in Russia and beyond access to trading and investing in international securities, through their brokerage service providers, on a highly efficient and convenient securities trading platform that provides substantial value to them in the form of deep liquidity in foreign equity securities, trade execution under the “Best Execution” principle, extended trading hours, price quotes and trade settlement in the currencies of the securities’ primary listing venues.

- *Deep Liquidity Pool.* Our platform features a deep liquidity pool of foreign equity securities that are in high demand by retail investors in Russia. The substantial trade volumes and high level of liquidity on our platform enabled the execution of over 77% of our foreign securities trades using only our internal liquidity in the six months ended June 30, 2021. Our internal liquidity is even more prominent outside of the foreign exchanges’ market hours, and we are able to execute volumes of trades comparable to foreign pre- and post-markets at competitive spreads. The trading volumes generated by retail investors constituted 99% of all trades (excluding market makers trades) on our platform in the six months ended June 30, 2021. Trades that are executed using our internal liquidity are internalized trades, for which we collect clearing and trading commissions from our clients on both the buy and sell sides of the trade, and, consequently, do not incur costs associated with executing them through a foreign exchange. We believe that our deep liquidity in foreign equity securities is one of the key features of our platform, which attracts an increasing number of retail investors and volume of trades by retail investors through our broker clients. Our liquidity pool for the most highly-traded equity securities deepens with the growth of trade volumes.
- *Best Execution.* We have implemented the “Best Execution” principle on our platform, which gives investors who trade U.S. equity securities on our platform the best prices available, either on a security’s U.S. listing exchange, during that exchange’s market hours, or on our platform. “Best Execution” trades are enabled by our SOR system, an automated system that determines whether an equity securities trade can be executed at a better price on our platform relying on our internal liquidity or on a foreign exchange relying on the liquidity of the relevant foreign exchange (“external liquidity”). A trade executed with internal liquidity is executed by matching the trade order with another in our market, including market maker quotes. A trade executed with external liquidity is also executed on our platform, but our SOR system matches the trade order with liquidity obtained on a foreign exchange, by executing the identical order on the foreign exchange. Our SOR system ensures reliable trade processing and price comparisons to a broad range of U.S. securities without our clients needing to undertake the onerous task of separately connecting to a large number of foreign exchanges or brokers. Our adoption of the “Best Execution” principle encourages brokers to connect to our platform and execute trades through our platform.

- *Extended Trading Hours.* We are unique in Russia in providing our customers with long trading hours of 19 hours per day, five business days a week. Our trading hours not only cover the entire pre-market, market and a substantial part of the post-market trading periods of international exchanges, such as the NYSE, Nasdaq and certain European exchanges, but also extend those trading periods by several hours. SOR operates only during the hours when U.S. markets are open for trading. Outside the market hours of U.S. exchanges, all our incoming orders are executed with our internal liquidity. Due to settlement reasons, we do not trade equity securities on days when the respective primarily listing venues are closed. In the medium term, we aim to extend our trading hours even further and increase the number of trading days a week. Our long trading hours enable our clients to conveniently trade global equity securities across different time zones, and also to react sooner to developments relevant to their investment portfolios outside the market hours of a security's primary listing venue.
- *Price Quotes in Currencies of the Primary Listing Venue.* Our system quotes prices for a security in the currency of its primary listing venue. As most equity securities that we currently trade have a primary listing in the U.S., we quote equity security prices mainly in U.S. dollars, though for the several equity securities from European exchanges that we have recently added to our platform, we quote prices in euros and we quote prices in rubles for Russian equities. We believe this provides important additional convenience for investors that trade foreign securities on our platform to, among other things, be able to diversify their currency exposure and to compare prices across markets and evaluate their investment performance free of currency fluctuation factors. Quoting prices and executing trades in foreign securities effectively result in our revenue being substantially linked to U.S. dollar- or EUR-denominated assets.

We believe that the combination of the above key features attracts market participants to our platform, which, in turn, further increases the available liquidity on our platform and amplifies our competitive advantages. As a result, we believe we have become a highly attractive option for Russian brokers whose retail clients want to trade foreign instruments, which, coupled with the large number of foreign securities offered on our platform, gives us a competitive advantage in the foreign securities trading market segment. We also believe that our liquidity depth and extended trading hours will prove to be highly attractive to brokers and investors in countries beyond Russia, where we could extend our business.

Focus on Retail Investors

In line with our B2B2C business model, we have strategically focused our business model on retail investors who access our platform via their brokerage accounts with financial intermediaries. In the year ended December 31, 2020, retail investors accounted for 99% of all our trades (excluding market makers trades). We have created an environment where market makers can set thin bid-offer spreads, and, therefore, provide better prices for investors and traders. There are several factors that lead to thinner spreads on our platform. One such factor is that we limit HFT (high-frequency trading) only to participants who act as liquidity providers by quoting bid and offer prices for securities on our platform (as opposed to takers of liquidity). The criteria for determining whether a participant on our platform qualifies as a liquidity provider are set by us internally. The primary criteria include market-maker experience related to the U.S. and other foreign securities and trading statistics and patterns, but the particular criteria are not formalized and may differ on a case-by-case basis. This results in participants on our platform competing to provide the best prices to retail investors, rather than primarily engaging in HFT. In turn, market makers on our platform are not compelled to place orders with large spreads to prevent their spreads from being affected by a large number of trades in a short period of time, due to HFT activity. Also, because retail orders tend to be made in smaller lots relative to orders on more institutionally-focused exchanges and platforms, market makers have greater visibility about market movements, which better positions them to react to market movements and avoid placing large trade orders at potentially unfavorable prices. This greater market visibility can be used by market makers to manage trade-related risks and enables them to offer thinner spreads. Apart from being able to provide better prices, market makers on our platform find it easier to set spreads in less liquid securities, compared to on other exchanges and platforms, which, in turn, facilitates our efforts to add new instruments to our platform and reduces the need for us to provide subsidies to market makers for trading specific securities, resulting in extra cost efficiencies for us. We believe that thinner spreads, better prices and a wider, faster-growing number of instruments contribute to our growth by encouraging brokers to connect to us and direct their retail clients' trades through our platform.

Broad and Expanding List of Traded Securities

Trading of foreign, mainly U.S., equity securities by retail clients of Russian brokerages is our core business and we are the market leader when it comes to foreign securities trading in Russia by volume and number of instruments traded. As of June 30, 2021, we had over 1,667 global equity securities and 78 DRs listed on our platform, most of which had primary listings on NYSE and Nasdaq, including equity securities comprising the best-known U.S. equity indices, such as the Dow Jones Industrial Average, the S&P 500 and the Nasdaq index. Some of the remaining foreign equity securities that traded on our platform had their primary listing venue in the UK (London Stock Exchange) (23 equity securities as of June 30, 2021) and Germany (Frankfurt Stock Exchange) (58 equity securities as of June 30, 2021). As of June 30, 2021, we also had 64 Eurobonds available for trading on our platform. Our list of traded instruments is expanding and, going forward, we plan to significantly expand it in both our existing markets and in new markets that we plan to enter.

End-to-End Capabilities Integrated on a Robust Adaptive Platform

We provide a full range of securities exchange services to financial intermediaries, which we believe facilitates a highly efficient, reliable and seamless end-to-end execution of trades. Market access and trading are enabled via our platform, and central counterparty clearing services for our platform are carried out by our subsidiary, SPB Clearing, and settlement, depositary and clearing broker services are provided by another of our subsidiaries, SPB Bank. Over 40 Russian banks and brokers use our platform and engage our services, and their interfaces and operations have become deeply integrated with our platform system. For example, these banks and brokers use our platform features related to tax identification automatization and tax disclosures for dividend taxation, corporate events and information on corporate actions, electronic document management and market data. In the year ended December 31, 2020, Tinkoff and VTB brokers accounted for 33% and 12% of the trading volume on our platform, respectively. In the same period, seven of the brokers, including Tinkoff and VTB, accounted for 99% of all trades made on our platform. Apart from our core securities exchange functions, we have developed additional products, such as repos, as well as market information and data services. Our robust technology is based on an IT system developed in-house by Matching Solutions in 2013 (Prospective Trade and Clearing System or “PTKS”), which has a modular structure that is easily extendable to multiple products and markets and which we believe makes PTKS adaptable to supporting new products and markets in the future. As of June 30, 2021, we have engaged Matching Solutions to provide technical and development support for PTKS. PTKS has solid performance characteristics, including the ability to handle over 50 thousand orders per second and maintain a latency of less than 100 microseconds in internal liquidity pool. Its current capacity is sufficient to handle four to five times greater daily average trade volumes than our platform was experiencing as of June 30, 2021. The trade handling capacity of PTKS can be increased with minimal disruption to our platform operations. We believe that the flexibility and scalability of our platform positions us well to substantially grow our business volumes and enter new markets going forward.

Accelerated Growth and Scalable Economics Driving High Profitability

We have achieved a high rate of growth across multiple top-line metrics. In 2020, we had 954,489 active accounts on our platform (representing an increase of 498% from 159,531 active accounts in 2019). In 2020, we had a trading volume of approximately \$167.3 billion (representing a growth of 901% from approximately \$16.7 billion in 2019), and ₺3,295 million in revenue (representing an increase of 360% from ₺716 million in 2019). For the six months ended June 30, 2021, we had approximately 1.42 million active accounts on our platform (representing an increase of 210% from approximately 457,000 active accounts for the six months ended June 30, 2020). In the six months ended June 30, 2021, we had a trading volume of approximately \$206 billion (representing a growth of 356% from approximately \$45 billion in the six months ended June 30, 2020), and ₺3,478 million in revenue (representing an increase of 230% from ₺1,054 million in the six months ended June 30, 2020).

Our business model and infrastructure has built-in operating leverage, and most of our fixed costs do not correlate with our trading volumes or revenue. Our fixed costs (representing administrative and other expenses) represented 38% of our total operating expenses in both the six months ended June 30, 2021 and 2020, and 43% and 50% of our total operating expenses in 2020 and 2019, respectively. Our fixed cost figures in 2020 and 2019 show that as our volumes and revenues grow, our costs may not necessarily increase proportionally, which could result in our margins expanding. We first became profitable, on a net income basis, in 2020, when we achieved a net profit margin of 39%. In 2020, we had total operating revenue of ₺3,294,805 thousand and profit for the period of ₺1,268,814 thousand. Other larger international securities exchanges and trading platforms, such as the Hong Kong Exchange, B3 and the Australian Securities Exchange, achieved higher profit

margins in the same period, 60%, 55% and 53%, respectively, which suggests that as our business volume grows, there might be a considerable potential for increases in our profitability.

Governance Structure for Alignment of Interests and Value of our Clients and Stakeholders

Many of our market participants also participate in our shareholder structure and corporate governance. As of the date of this Offering Memorandum, a number of market participants that control registered brokers on our platform are our shareholders. We believe that this is a highly constructive governance structure for our business, since it aligns the interests of our market participants both as our clients and as our shareholders, driving an appropriate balance between the long-term and short-term interests of our customers and our shareholders, and guides our implementation of an efficient price policy for our trading products. However, this governance structure allows our broker shareholders to exert influence over some of our actions. Our broker shareholders may have interests that differ from those of our other shareholders. See “*Risk Factors—Risks Relating to Our Organizational Structure—The interests of our broker shareholders may differ from those of our other shareholders.*” Our interaction with our clients is based on a collaborative approach towards product and service development. We continually consult with our brokers to identify their business priorities, and discuss new instruments, features and initiatives that we plan to bring to the market to best address their needs and the needs of their retail brokerage clients. For example, from March 1, 2021, following consultation with our brokers and responding to their feedback, we extended the trading hours on our platform from 16 to 19 hours.

Led by Team with a Long and Successful Track Record in the Sector

Our team has significant experience in the securities exchange and market structure sector, having accumulated a successful track record of building market structure businesses and developing securities products and markets. Our core team led the development of RTS, a leading derivatives exchange in Russia, which later merged with MICEX to form MOEX. During their time at RTS Stock Exchange, these core members also developed some of Russia’s most important derivatives instruments, including RTS Index Futures, BRENT Oil Futures, Single stock futures, Futures Style Options and OFZ Bond Basket Futures, which are still currently being traded on MOEX and are among the top five derivatives in Russia by traded volume. Our team is now deploying its deep experience and talent to drive the successful growth of our platform and its expansion into new products and markets.

Our Strategy

We believe there is an opportunity to substantially grow our business by leveraging our key strengths and pursuing an expansion strategy that spans across multiple products and markets, based on the following key pillars:

Continued Growth of Our Customer Base

We are positioned at the very heart of the ongoing investing evolution in Russia, characterized by strong growth of interest in investing and adoption of retail brokerage services. According to the RBC Report, the number of retail brokerage accounts in Russia grew to approximately 9.9 million as of December 31, 2020 from approximately 2.2 million as of December 31, 2018, representing a CAGR of 112%, while the number of active brokerage clients grew to approximately 1.9 million, as of December 31, 2020, from approximately 0.3 million as of December 31, 2018, representing a CAGR of 152%. The value of retail brokerage client assets (excluding individual investment accounts) grew to approximately ₪7.3 trillion in 2020 from approximately ₪3.8 trillion in 2018, representing a CAGR of 39%.

We believe that the growth described above was driven by, among other things:

- the proliferation of convenient online and mobile trading applications for retail investors in Russia, created and marketed by most major banks and private brokerage houses with strong financial technology capabilities;
- the increased convenience and ability to remotely open brokerage accounts, especially since the introduction of the centralized identification system, which enables financial intermediaries to easily open accounts on our platform for their retail clients online;
- the rise of a young millennial population with a higher propensity to invest than the older generations;

- broader access to market and financial information;
- the improved attractiveness of securities (including due to the recent high returns in equity markets) relative to traditional classes of investments, such as bank deposits and real estate;
- increased retail investor demand for ways to diversify their investment portfolios via foreign securities to manage ruble fluctuation risks; and
- the Russian retail market being part of a global rise in the popularity of retail investing.

Going forward, dynamic growth in retail investing in Russia is expected to continue. The RBC Report forecasts that from June 30, 2020 to December 31, 2025, the number of retail brokerage accounts in Russia would grow from 9.9 million to 48.2 million, with an expected CAGR of 37%, the number of active brokerage clients would grow from 1.9 million to 12.4 million with an expected CAGR of 46%, and the volume of brokerage client assets (including individual investment accounts, but excluding trust management) would grow from P7.6 trillion to P32.4 trillion, with an expected CAGR of 34%. This growth potential forecast is supported by the fact that there is an underpenetration of retail brokerage services in Russia, with only 7.6% of the Russian population above 18 years of age holding brokerage accounts as of December 31, 2020. The same population segment in countries, such as the U.S. and China, holding brokerage accounts constituted 55.0% and 15.7%, respectively, of the population above 18 years of age, as of the same date, according to RBC. The same population segment in Germany holding brokerage accounts constituted 32.4% of the population above 18 years of age as of December 31, 2019, according to RBC. Our strategy is to capture as much of this expected growth as possible by developing our product range, system capacity and marketing efforts.

Extension of Leadership in Foreign Equities in Russia

We plan to continue developing our business as the leading securities exchange, in terms of trading volume and liquidity, for trading foreign securities in Russia. We plan to leverage our significant competitive advantages: a large base of investors and market participants, deep trading volumes and a seamless process providing “Best Execution” trades of U.S. equity securities. As more people in Russia begin investing and trading equity securities, we believe they are likely to become better informed, and may start looking beyond Russian assets for attractive investment opportunities across different sectors or geographies. In anticipation of this growth, we will continue to build our extensive list of equity securities tradable on our platform, including both foreign and Russian equity securities. We plan to further expand our current list of 1,667 global equity securities traded on our platform to over 2,500 in three to five years. We will continue adding more equity securities that are traded on U.S. exchanges, such as the NYSE or Nasdaq, including of newly-listed companies that are coming to market. We also plan to expand our offering of foreign equities from other international exchanges, such as the London Stock Exchange, the Frankfurt Stock Exchange and Asian and other European exchanges.

Our platform infrastructure enables us to easily add new securities for trading on our platform and creates a trading environment that enables and incentivizes market makers to provide bid-offer spreads in less liquid new securities. We plan to replicate our proprietary know-how of setting up SOR and “Best Execution” connectivity with leading equity securities exchanges, offering the same compelling benefits to our market participants across different international equity markets.

Build-up of Russian Equities Business

In both the year ended December 31, 2020 and the six months ended June 30, 2021, trading in Russian securities represented less than 1% of trades on our platform. We plan to launch a new solution for Russian securities in 2021, which would facilitate the execution of trades of Russian securities by Russian brokers, on behalf of their retail clients, at the best prices available in the Russian market. We believe that our know-how in our adoption of the “Best Execution” principle for U.S. equity securities traded on our platform can be applied to efficiently develop a similar offering for Russian equity securities with our brokers in compliance with Russian law requirements. We also intend to provide extended trading hours for the trading of Russian equity securities. We believe that our focus on retail investors and the limitation of HFT on our platform would enable us to offer highly competitive prices for Russian securities trading.

We are also considering ways to make our platform attractive for Russian equity issuers, especially mid-cap issuers (which we consider to be issuers with a market capitalization of approximately \$0.5 billion to \$10 billion), including those who seek

dual local and international listings by offering a combined liquidity pool for their equity instruments regardless of the listing venue or type of security. We believe this service has enabled securities exchanges in foreign markets, such as BATS in the U.S., Chi-X Europe or Chi-X Australia, to capture a substantial market share of trading volumes from incumbent exchanges, and we seek to adopt a similar model in Russia.

Launch of Derivatives Market

Based on our engagement with, and feedback from, our client brokers, retail investors in Russia are showing increased interest in stock options. We are also seeing the success of options trading platforms among retail investors on other markets, such as the U.S., where options trading is a fast-growing source of revenue for retail brokers. Stock options provide investment strategy alternatives by way of leveraged positions or trades based on an investor's views regarding fundamentals and momentum of the underlying stock, as well as on general financial market environment affecting the price of the underlying stock and other option valuation factors. Being led by the same core team that created FORTS, a leading derivatives exchange in Central and Eastern Europe prior to its merger into MOEX, we are confident that we can successfully develop the derivatives section of our platform as well. We aim to commence development of our options trading platform in the third quarter of 2021, and aim to launch it in 2022.

Additional Products and Services

Looking for additional ways to leverage our large established base of retail investors and market participants, our integrated exchange infrastructure, and the vast volume of securities flowing through our systems or held in custody by us, we are considering such initiatives as:

- *Foreign ETF listings.* ETFs have been a growing asset class around the world. Among other things, ETFs allow retail investors to trade entire securities portfolios depending on preferred sector, geography, instrument, trading strategy or other themes as single instruments that can generally be bought, sold and held like regular equity securities. As of June 30, 2021, our platform supported the OTC trading of 127 ETFs. We plan to launch the exchange trading of leading foreign ETFs, based on trading volumes on U.S. exchanges, by the middle of 2022, subject to a number of anticipated changes in the relevant Russian law (see “*Regulation—New Developments in Capital Markets Regulation*”) becoming effective.
- *Eurobonds market.* We launched trading in Eurobonds in December 2019 and plan to develop it further. As of June 30, 2021, we offered trading in 64 Eurobonds from Russian and foreign issuers. Our current strategy for developing our Eurobonds market is to focus on offering instruments with high yields, but with similar risk characteristics as bonds currently available to retail investors in Russia, with a long-term aim of increasing the number of Eurobonds offered on our platform to more than 1,000. Such instruments could include sovereign or high-quality corporate issuances from emerging markets of both investment and sub-investment grade.
- *Intra-brokerage Repo platform.* Our Repo platform has been predominantly used by market participants to borrow Russian and foreign securities (including depositary receipts) to support the “short” selling positions of their clients who may not hold sufficient securities to support their own “short” positions. We believe that due to the limited supply of foreign securities in the Russian market, market participants are willing to pay relatively high interest rates to borrow securities, including to support “short” positions. We believe that such opportunities could be attractive to foreign market participants on our platform who have securities to lend. Our Repo platform is designed to cover both the securities borrowing and securities lending sides of securities repurchase operations. SPB Exchange and SPB Clearing facilitate and act as intermediary for Repo transactions. Our repurchase trading operations, including Repo transactions with ADSs, are subject to clearing and trading regulations in Russia. In the six months ended June 30, 2021, the average daily trading volume on our Repo platform (including between brokers) was \$742 million, of which \$691 million was attributable to market participants facilitating trades with their own clients and \$51 million was attributable to Repo trades directly between our market participants.
- *ESG products.* In line with our commitment to promote sustainable business practices and compliance, we aim to develop a range of ESG-centric offerings, including the trading of ESG Indices, ESG Bonds and Low-Carbon Energy Certificates.

- *Qualified Investor and Institutional Investor product offering.* According to RBC, the pool of qualified and institutional investors in Russia (see “*Regulation—Types of Investors under Russian Law*”) is expected to increase, and we aim to develop a wide range of products that are specifically tailored to the needs of each of these groups of investors to help them meet their business and investment goals.
- *Information and data products.* We believe that the data on trading activity of global large-cap equity securities on our platform that draw significant investor interest and trading activity supported by our deep foreign equity securities’ liquidity pool during the non-market hours of major exchanges, including in respect of price and trade volume, carries commercial value to certain market participants. This data can also be parlayed into proprietary indices reflecting the price performance of various baskets of equity securities on our platform, which we can offer to market participants and investors looking to track broader market or sector performance trends. We also plan to leverage our reputation as a leading exchange platform for a large and growing number of market participants to offer them other financial information products and investment-related educational solutions. We own a 50.1% interest in BestStocks.ru, an online platform that provides free and subscriptions-based access to analyst stock recommendations, stock selection and analysis tools, portfolio tracking, and other market information for brokers and retail investors. We also sponsor and organize various investor education events, which we believe builds our brand awareness among financial intermediaries in Russia and beyond, improves the financial literacy of the Russian population and promotes the growth of the investment market in Russia in general.
- *Foreign exchange trading.* We plan in the future to offer clients who want to supplement their trading in foreign currency-denominated securities with a convenient tool for converting and trading currencies.

Expansion to Additional Geographies

We believe that our venue for trading foreign securities with “Best Execution” principle via international exchanges, as well as via our deep internal liquidity pool during extended trading hours could be attractive to investors not only in Russia, but also in other countries. We do not currently actively market our services directly to brokers outside of Russia and accounts outside of Russia can only access our platforms through Russian brokers already participating on SPB Exchange. We plan to make our platform more accessible to international brokers serving retail clients in other jurisdictions that have limitations in accessing foreign, in particular U.S., exchanges during their normal business hours due to the time zone difference. We initially intend to cover countries that are in a similar time zone to Moscow and where we can quickly access a meaningful retail base via brokers with whom we already cooperate and who have operations in the relevant jurisdiction. In particular, we intend to also offer our services directly to brokers in CIS countries, Baltic states, Eastern Europe, Israel, India and South-East Asia. We estimate our initial costs at approximately \$10 million to \$15 million to connect brokers from other jurisdictions and start rolling this out across multiple geographies. We believe that by going beyond Russia, we could significantly expand our addressable market and the potential scale of our business.

Our Services

We are a leading and fast-growing technology-enabled financial markets infrastructure operator in Russia that primarily focuses on retail investors, who access our platform via financial intermediaries. In pursuit of our mission to provide a platform with deep liquidity, thin spreads, best prices and the longest trading hours for investing in a wide range of international securities, we have developed a compelling range of services and products. These services and products include:

- our SOR-enabled “Best Execution” trading of U.S. equity securities during the market hours of the U.S. securities market;
- access to our deep internal liquidity pool for trading the most popular U.S. equity during non-trading hours of the U.S. securities market;
- full trade execution support;
- a suite of market data, analytics, financing and risk management solutions; and
- a full range of end-to-end exchange support services.

Smart Order Routing-enabled Best Execution

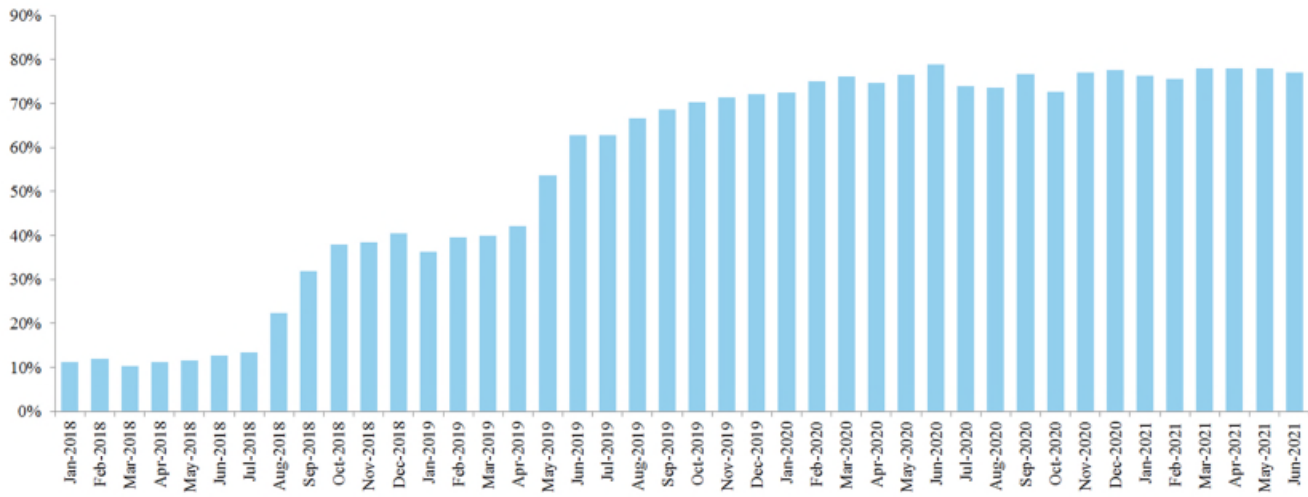
Our implementation of the “Best Execution” principle enables our clients to purchase U.S. equity securities at prices that are at least as favorable as those available on the leading U.S. exchanges during their operating hours. We achieve this by using the exchange on which the relevant U.S. equity securities are listed as a source of additional liquidity during their market hours. Once an order is placed for a U.S. equity security during the market hours of the relevant U.S. exchange, our SOR system automatically compares the price of the security available on our platform against the prices at which the relevant U.S. equity security is available in the U.S. markets. Our SOR system then directs a trade to be executed on our platform relying on our internal liquidity (by matching it with an order from another participant in our market) or directs a trade to be executed on our platform by relying on liquidity from a foreign exchange (by matching it with an order with our own central counterparty that obtained the corresponding securities from a foreign exchange, at the price offered on the foreign exchange), depending on which of the two options offers the best price for the trade.

Our ability to provide “Best Execution” trading of U.S. equity securities is facilitated by our innovative business model, which focuses on serving, through financial intermediaries, retail investors. In the year ended December 31, 2020, retail investors accounted for 99% of all our trades (excluding market makers trades). As a retail-focused exchange, we created an environment where market makers can set thin bid-offer spreads and therefore provide better prices for investors and traders.

We believe that there are no substantial additional benefits for market participants in Russia to trading the U.S. equity securities available for trade on our platform directly on a U.S. exchange, including during the market hours of the relevant U.S. exchange, when the same equity securities are offered on our platform with “Best Execution.” Our SOR system allows market participants to avoid the onerous task of separately connecting to a large number of U.S. exchanges or brokers, comparing the prices of securities and executing the trade on a U.S. exchange, by conducting all these tasks automatically and almost instantly.

As a result of the high levels of liquidity of U.S. equity securities on our platform, in the six months ended June 30, 2021, we were able to execute 77% of trades of U.S. equity securities placed on our platform purely based on our internal liquidity (“internalized trades”). When trades are executed as internalized trades, we collect clearing fees from our clients on both the buy and sell sides of the trade (in contrast to trades executed on other exchanges for which the relevant foreign clearing house collects fees) and we do not have to incur costs associated with executing trades on a foreign exchange. Our internalization rate was 76% and 61% in the year ended December 31, 2020 and 2019, respectively. Our internalization rate was 77% and 76% in the six months ended June 30, 2021 and 2020, respectively. Our high internalization rate is a direct consequence of the high levels of liquidity on our platform. We believe that if liquidity on our platform remains strong, we will continue to benefit from high internalization rates.

Trade internalization rate, monthly, %



We believe that the increasing recognition by market participants of our platform as one with deep liquidity and “Best Execution” trading for U.S. securities will lead to further growth in the number of brokers who choose to execute their retail clients’ orders of U.S. equity securities trades on our platform, which, in turn, will lead to an increase in the liquidity of U.S. equity securities traded on our platform.

Pre-market Liquidity

Our deep equity securities liquidity pool enables our clients to trade U.S. equity securities for extended periods of 19 hours a day, five business days a week. Even during non-market hours of U.S. exchanges, our clients can trade U.S. equity securities offered on our platform, with access to our deep internal liquidity. The price of trades executed with our internal liquidity during the non-market hours of U.S. exchanges is set by us internally, based on the demand and supply of the equity security being traded.

On each trading day from 4:00 a.m. to 8:00 a.m. GMT, liquidity for U.S. equity securities traded on our platform is provided by domestic market makers and retail traders. During these hours, we provide liquidity for some of the leading U.S. equity securities by trading volume. The number of sources of liquidity increases when U.S. pre-market is open. During U.S. market hours (1:30 p.m. to 8:00 p.m. GMT), liquidity from the U.S. exchanges is available to our clients, who are able to execute trades on the “Best Execution” principle, enabled by our SOR system (see “—Smart Order Routing-enabled Best Execution”). Even after the close of trading session in the U.S., from 8:00 p.m. to 11:00 p.m. GMT, U.S. equities can still be traded on our platform, with the U.S. post-market serving as an additional source of liquidity.



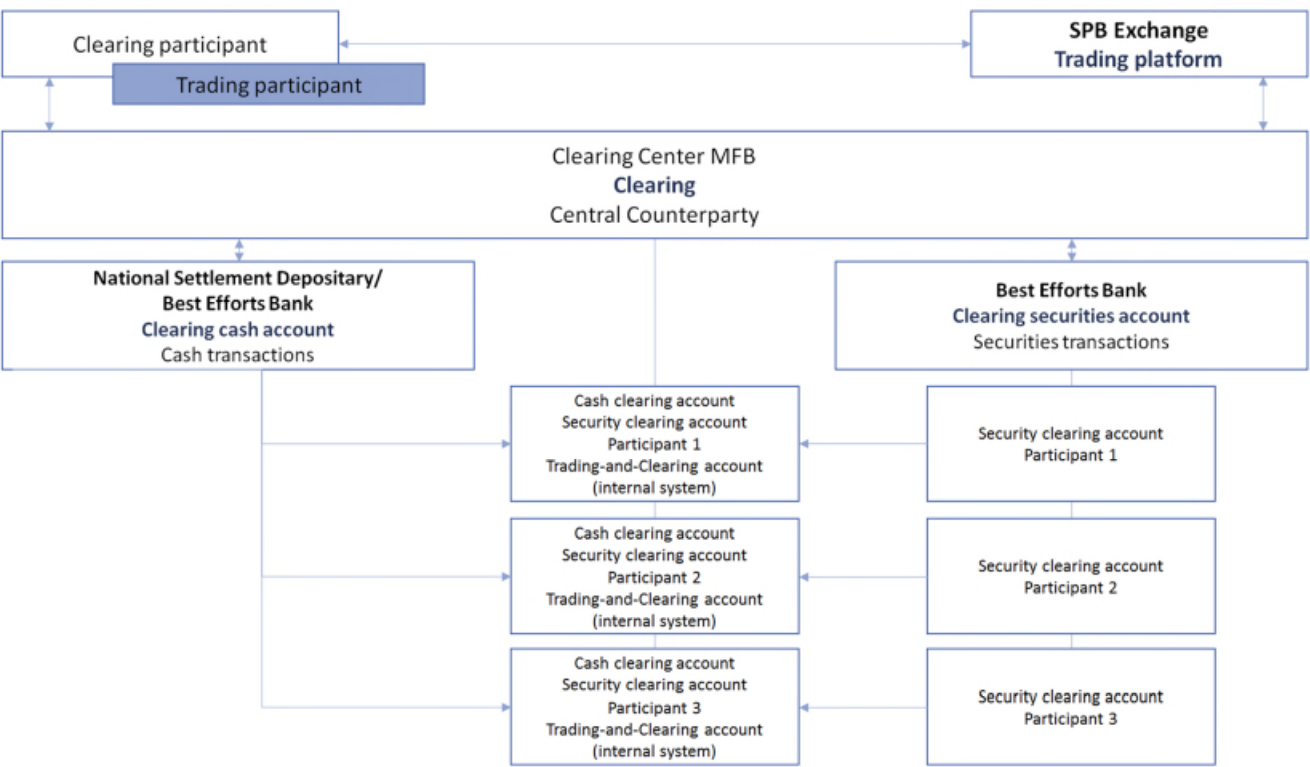
Full-trade Execution Support – Clearing and Settlement Services

SPB Bank serves as our settlement depository for all trades placed on our platform. SPB Clearing is our clearing house, which performs trade clearing operations and acts as the central counterparty for orders placed on our platform. SPB Bank and SPB Clearing together enable us to facilitate the full trade execution process.

In the majority of trades, the settlement cycle is T+2, with both the order placement for the execution of the trade and the execution of the trade occurring on trading day T+0, and clearing and settlement occurring on trading day T+2.

Once a broker’s order is logged into the trading system of our platform, the best price for the execution of the trade will be determined by our SOR system. Our SOR system will compare the prices at which the order can be executed on our platform, relying on our internal liquidity supplied by market makers, or with external liquidity. If external liquidity is relied upon to achieve the best price for the relevant order, the order and trade executed on our platform will be mirrored by an order and trade executed on the foreign exchange. In both cases, the order is executed on our platform.

SPB Clearing has a clearing depository account with SPB Bank (“**Main Clearing Account**”). Securities recorded in the Main Clearing Account are protected, under Russian law, from the risk of insolvency of SPB Bank and SPB Clearing because securities recorded in the clearing account are not included in the bankruptcy proceedings. Within the Main Clearing Account are sub clearing accounts (“**Nominee Sub Accounts**” and, together with the Main Clearing Account, the “**Security Clearing Accounts**”) opened for each of our brokers and SPB Clearing (for the purposes of facilitating the execution of trades involving additional liquidity from U.S. markets (“**External Trades**”)), into which our brokers and SPB Clearing (in respect of External Trades) transfer securities for the purposes of securing and fulfilling the trades made on our platform and on the OTC market. SPB Clearing also has a cash clearing account in SPB Bank and the National Settlement Depository (“**Cash Clearing Accounts**”), into which funds are transferred by brokers for the purposes of securing and fulfilling the trades concluded on our platform and on the OTC market.



The orders on our platform are netted and reconciled through clearing by SPB Clearing on day T+2. At the end of each trading day, as part of the process of fulfilling the orders that have been processed by clearing, SPB Clearing will provide a report to SPB Bank, as settlement depository, indicating the volume of securities to be transferred and the Nominee Sub

Accounts between which the transfers are to take place. Concurrently, SPB Clearing will record the transfer of funds for each respective trade on its internal books, concluding settlement. The participants to the relevant trades may withdraw their securities or funds, as applicable, once settlement concludes.

Fee Structure and Rebate Program

Upon registration as a participant on our platform, brokers pay a fixed membership fee. We also collect a clearing fee for each trade executed on our platform, which is comprised of two components:

- a fixed clearing fee, which is payable by the brokers once a month for the provision of access to our platform and is based on the fee plan applicable to the relevant broker; and
- a variable clearing fee, which is applicable to both parties to a trade, is payable on all trades and depends on a number of factors, including the applicable fee plan, category of instruments and type of trade.

In addition to what we believe is a competitive and flexible exchange and clearing fee structure, our clients also benefit from our clearing fee rebate programs, which depend on the total trade volumes they execute on our platform, with higher volume of trades earning the relevant financial intermediary higher rebates. We believe that our rebate program creates additional incentives for brokers to increase the volume of foreign currency-denominated and ruble-denominated trades they place on our platform.

Information Services

We provide a suite of information products and services based on data and content generated from a variety of public and non-public sources, including trading activity on our platform, our subsidiary Best Stocks and our official distributor relationship with Nasdaq. Under our agreement with Nasdaq, we are granted access to a database which contains the full securities trading order book of the Nasdaq markets. Our fees payable to Nasdaq consists of a fixed fee component and a variable fee component that is based on the number of systems through which we distribute data solutions based on data accessed under this agreement. Our official distributorship agreement with Nasdaq has an indefinite term, subject to the service of a termination notice by either party.

We provide free information services for our clients, including information on corporate actions, events and other related matters on equity securities that are traded on our platform.

- *BestStocks.ru*. We hold a 50.1% interest in Best Stocks, our subsidiary, with the other 49.9% interest held by Prytek Investment Holdings PTE. LTD. BestStocks.ru is an information portal and technology platform that can be integrated with our brokers' technology platforms via the BestStocks.ru application programming interface (API). BestStocks.ru provides access to information on investor-related events (such as earnings releases and dividend payment dates), historical prices and index composition, in respect of each security traded on our platform. BestStocks.ru holds a license to the subscription-based services of TipRanks Ltd. ("**TipRanks**"), a company that provides equity analysis and forecast services, including the tracking and success rate predictions of equity research analyst forecasts. BestStocks.ru translates and repackages the content produced by TipRanks for the Russian market. The data generated by BestStocks.ru can be integrated into the trading platforms of financial intermediaries, such as brokers, including on mobile applications. BestStocks.ru had approximately 200,000 active users (*i.e.*, distinct users of BestStocks.ru within the relevant period of time) in June 2021. On November 27, 2020, we entered into an amended and restated shareholders' agreement with Prytek Investment Holdings PTE. LTD. and Best Stocks. The shareholders' agreement contains regulations on the composition of governing bodies of Best Stocks, including appointment rights of shareholders, and provisions related to the agreements with TipRanks and the transfer of shares of Best Stocks. Under this shareholders' agreement, we may appoint three out of five members of the board of directors of Best Stocks. Our fee and commission income attributable to information services, including services provided by BestStocks.ru, amounted to P27,055 thousand and P11,369 thousand in the six months ended June 30, 2021 and 2020, respectively (0.9% and 1.3% of our fee and commission revenue), and P25,507 thousand and P20,862 thousand (0.9% and 3.9% of our fee and commission revenue) in the years ended December 31, 2020 and 2019, respectively.

- *Financial markets data products.* Our deep liquidity pool enables us to support the trading of U.S. equity securities beyond the market hours of the relevant U.S. exchange. For example, trading activity on our platform starts substantially earlier than at U.S. exchanges at 4:00 a.m. GMT. This positions us to collect data on equities trading activity for a distinctive trading period.
- *Index development.* We develop indices on a turnkey basis for financial intermediaries, management companies and news agencies (for example, to use as benchmarks). Index methodologies comply with the requirements of the CBR and IOSCO regulations (see “*Regulation—Regulation of Stock Exchanges—Reporting and Disclosure Obligations*”). Developed indices and methodologies are available on our website.
- *Risk rates.* Through SPB Clearing, we sell an information product called “Risk Rates.” Risk Rates is an index of short-term asset volatility that a broker may use, for its brokerage operations. It is typically purchased by brokers who transact with partial collateral (margin trade) on behalf of their clients. Risk Rates are also purchased by market participants in securities markets to calculate capital adequacy ratios.

End-to-end Support Services

In addition to our core service offering, we offer our clients, for a fee, a comprehensive suite of services. Our fee and commission income attributable to end-to-end support services, including brokerage services, stock market services, servicing and maintaining bank accounts, market maker services, repository services, listing services and depository services, amounted to ₱1,280,422 thousand and ₱218,115 thousand (representing 42% and 25% of our fee and commission revenue) in the six months ended June 30, 2021 and 2020, respectively, and ₱963,884 thousand and ₱270,840 thousand (35% and 51% of our fee and commission revenue) in the years ended December 31, 2020 and 2019, respectively:

- *Brokerage services.* SPB Bank holds brokerage and depository licenses. Under Russian law, foreign brokers are unable to participate directly on a Russian-based exchange because broker licenses, which are required to engage in brokerage activities, are only granted to legal entities incorporated in Russia. Our brokerage and depository licenses enable us to provide brokerage services to foreign brokers so that their clients, by having their orders routed through SPB Bank, may execute trades on our platform. While not a core revenue stream, these brokerage services are a strategic complementary offering in line with our mission to make the Russian securities market more accessible to market participants in Russia and beyond, including for smaller brokers who might not have the technological capacity to access the Russian securities market directly.
- *Stock market services.* We provide stock market services, including access to organized securities trading, issuing extracts from the register of applications and the register of contracts, and facilitating entry into trades.
- *Servicing and maintaining bank accounts.* Through SPB Bank, we assist our clients with opening and maintaining settlement and current accounts in rubles and foreign currencies, making payments in Russia and abroad, performing cash trades, providing acceptance and transfer of cash on accounts, providing online banking services.
- *Market maker services.* SPB Bank provides market maker services for government bonds on sovereign bond markets.
- *Repository services.* SPB Exchange, in its capacity as a repository, provides post-trading collection and electronic data storage services for over-the-counter trades with financial instruments.
- *Listing services.* We provide listing services, including preliminary document review and the registration of exchange-traded bonds.
- *Depository services.* SPB Bank assists clients with the opening, maintaining of and issuing statements from depository accounts, issuing statements of trades performed, performing inventory trades with securities, registering securities in the shareholders’ register and acting as a settlement depository.

Marketing and Client Engagement

We have marketing channels for our various business segments. For instance, marketing for our business-to-business (B2B) segment is focused on attracting to our platform and retaining financial intermediaries through our direct one-to-one engagements with them. We also hold and participate in market-wide forums to promote our services and new products, as well as build brand awareness. Marketing for our business-to-customer (B2C) segment is focused on end-user market participants in particular, which we conduct through, and in collaboration with, our clients as well as through organized events.

We engage with the financial industry through various channels. With our clients, we adopt an individualized approach, engaging with them directly on a frequent basis, to build and maintain a deep understanding of their business needs and to learn more about the expectations, demands, and concerns that their clients have about investing in securities. We also engage with market participants more widely through our “Market Development Committee” to facilitate collective decision making on matters such as the development of trading instruments, products and services on our platform. The Market Development Committee is a body consisting of prominent financial intermediaries. We also organize an “End Users Council,” mainly constituted of retail investors who have been nominated by their brokers, as a forum to engage directly with retail investors to foster dialogue on issues that are pertinent to the financial markets in Russia and to better understand their investment needs. In collaboration with the End Users Council, we also develop programs to promote financial literacy of the Russian population. We use the insights from these engagements to develop products and services to meet the business needs of our clients.

Our marketing strategy also involves extensive public engagement through participation in conferences, workshops and seminars, sometimes in collaboration with financial intermediaries and banks. We issue a number of publications and online magazines on a regular basis, including “Fingramota.org,” an online magazine that addresses a wide range of investment topics, such as investing in foreign securities and market pension funds, and we are a regular contributor of analysis and commentary to “Financial One (fomag.ru),” an online magazine published by NP RTS that contains commentary from a select group of analysts and brokers.

Technology Infrastructure

Our technology platform and IT department are essential to our ability to implement our strategy, improve our operational performance, maintain the scalability, security and flexibility of our platform and strengthen our competitive position in the foreign securities exchange market in Russia.

Our trading and clearing platforms are operated on our single fully proprietary integrated system, PTKS. PTKS was first developed in-house by Matching Solutions in 2013, and purpose-built for our business model. PTKS has been continually developed since, and is capable of supporting multiple products and markets. As of June 30, 2021, we have engaged Matching Solutions to provide technical and development support for PTKS. PTKS is also highly adaptable to different configurations that are conducive to a variety of business models and strategies which we might pursue in the future.

The integrated nature of our IT infrastructure facilitates the processing of increased trade volumes. Our trading system has a modular design, which facilitates prompt system upgrades to support increased operational activities. In the six months ending June 30, 2021, PTKS processed a daily average of 1.5 million trades, while maintaining an average latency of less than 100 microseconds. The average daily volume of trades amounted to more than \$1.6 billion in the six months ending June 30, 2021, with an average trade value of more than \$1,000 in the same period. In June 2021, our IT infrastructure processed peak day volumes of approximately 124.5 million orders a day on average, with a peak day volume of 194 million orders. As a general policy, we regularly test our IT infrastructure to ensure that it is able to accommodate increases of at least approximately five times the average daily order volume on a yearly basis and typically conduct system upgrades twice a year to ensure that we maintain this level of spare capacity from time to time. Our IT system is able to accommodate significant upscaling of our operations and client activity.

We frequently test our IT infrastructure to minimize the risk of unplanned system outages and ensure the continuity of business operations. Our tests typically involve, among other things, identifying how our systems respond to sudden increases in order processing loads and recovers from outages. Based on IT system tests conducted in December 2020, it takes no more than 40 minutes on average for operations following an outage to be resumed on a backup server. We determine whether to expand the processing capacity of our IT infrastructure on the basis of the results of the load tests.

We are self-reliant in terms of computation capacity. As of June 30, 2021, all of our computing capacity was based on servers located within the territory of the Russian Federation. We have data backup systems and procedures. Data backups are made for PTKS on a daily basis, which are then transferred, and stored at, one of our data centers. As of June 30, 2021, we had four data centers located in Moscow, each operated by different providers. Our data center infrastructure is based on a co-location model, and we rent space and equipment racks at the data centers but own the servers and network hardware.

Our IT systems are operated and maintained entirely by our internal IT department. Our use of third-party software is limited to accounting processes for our platform, the SPB Clearing, SPB Bank, as well as for a back office operations for brokerage and depository activities. We are not materially dependent on any particular hardware or software supplier and all our suppliers are based in Russia. We have entered into master agreements with a group of hardware and software suppliers to ensure that we are able to promptly secure equipment to support the expansion of our IT system capacity when required.

Cybersecurity

We have a dedicated cybersecurity team headed by our Chief Information Security Officer to support our growing operations and IT infrastructure.

We use a variety of technical tools and procedures to protect our IT systems from cyber threats, such as perimeter protection tools, perimeter scanning, restricting user rights on workstations, antivirus protection, software update management tools, code validation, stress tests, and load tests.

We have developed a layered data security framework and secure data through a combination of analytic processes and development tools. Only a limited number of authorized personnel can access the personal data of our clients. Our user verification and authentication measures in critical IT systems can detect fraudulent activity and provide protection against unauthorized access. User identification keys are stored and processed by cryptographic programs, which prevents their use, even if they are leaked.

Our data processing operations comply with federal data privacy laws and are regularly reviewed by specialists responsible for processing and protecting personal data to prevent or detect data leaks. We monitor changes in applicable regulatory regimes to keep our policies and data processing procedures up to date. We also engage external auditors licensed by the Federal Service for Technical and Export Control (FSTEC) to audit our cybersecurity systems on an annual basis and conduct internal audits across all our business operations. Critical business operations are generally subject to an internal audit every quarter. In 2020, we successfully passed a cybersecurity audit mandated by the CBR.

Compliance with information security requirements allows creating competitive advantages for business, ensuring its financial stability, profitability, compliance with legal, regulatory and contractual requirements. Our information security requirements correspond to the goals of our activities and are designed to ensure the availability, security, integrity, reliability and confidentiality of data and the continuity of the our operations.

To date, we have not experienced any significant security incidents related to data held by us or our IT systems.

Competition

We face competition from other exchanges, including MOEX, NYSE, Nasdaq and other platforms that provide, or may in the future provide, similar services to ours. Nevertheless, we believe that our innovative business model, which is unique in the Russian market, gives us a competitive advantage in both the Russian and global markets. We believe few financial markets infrastructure operators offer a client value proposition like ours, attributable to, among other things the significant foreign securities liquidity on, and advanced technology implemented by, our platform. See *“Risk Factors—Risks Relating to Our Business and Industry—We face significant competition, and if we fail to retain our current market position, our business and results of operations could be materially and adversely affected.”*

We have a significantly larger selection of foreign equities offered for trading on our platform than other exchanges and platforms in Russia. As of June 30, 2021, 1,667 global equity securities were available for trading on our platform. Unlike other exchanges and platforms, including MOEX, we limit HFT only to participants who act as liquidity providers, because we believe that focusing on financial intermediaries who are market makers incentivizes our brokers to trade their retail

clients' foreign securities on our platform and take advantage of our deep foreign equity securities liquidity and the attractive spreads offered on our platform. See *“Risk Factors—Risks Relating to Our Business and Industry—We face significant competition, and if we fail to retain our current market position, our business and results of operations could be materially and adversely affected.”*

We could potentially face competition from foreign exchanges and platforms if they were to, for example, extend their trading hours, and, for the hours extended, make access to our internal liquidity to trade U.S. securities during the non-market hours of U.S. exchanges less of a competitive advantage.

ESG Initiatives

We seek to conduct our business in an ethical and socially responsible way, through a commitment to sustainable business practices and compliance, which we believe is essential to maximizing stakeholder value, while enhancing environmental stewardship and social impact. We plan to publish our first ESG roadmap for 2022 and beyond, cataloguing our ESG initiatives, metrics and plans in the second half of 2022. We will evaluate incorporating best practices relating to ESG disclosures, including potentially establishing a Task Force on Climate-Related Financial Disclosures (TCFD) reporting, which will help us to continue advancing our industry's commitment to sustainable practices. Following the publication of our roadmap in 2022, we plan to annually publish our ESG report. We believe our ESG initiatives and plans going forward will lead to attractive opportunities for our Company and our stakeholders.

Our Subsidiaries

Our key operating subsidiaries include SPB Bank, SPB Clearing and Best Execution. We also operate Best Stocks, our subsidiary, which is a joint project with our analytics partner Prytek Investment Holdings PTE. LTD., in which we own 50.1%. Below is a summary of their business activities. As of the date of this Offering Memorandum, JSC “Voskhod,” which is acting as the Repurchasing Subsidiary in this Offering, has no operating activities.

Our key operating subsidiaries are not fully owned by us, and the minority shareholders may enjoy information and other shareholder rights provided to them by Russian law. See *“Description of Share Capital and Charter—Rights Attaching to Ordinary Shares.”* Our current shareholdings in our key operating subsidiaries allow us to appoint the key management team to the governing bodies of SPB Bank, SPB Clearing and Best Execution, and the existing minority shareholders are limited in their ability to control or influence governance and business operations of these companies. See *“Risk Factors—Risks Relating to Our Organizational Structure—Our key operating subsidiaries are not fully owned by us, and part of income generated by them is attributable to their minority shareholders”* for more detail.

SPB Bank

SPB Bank serves as our settlement depository for all trades placed on our platform. In addition, SPB Bank opens and maintains, and issues statements for, depository accounts, issues statements of transactions performed, performs inventory transactions with securities, and registers securities in the shareholders' register. SPB Bank also acts as a broker to foreign and several Russian financial intermediaries that do not have a local brokerage license and are thus unable to participate directly on a Russian-based exchange.

SPB Clearing

SPB Clearing operates as our clearing house, which performs trade clearing operations and acts as the central counterparty for orders placed on our platform.

Best Execution

Best Execution operates as our technical support provider.

Best Stocks

Best Stocks is our analytics provider developed in partnership with Prytek Investment Holdings PTE. LTD., which operates an online platform that provides access to analyst stock recommendations, stock selection and analysis tools, portfolio tracking, and other market information for brokers and retail investors.

Our Employees

We believe that our corporate culture and our positive relationship with our employees have contributed to our success. We also benefit from a motivated and experienced management team with incentive plans in place for each senior management member.

We operate exclusively out of Moscow. As of June 30, 2021, we had 273 employees, both full and part-time, working in our offices, an increase of 37% from 199 employees as of June 30, 2020.

The table below sets out the number of employees by job category as of June 30, 2021 and June 30, 2020:

Function	Number of Employees as of June 30, 2021		Number of Employees as of June 30, 2020	
	Full-time	Part-time	Full-time	Part-time
General and Administrative	101	14	63	23
Sales, Marketing and Business Development	40	3	21	4
Customer and Contact Services	21	4	20	5
Clearing, Settlement and Depository	35	0	29	0
IT	51	4	30	4
Total	248	25	163	36
Total (full-time and part-time)	273		199	

We believe that we maintain a good working relationship with our employees, and we have not experienced any significant labor disputes. Our employees are not represented by any collective bargaining agreements or labor unions.

Legal Proceedings

We are not currently involved in any material litigation or regulatory actions that we believe would have a material adverse effect on our financial condition or results of operation, nor are we aware of any such material litigation or regulatory actions threatened against us.

Facilities

Our principal executive office is located at 38 Dolgorukovskaya Street, Building 1, Floor 2, Premise 1, Office 19, 20, Moscow, 127006, Russia. We have leased this property for a term of 11 months, starting October 1, 2016, on a rolling renewal basis. The lease can be terminated with at least one month notice prior to the end of each term.

REGULATION

We are subject to a number of laws and regulations in Russia, including regulations applicable to stock exchanges, clearing houses, depositaries, repositories, banks and credit organizations.

The following is only a summary and, as such, is not intended to provide an exhaustive description of all of the regulatory requirements to which we are subject in Russia. We believe that we are generally in compliance with applicable laws and regulations in Russia in all material respects. Although we cannot predict the effect of changes to existing laws and regulations, we are not aware of any proposed changes or proposed new laws and regulations that would have a material adverse effect on our business, other than outlined below.

We note that the application of the regulations that are, in our opinion, material to our business and listed below may be subject to certain uncertainties and therefore, may be associated with risks related to our business. We refer to such uncertainties below. In addition, we note that general uncertainties in the Russian regulatory, enforcement and judicial landscape may also affect our business and results of operations, including:

- inconsistent interpretations, applications and enforcement of the law, including inconsistencies among federal laws, decrees, orders and regulations issued by the President, the Russian Government, federal ministries, the CBR and regulatory authorities and regional and local laws, rules and regulations;
- limited judicial and administrative guidance on interpreting Russian legislation;
- the relative inexperience of judges, courts and arbitration tribunals in interpreting new principles of Russian legislation, particularly business and corporate law;
- substantial gaps in the regulatory structure due to the delay or absence of implementing legislation;
- a high degree of unchecked discretion on the part of governmental and regulatory authorities, including in matters of enforcement and interpretation of applicable laws, regulations and standards, the issuance and renewal of licenses and permits;
- uncertainties related to protection of property rights against expropriation and nationalization;
- underdeveloped or still maturing securities markets, banking and insurance and laws and regulations; and
- any future adverse changes in Russian tax legislation.

See “*Risk Factors—Risks Relating to Russia*” and “*Risk Factors—Risks Relating to Russian Taxation*” for more detail.

Regulation of Stock Exchanges

General

Under the Russian Law “On Organized Trading” dated November 21, 2011 (as amended, the “**Organized Trading Law**”), the so-called “trading organizer” is defined as a company providing organized trading services on commodities or financial market. The trading organizer must have a license of a stock exchange or trading system. As of the date of this Offering Memorandum, six companies, including us, hold a stock exchange license in Russia, and there are no companies licensed as a trading system. As a stock exchange, we organize trading of securities and expect to organize trading of derivatives in the future. See “*Business—Our Strategy—Launch of Derivatives Market*” for more detail.

The main laws and regulations that apply to us as a stock exchange are the Organized Trading Law and various CBR regulations, including Regulation No. 437-P dated October 17, 2014 “On Organized Trading Operations” and Regulation No. 534-P dated February 24, 2016 “On Admission of Securities to Trading.” The regulation of stock exchanges is exercised primarily by means of the establishment of mandatory requirements and standards applicable to the activities of stock exchanges, the licensing of the activities of stock exchanges and registration of organized trading rules.

The CBR is the primary authority responsible for the regulation of the securities market and for the supervision of stock exchanges through the regulation and licensing of their activities. The functions and powers of the CBR with respect to stock exchanges are extensive and include:

- general regulation of organized trading, including issuance of regulatory documents;
- establishment of regulations on organized trading conduct;
- establishment of rules on maintaining the registers of trading participants and their clients, the registers of bids and the registers of agreements executed on organized trading platforms, as well as rules on provision of excerpts from such registers;
- establishment of procedures for trading of securities designated to qualified investors and trading of derivatives designated to qualified investors, as well as rules on provision of information on such securities (derivatives) and agreements in respect of them;
- registration of organized trading rules;
- licensing and annulment of licenses of stock exchanges;
- establishment of rules on calculation of prices, indices and other metrics by stock exchanges;
- establishment of rules on stock exchanges' internal control, reporting and disclosure;
- establishment of qualification requirements for certain officers of stock exchanges, including chief executive officers; and
- preliminary approval of certain officers of stock exchanges, including chief executive officers.

Licensing

Under the Organized Trading Law, a license must be obtained from the CBR in order for a company to engage in the exchange activity on the commodities or securities market. The license is granted for an indefinite term unless it is annulled or the license holder is liquidated or reorganized (except in the event such reorganization constitutes a transformation into a different company form under Russian law).

There are restrictions under Russian law on combining licensed activities with other types of operations. For example, stock exchanges may not be a central counterparty and may not engage in broker, dealer, depositary and securities management activities.

Licensing terms and requirements applicable to stock exchanges include compliance with various requirements, in particular:

- form of business organization and own capital requirements;
- requirements for persons and companies having rights directly or indirectly, individually or jointly, to cast 5% or more votes in a stock exchange;
- requirements for the chief executive officer, members of the board of directors and management board and various other stock exchange senior management members, including internal control officer, chief accountant, risk management officer and head of the stock exchange business units;
- requirements for organized trading rules, monitoring and control over trading participants; and
- requirements for internal control and risk management policies.

Stock exchanges are required to maintain internal control and internal audit departments, a risk management officer and an insider trading department. A stock exchange is also required to maintain an exchange council (stock exchange sector councils).

The CBR may issue an order to suspend the organized trading for a period of up to six months or cease the organized trading in the event of:

- violations of laws and CBR regulations or regulations on organized trading (including failure to voluntarily suspend or cease the organized trading as set out by laws and regulations);
- non-compliance with a CBR order;
- violation of investors' rights by the stock exchange, or actions of the stock exchange that pose a threat to the investors' rights; or
- other cases specified by laws.

Non-compliance with such CBR order may lead to annulment of the stock exchange license. Other cases when the CBR may annul the license include:

- repeated non-compliance within one year with CBR orders within the prescribed time limit, excluding the CBR order to suspend or cease the organized trading;
- repeated failures to meet deadlines for reporting obligations within one year;
- repeated violations of disclosure requirements within one year;
- repeated violations of requirements of the Organized Trading Law and relevant regulations within one year;
- failure by the stock exchange to engage in organized trading activities that is continuing for one and a half year;
- termination of business or bankruptcy of a stock exchange.

The CBR may also annul the license upon written request of the stock exchange provided that the stock exchange notifies trading participants, clearing houses and central counterparties about the intent to request the annulment of the license, and it does not have any current obligations in their respect.

If the CBR annuls the license, a stock exchange must:

- terminate its organized trading activities on the next day following receipt of notification of the license annulment (but not later than fifteen days after the decision to annul the license); and
- amend its name within three months after the annulment of license to exclude words "stock exchange," "trading system" or "trading organizer."

The CBR's decision on annulment of license and the CBR's refusal to annul the license upon the license holder's request may be challenged in court.

Capital Requirements

The Organized Trading Law sets out a minimum capital requirement for trading organizers. The minimum amount of own funds for a stock exchange is set out at P100 million. The metrics used to calculate the amount of own funds include charter capital, shares bought back from shareholders, reserve funds, fixed assets re-evaluation, additional capital (without re-evaluation) and undistributed profit.

A stock exchange must also comply with standard on sufficiency of own funds set out by the CBR Instruction No. 4824-U dated June 18, 2018 “On Value and Calculation of Own Funds Adequacy Ratio of Trading Organizer.” The compliance is tested on a quarterly basis using a special formula, and stock exchanges must keep the own funds adequacy ratio at 100%.

Shareholders and Corporate Governance

Only legal entities incorporated in Russia and organized as joint-stock companies may operate a stock exchange in Russia. Under the Organized Trading Law, no company or person may have, directly or indirectly, individually or jointly, 5% or more votes in the share capital of a stock exchange if such company or person is:

- a legal entity incorporated in an offshore territory included on a special list approved by the Russian Ministry of Finance (those include, among others, the British Virgin Islands, Gibraltar, Liechtenstein, Macao, Monaco, Isle of Man, Guernsey and Jersey);
- a legal entity whose license was annulled or revoked for the violation of the licensing terms applicable to financial organizations (for example, banks, clearing houses, professional securities market participants); or
- an individual prohibited to occupy certain management and board positions in a stock exchange.

A company or person having 5% or more votes in the share capital of the stock exchange must notify the stock exchange and the CBR of:

- acquisition of 5% or more of votes in the share capital of a stock exchange;
- changes in the number of its votes by at least 1%;
- reduction of its voting rights to less than 5%; and
- compliance with the requirements on companies or persons having voting rights in the share capital of the stock exchange.

Violation of these rules results in restriction on such company or person to exercise its voting rights over more than 5% of the stock exchange’s shares. In addition, voting rights in excess of such 5% threshold must not be counted for the purposes of a quorum of a general shareholders’ meeting of the exchange.

Stock exchanges are required to form a board of directors and a management board. Under the Organized Trading Law, duties of the board of directors of a stock exchange include, among others:

- approval of organized trading rules;
- approval of fees for facilitating the organized trading;
- approval of internal audit procedures and procedures for mitigating risks associated with the
- organization of trading;
- election of chief executive officer and members of the management board;
- approval of the regulations on the exchange council (described below) and election of its members; and
- approval of procedures aimed at securing continuity of organized trading in emergency situations.

The stock exchange must also form the exchange council responsible for recommending rules on admission to trading and other stock exchange documents for approval by the relevant executive body of the stock exchange. At least 75% of the

members of the exchange council must be comprised of representatives of professional market participants eligible to trade on a particular exchange. The composition of the exchange council is subject to approval by the board of directors of the stock exchange.

Special regulations and requirements apply to directors and officers of stock exchanges. A person may not be appointed to, or continue to occupy, the position of chief executive officer, member of the board of directors or management board and some other senior management positions of a stock exchange if such person:

- has held a similar position in the preceding three years in financial organizations (for example, banks, clearing houses, professional securities market participants) and such organization had, at the time, its license annulled or revoked due to violation of applicable license requirements;
- has violated bankruptcy rules (including premeditated or fraudulent bankruptcy), which was established by a court ruling;
- is serving a disqualification term;
- has a criminal record for economic crimes or crimes against the state; or
- has had its qualification certificate annulled in the preceding three years.

The above management positions (excluding members of the board of directors and chief accountant) may only be occupied by persons meeting the qualification requirements established by the CBR and holding a qualification diploma or similar credentials for organized trading specialists. The position of internal control officer may not be occupied by a person serving as chief executive officer or head of the stock exchange business unit of the stock exchange. Any changes of a permanent chief executive officer, management board members, internal control officer, risk management officer or head of the stock exchange business unit are subject to preliminary consent of the CBR. Any changes of board of directors members, chief accountant, head of the branch office must be notified to the CBR.

Internal Control, Internal Audit and Risk Management

Stock exchanges are required to develop a system of internal control measures in accordance with securities, anti-money laundering, insider trading and other applicable laws and their internal documents. As part of these procedures, each stock exchange must appoint a controller or form a special department headed by a controller with responsibility for internal control. The controller is appointed by the chief executive officer of a stock exchange and is reporting to him or her. The relevant individual is required to be independent from the other departments of the stock exchange. In addition, the controller must meet qualification criteria established by the CBR and provide the executives of the stock exchange with reports on the control activities which fall within his or her responsibility. Stock exchanges must formulate a set of documents on internal control to set out the functions, rights and responsibilities of the controller.

The controller is responsible for regulatory risk management, including monitoring of internal departments, ensuring compliance with applicable securities laws and CBR regulations, as well as controlling the accuracy and timely submission of mandatory reporting and disclosure by the stock exchange. The controller must inform the chief executive officer of a stock exchange on material regulatory risks and analyze the observance of stock exchange's clients' rights.

Stock exchanges are also required to develop a system of internal audit and appoint an internal auditor or form a special department headed by an internal auditor, and develop a regulation on internal audit. The internal auditor is appointed by the board of directors of a stock exchange and is reporting to it. The relevant individual must not engage in any activities conflicting with his or her functions of an internal auditor. The responsibilities of the internal auditor include:

- assessment of effectiveness and performance of corporate governance, business processes, internal control, risk management system of the stock exchange and methods of securing the property of the stock exchange;
- inspections of all aspects of the stock exchange's operations and preparation of inspection reports; and

- development of adjustments to organization structure of the stock exchange, as well as analysis of new products and services of the stock exchange.

In addition, stock exchanges are required to establish a system of risk management corresponding to the volume and the nature of the stock exchange's operations and providing for risk monitoring and mitigation measures. A stock exchange must also develop an internal regulation on risk management and appoint the respective officers. The risk management officer of the stock exchange must not engage in performance of operations and transactions of the stock exchange. The responsibilities of a stock exchange with regard to risk management include:

- identification of risks;
- analysis and assessment of risks;
- monitoring, control and mitigation of risks; and
- exchange of information about risks between the internal departments and management bodies of a stock exchange.

A stock exchange is also required to establish a separate department or appoint a designated officer for controlling compliance with the Russian laws on inside information and market manipulation. Such department or person is reporting to the chief executive officer of the stock exchange. See “—*Insider Trading Law*” for more detail.

Reporting and Disclosure Obligations

Stock exchanges must prepare and register with the CBR the organized trading rules. The organized trading rules must include:

- rules on admission to participation in trading (including rules setting out the criteria applicable to all categories of trading participants, rules on admission to trading and the suspension and termination of such admission, rules on identification of trading participants);
- rules on listing and delisting of securities and derivatives to trading;
- rules on submission of bids, rules on the execution and registration of transactions; and
- rules on suspension, cessation and continuation of organized trading.

Stock exchanges are subject to extensive information disclosure requirements. They are required to disclose the listing and delisting of any securities within one trading day after the respective decision has been made. A stock exchange must ensure transparency and disclosure of exchange trading by informing its participants of the place and time of trading, the lists of admitted securities and applicable quotes, the results of trading sessions and other information required by law. Stock exchanges are also subject to specific disclosure requirements, including the publication of methods for calculation of current quotations of securities, information on composition and methods of calculation in respect of indices compliant with the CBR regulations. Further, stock exchanges are subject to disclosure of violations committed by trading participants and the publication of stock exchange annual reports and other information required by applicable rules and regulations.

Stock exchanges are also required to provide a significant amount of information to the CBR, including trading updates, information about placed bids and executed transactions, trading results and significant deviations evidencing insider trading or market manipulations. In addition, stock exchanges must provide the CBR with reports of the exchange organizer in the form prescribed by the CBR, as well as documents necessary for keeping of the register of the stock exchange licenses.

A stock exchange must also monitor trading for any suspected use of inside information or instances of market manipulations. Participants to organized trading must provide information to a stock exchange upon its request. See “—*Insider Trading Law*” for more detail.

Insider Trading Law

General

Russian Law “On Combating the Unlawful Use of Inside Information and Market Manipulation and Introducing Amendments to Certain Legislative Acts of the Russian Federation” dated July 27, 2010 (as amended, the “**Insider Trading Law**”) sets out categories of entities that are considered insiders (for example, stock exchanges, settlement depositories, clearing organizations and certain types of credit organizations). Under the Insider Trading Law, insiders must comply with a number of disclosure requirements, including maintaining insider lists and sending notices of transactions by the insiders to the relevant legal entities. Under the Insider Trading Law, any person who illegally uses inside information and publishes misleading information may be held liable for misuse of information or market manipulation.

Stock Exchanges

Under the Insider Trading Law, stock exchanges must exercise control over operations performed in the course of trading in financial instruments, foreign currency or commodities for the purposes of revealing and preventing the unlawful use of inside information or market manipulation. In accordance with the Insider Trading Law, the stock exchange must, among other things:

- approve rules concerning identification and prevention of the unlawful use of inside information and market manipulation, including criteria concerning unusual transactions or orders;
- analyze unusual transactions for the purposes of determining whether such transactions constitute the unlawful use of inside information or market manipulation; and
- provide the CBR with information on unusual transactions identified in the course of a trading day and the results of the review of such transactions.

Regulation of Clearing Houses and Central Counterparties

As one of our key operating subsidiaries, SPB Clearing, operates as a clearing house and a central counterparty, it is subject to Russian laws and regulations regarding clearing activities set out below:

- Russian Law “On Clearing, Clearing Activities and Central Counterparty” dated February 7, 2011 (as amended, the “**Clearing Law**”) establishes the general legal framework for regulation of clearing houses and central counterparties. It sets out licensing requirements for clearing houses and requirements for assigning the status of central counterparties, requirements as to the form of incorporation, permitted business activities, shareholders of clearing houses, capital, corporate governance and internal control systems. Further, the Clearing Law regulates clearing activities, setting out general requirements for clearing pools, clearing with the participation of the central counterparty, clearing accounts and guarantees of settlement of obligations admitted to clearing. To secure the obligations of clearing participants, clearing houses operating as a central counterparty require from clearing participants individual clearing collateral, which is used to secure positions of the particular clearing participants and collective clearing collateral, which is contributed by all clearing participants and may be used in case of a default of a clearing participant. A clearing house must also calculate and allocate reserved capital that must be used in case of a default of a clearing participant prior to the utilization of the collective clearing collateral. As of the date of this Offering Memorandum, the reserved capital of SPB Clearing is set at P200 million. In addition, under the Clearing Law, a clearing house must adopt and register with the CBR its clearing rules, setting out, among others, requirements for the clearing participants, requirements for admission of obligations to clearing, rights and obligations of the clearing house, amount of the reserved capital of a clearing house and procedure of performance of obligations in course of clearing.
- Order of the Financial Service for Financial Markets (the “FSFM”) No. 12-87/pz-n dated October 11, 2012 establishes detailed mandatory requirements for clearing activities, including rules applicable to clearing activities, registration of clearing participants, accounting of clearing participants’ collateral, accounting of internal obligations, reporting and information protection requirements.

- CBR Regulation No. 575-P dated December 30, 2016 establishes rules for risk management system in a central counterparty. The regulation sets out particular requirements for management of credit, market, liquidity, operational and custodial risks, including monitoring of counterparties, creation of reserves and establishment of key risk management metrics. In addition, the regulation determines types of property that may be accepted by the central counterparty as a collateral for clearing participants' obligations.
- CBR Regulation No. 576-P dated December 30, 2016 sets out requirements for methods and procedures for stress tests of financial condition that must be performed by a central counterparty from time to time.
- CBR Instruction No. 175-I dated November 14, 2016 establishes, among others, ratios mandatory for central counterparties and formulas for calculation of such ratios, including ratios on adequacy of own funds, total resources, individual clearing collateral, liquidity and maximum amount of concentration risk, as well as CBR powers to supervise compliance with these ratios.

Clearing houses are required to form board of directors, one third of which and at least two persons must be independent directors, and management board. Directors and officers of clearing houses are subject to special regulations and requirements. A person may not be appointed to, or continue to occupy, the position of chief executive officer, member of the board of directors or management board and some other senior management positions of a clearing house if such person:

has held a similar position in the preceding three years in financial organizations (for example, banks, insurance companies, professional securities market participants) and such organization had, at the time, its license annulled or revoked due to violation of applicable license requirements;

- is serving a disqualification term;
- has a criminal record for economic crimes or crimes against the state; or
- has had its qualification certificate annulled in the preceding three years.

SPB Clearing holds a credit organization license, and its directors and principal officers, including chief executive officer and chief accountant, must also comply with a set of additional qualification and business reputation requirements set out in the Russian Law "On Banks and Banking Activities" dated December 2, 1990 (as amended, the "**Banking Law**"). The appointment of principal officers of a clearing house, including chief executive officer, management board members, internal audit officer, internal control officer, risk management officer and head of clearing business unit is subject to preliminary consent of the CBR.

Clearing houses must develop systems of internal control and internal audit. As part of internal control procedures, a clearing house must appoint a controller or form a special department headed by a controller with responsibility for internal control, and develop a regulation on internal control. The controller is appointed by the chief executive officer of a clearing house and reports to him or her. Further, clearing houses must appoint an internal auditor or form a special department headed by an internal auditor, and develop a regulation on internal audit. The internal auditor is appointed by the board of directors of a clearing house and reports to it.

In addition, clearing houses must develop and maintain a risk management system and appoint the respective risk management officer or form a special department. As part of risk management system, clearing houses must assess, among others, the amount of its obligations and obligations of the clearing participants on a daily basis, as well as conduct stress tests of its financial condition from time to time. A clearing house must also form a risk committee comprised of representatives of clearing participants, independent directors of a clearing house and representatives of clearing participants' clients.

The Clearing Law sets out a minimum capital requirement for central counterparties. The minimum amount of own funds for central counterparties is set out at P300 million. The amount of own funds of a clearing house is calculated pursuant to a CBR regulation adopted in accordance with Basel III international standards.

Regulation of Settlement Depositories

As one of our key operating subsidiaries, SPB Bank, operates as a settlement depository and holds a depository license, it is subject to Russian laws and regulations set out below:

- Russian Law “On the Securities Market” dated April 22, 1996 (as amended, the “**Securities Market Law**”) defines a settlement depository as a professional securities market participant settling accounts based on the results of transactions executed on the trades of trade organizers upon agreements with such trade organizers and/or clearing houses. The Securities Market Law establishes general legal framework for professional securities market participants, including licensing requirements, requirements for directors, officers and shareholders of the professional securities market participant, as well as general provisions on internal control and internal audit.
- FSFM Order No. 12-12/pz-n dated March 15, 2012 sets out regulations on opening and closing of clearing accounts, as well as requirements for clearing account operations. For example, a settlement depository may open clearing depository, or “depo,” accounts for a clearing house to account securities admitted to clearing and open clearing sub-depo accounts for the clearing participants that are clients of a clearing house. Operations regarding clearing depo accounts and clearing sub-depo accounts must be conducted by the settlement depository upon instruction of a clearing house or a central counterparty.
- CBR Regulation No. 503-P dated November 13, 2015 establishes rules on opening and maintaining depo and other accounts by the depositories. The regulation determines, among others, types of accounts opened by depositories, procedures for account operations and rules on suspension and continuation of operations.
- CBR Regulation No. 542-P dated May 13, 2016 sets out requirements on the system of accounting of depository documents and documents evidencing rights to the securities accounted in the depository, as well as requirements on storage and security of such documents.
- Basic Standard on Conduct of Operations by the Depository on Financial Market approved by the CBR Committee on Depository Activities Standards on November 16, 2017 (the “**Depository Standard**”) is a mandatory standard for all Russian depositories. The Depository Standard establishes, among others, procedures on making entries regarding operations performed by depositories, procedures on processing depository’s documents and rules on confidentiality and protection of information.

SPB Bank holds a general banking license which allows it to perform all banking operations, and under Russian law it is subject to minimum capital requirements applicable to banks, which are stricter than capital requirements applicable to settlement depositories. The Banking Law sets the minimum amount of own funds of a bank holding universal license at ₪1 billion. The amount of own funds of a bank is calculated pursuant to a CBR regulation adopted in accordance with Basel III international standards.

Regulation of Repositories

We hold a repository license issued by the CBR. Repository activities are defined by the Securities Market Law as activities on collection, recording, processing, storage and provision of information on over-the-counter repo, derivative and other agreements, as well as maintaining a register of such transactions. A stock exchange exercising repository activities must establish a separate business unit for such activities.

The main laws and regulation governing repository activities are set out below:

- The Securities Markets Law establishes general legal framework for repositories, including licensing requirements, qualification requirements for the officer heading repository activities business unit, as well as general provisions on internal control and internal audit. The Securities Market Law also establishes the obligation of repositories to maintain the register of agreements processed by repositories and reporting requirements in respect of such register to the CBR. In addition, a repository must establish a repository services users’ committee, comprised of at least 75% of repository’s clients’ representatives, which approves repository rules, repository risk management policy and

rules on information disclosure by the repository. Absent such approval, these rules must be approved by a 2/3 qualified majority of the members of the board of directors.

- CBR Order No. 4104-U dated August 16, 2016 establishes, among others, detailed requirements for provision of information on the agreements executed by the repositories' clients, maintaining of the register of such agreements and reporting requirements in respect of such register to the CBR.

The repository must adopt and register with the CBR its repository rules that include:

- rights and obligations of the repository and its clients;
- procedures for rendering repository services;
- procedures on provision of information by the repository's clients to the repository;
- procedures on repository's clients' objections regarding entries in the register of agreements processed by the repository; and
- procedures and periods on provision of information from the register of agreements.

Types of Investors under Russian Law

Under the Securities Markets Law, Russian investors are divided into two types based on their level of knowledge and experience on financial markets – so-called “non-qualified investors” and “qualified investors.” Non-qualified investors have access to financial instruments with a lower degree of risk, including securities that are admitted to public trading. Under the Securities Markets Law, securities may be generally admitted to public trading, including offering and advertising to the public, if the securities prospectus is registered (or if the securities prospectus is not registered – the securities are admitted to trading in a non-quotation list of a stock exchange) and if the issuer complies with applicable disclosure requirements.

Transactions in respect of more sophisticated instruments, including perpetual bonds and foreign financial instruments not qualified as securities in Russia, may be entered into only between qualified investors and generally through brokers. In addition, the Securities Markets Law prohibits offering and advertising of securities and derivatives designated for qualified investors to the general public.

The Securities Markets Law sets out two groups of qualified investors:

- qualified investors by virtue of law, such as professional securities market participants, clearing houses and the CBR; and
- qualified investors, including individuals and entities, who meet certain criteria, including the total value of owned securities or assets, frequency and value of transactions involving securities or derivatives and educational background. The recognition of an individual or an entity as a qualified investor is conducted by brokers and similar institutions upon the request of such individual or entity.

Regulation of Listing without an Agreement with the Russian Stock Exchange

In 2014, amendments to the Securities Markets Law allowed the so-called “unsponsored listing” – admission of foreign securities to public trading in Russia without an agreement between the Russian stock exchange and the foreign issuer. Unsponsored listings are allowed only if the securities are admitted to the non-quotation list of a Russian stock exchange. Such admission to trading is made by the Russian stock exchange if the following conditions are met:

- the securities are listed (or the listing procedure is initiated) on the main (official) list of a foreign stock exchange meeting the criteria set out by the CBR. For example, in respect of the EU stock exchanges, only “regulated markets” segments may be considered main (official) lists;

- disclosure about the securities and the issuer is made in Russian or in the language used on the foreign stock exchange where the securities are listed; and
- foreign law does not restrict public trading of these securities in Russia.

A stock exchange that approved an unsponsored listing must disclose the same information about the securities and the issuer as is made on the original place of listing of securities. Foreign issuers do not have the obligation to disclose information under Russian law if the listing of their securities is made on unsponsored basis.

Starting from October 1, 2021, the Securities Markets Law will provide for additional criteria for admission of unsponsored listings depending on the type of security. See “*New Developments in Capital Markets Regulation.*”

Regulation of Best Execution Practices

Under the Securities Markets Law, a broker is required to execute the client’s order on the best possible terms. According to the Basic Standard on Conduct of Operations by the Broker on Financial Market approved by the CBR on January 19, 2018, in determining such best possible terms, a broker is required to take into account several factors, including the transaction price, expenses related to execution and settlement and the time of order execution. The brokers on our platform have the opportunity to provide the best price for orders of their clients due to our implementation of the “Best Execution” principle. See “*Business—Our Services—Smart Order Routing-enabled Best Execution.*”

New Developments in Capital Markets Regulation

In 2020 and 2021, amendments were made to Russian laws and regulations, introducing, among others, a system of tests for protection of non-qualified individual investors (“NQIIs”). Starting from October 1, 2021, if an NQII wishes to execute a transaction in respect of certain financial products, they must pass a qualification test on features and risks related to such financial product. If the NQII fails the test, they may execute a transaction only in the amount not exceeding P100 thousand and after assuming risks associated with such financial product. The introduction of such tests may cause a decrease in our retail segment activities. See “*Risk Factors—Risks Relating to Our Business and Industry—We operate in a highly regulated sector, and any failure to comply with the current requirements or significant regulatory changes may have a material adverse effect on our business and operations.*”

In addition, the amendments to the Securities Markets Law introduce additional criteria for admission of unsponsored listings depending on the type of security. For example, unsponsored listing of shares or depositary receipts is allowed if such securities are included in a stock index approved by the CBR or the Russian stock exchange has entered into a market making agreement in respect of them. We do not expect that these amendments will have significant impact on our business due to the current number of market makers operating on our platform.

Further, the CBR has developed a regulation allowing for a simplified admission of foreign ETFs to trading on Russian stock exchanges. The regulation abolishes the current requirements for listing of foreign ETFs, including indication of a Russian stock exchange in the ETF prospectus and the requirement to appoint a Russian broker as an authorized person of the foreign ETF, starting from April 2022. According to this regulation, the main criteria for listing of foreign ETFs from April 2022 will include listing on a foreign exchange meeting the criteria developed by the CBR, entering into a market making agreement and compliance with ETF net assets requirement.

Banking Regulation

General

SPB Bank, our subsidiary, operates as a credit organization in Russia and is therefore subject to a number of laws and regulations applicable to banks. The Banking Law is the principal law regulating the Russian banking sector. Among other things, it defines credit organizations, sets forth the list of banking operations and other transactions that credit organizations may perform and establishes the framework for the registration and licensing of credit organizations and the regulation of banking activity by the CBR.

Licensing

A license must be obtained from the CBR in order for any institution to engage in banking activities as defined in the Banking Law. Applicants must be incorporated within Russia and registered with the CBR as a credit organization, and submit, among other things, a feasibility report and detailed information on the suitability of the applicant's management team. A banking license may be denied for a number of reasons, including if the financial standing of the founders of the bank is deemed by the CBR to be unsatisfactory or if the proposed candidates for the senior management of the bank, including members of the management board and the chief executive officer, are deemed to be unsuitable or do not meet the qualification requirements.

Under the Banking Law, a bank's license may be revoked by the CBR if, among other things:

- the information upon which the license has been issued is untrue and misleading;
- the bank delays the commencement of its operations for more than one year from the issue of the license;
- reporting statements submitted by the bank turn out to be materially untrue and misleading;
- the bank delays submission of its monthly reports to the CBR for more than 15 days;
- the bank conducts banking operations (or a single operation) not permitted by its license;
- the bank's activities do not comply with Russian banking, insider trading or anti-money laundering legislation or regulations of the CBR and the bank has been subject to sanctions for such breaches or non-compliance before;
- in cases of insolvency, the revocation of the banking license is requested by the temporary administration appointed to the bank; or
- the bank repeatedly fails to submit updated information required to be reflected in the Russian Unified State Register of Legal Entities.

The CBR must revoke a bank's license if, among other things:

- its capital adequacy ratio falls below 2%;
- its regulatory capital is less than its minimal charter capital as set by the CBR;
- the bank fails to adjust its charter capital to its regulatory capital according to CBR requirements within 45 days of the CBR notification;
- the bank fails to satisfy the claims of its creditors or make mandatory payments (for example, taxes and duties) amounting to an aggregate minimum of ₱100 thousand within 14 days of such amounts falling due; or
- the amount of the bank's regulatory capital is less than a certain statutory threshold during a certain defined period of time.

Charter Capital Requirements

The Banking Law sets out the minimum charter capital for newly-established banks in Russia the amount of ₱1 billion for a bank with a general license and ₱300 million for a bank with a basic license. As of the date of this Offering Memorandum, charter capital of SPB Bank amounts to ₱565 million.

Further, under the Banking Law, the minimum regulatory capital amounts to ₱1 billion for banks applying for the status of a bank with a general license and to ₱300 million for banks applying for the status of a bank with a basic license. As of July 1, 2021, regulatory capital of SPB Bank amounted to ₱1,813 million.

Reporting Requirements

Russian banks must regularly submit balance sheets to the CBR, together with financial statements showing their actual respective financial positions. They must also inform the CBR in respect of providing large loans (exceeding 5% of a bank's capital). The CBR may at any time carry out full or selective checks of a bank's submissions, and may inspect all books and records of the bank. In addition, annual audits must be carried out by an audit company that is a member of a self-regulatory organization of auditors. All credit organizations in Russia are required to prepare financial statements according to both RAS and IFRS. Banks must also regularly file reports on its activities with the CBR in the prescribed form.

When the CBR initiates an audit, SPB Bank establishes a working group responsible for interaction and providing information on inquiries of the CBR. If such audit results in the non-compliance order, such order is considered at the management board meeting and then the respective remediation and prevention plans are prepared. Governing and internal control bodies of SPB Bank oversee the implementation of such plans, and the board of directors approves the implementation report. All fines imposed by non-compliance orders are paid within the time limits prescribed by the respective order.

We believe that SPB Bank is in compliance with these requirements in all material respects. However, as a result of offsite and onsite audits performed by the CBR, SPB Bank from time to time may be subject to non-material fines for technical violations of regulations. For example, in September 2020, the CBR imposed a fine on SPB Bank in the amount of ₱15 million for the failure to comply in full with routine filing and reporting requirements, which we have paid in full. See *“Risk Factors—Risks Relating to Our Business and Industry—We operate in a highly regulated sector, and any failure to comply with the current requirements or significant regulatory changes may have a material adverse effect on our business and operations”* and *“Risk Factors—Risks Relating to Our Business and Industry—We are exposed to the risk of inadvertently violating anti-corruption, anti-bribery, anti-money laundering and other similar laws and regulations of Russia and other jurisdictions, and our current risk management and compliance systems may prove ineffective.”*

Mandatory Reserve Deposit Requirements

To cover loan losses and currency, interest and financial risks, the CBR requires banks to form mandatory reserve deposits and keep them in designated non-interest bearing accounts with the CBR. Particular reserve requirements are set by the Board of Directors of the CBR from time to time. As of the date of this Offering Memorandum, banks are required to post mandatory reserves to be held on non-interest bearing accounts with the CBR. From July 1, 2019, mandatory reserves applicable to credit organizations with general license amounted to 4.75% (1.00% for banks with a basic license) and 8.00% for the banks' obligations to individuals in rubles and foreign currency, respectively, and to 4.75% or 8.00% for the banks' obligations to non-resident legal entities in rubles and foreign currency, respectively. As of November 1, 2021, mandatory reserves of SPB Bank amounted to ₱67 million.

The CBR and its regional units have the right to conduct unscheduled audits of credit organizations to monitor their compliance with the reserve rules. If a bank does not comply with the mandatory cash balance requirements, the CBR may impose a fine and directly debit the bank's correspondent account with the CBR in respect of the shortfall in reserve amounts. As of the date of this Offering Memorandum, the CBR and its regional units have not conducted any unscheduled audits of SPB Bank.

Merger Control Regulation

General

Under the Russian Law “On Protection of Competition” dated July 26, 2007 (as amended, the “**Law on Protection of Competition**”), acquisitions of voting shares of a joint-stock company involving companies with a combined value of assets or annual revenues exceeding a certain threshold under RAS and which would result in a shareholder (or a group of shareholders defined under Russian law) holding more than 25%, 50% or 75% of the voting capital stock of such company,

or in a transfer between such companies of assets or rights to assets, the value of which exceeds a certain amount, or obtaining rights to determine the conditions of business activity of an entity or to exercise the authorities of its executive body must be approved in advance by the Federal Antimonopoly Service (the “FAS”). Such transactions executed between members of a group of companies do not generally require FAS approval.

Financial and Credit Organizations

Under the Law on Protection of Competition, the FAS also pre-approves mergers and acquisitions of stakes in excess of 25%, 50% and 75% of the total voting shares in financial organizations (for example, stock exchanges, clearing houses and banks) established in the form of joint-stock companies, participation interests representing one third, half and two thirds of the charter capital of financial organizations established in the form of limited liability companies (and the value of assets of such companies shall exceed respective thresholds determined by the Russian Government and the CBR) and acquisitions of financial organizations’ assets, the value of which exceeds a certain amount, or rights to determine conditions relating to their activities or to exercise the authorities of its executive body.

In addition, under the Banking Law, the CBR approval is required for the acquisition of or setting up of a trust management over stakes in excess of 10% of total voting shares in Russian credit organizations and any subsequent increases of ownership or trust holding above thresholds of 25%, 50% and 75% of shares or the acquisition of more than 75% of share capital. The CBR approval is valid for one year from the date of issuance, and the applicant may acquire any amount of shares in a credit organization within the threshold and total acquisition price stipulated in such CBR approval. Where more than 1% of share capital of a bank is purchased or trust management over such shares is created, the CBR should be notified of such acquisition or actions.

Foreign Investments

The Russian Law “On Foreign Investments in Russian Federation” dated July 9, 1999 provides that any acquisition (whether direct or indirect) by a foreign state or international organization or entities controlled by them of more than 25% of voting shares of a Russian company or any powers to block decisions of the management bodies of a Russian company, requires a prior approval of the governmental commission in accordance with the procedures set out in the Russian Law “On the Procedure for Making Foreign Investments in Business Entities of Strategic Importance for the National Defense and State Security” dated April 29, 2008 (as amended, the “**Strategic Investments Law**”). Moreover, in certain exceptional circumstances, the procedures set out in the Strategic Investments Law can be used for any foreign acquisition in Russia, if so determined by the Russian Prime Minister.

Intellectual Property Regulation

The Civil Code (Part IV) is the basic law in Russia that governs intellectual property rights, including their protection and enforcement. According to it, the software and technologies that we develop internally generally do not require registration and enjoy legal protection simply by virtue of being created and either publicly disclosed or existent in a certain physical form. In addition, we obtain exclusive rights to materials that are subject to copyright protection and that are created for us on the basis of agreements with the authors of such materials. Also, subject to compliance with the requirements of the Civil Code, we are deemed to have acquired exclusive rights to copyright objects created by our employees during the course of their employment with us and within the scope of their job functions, that include the right to their further use and disposal.

Under Russian law, the registration of copyright is not required. Software may be registered by a copyright holder, at its discretion, with the Russian Federal Service for Intellectual Property.

Employment Regulation

Employment matters in Russia are governed mainly by the Labor Code and by numerous implementing enactments of Russian authorities, which are enforced by the Russian courts and the Federal Service on Labor and Employment. The Labor Code sets out minimum rights of employees that must be complied with by any employer in Russia. Employment is required to be documented by an employment agreement that must, as a general rule, be for an indefinite term. Unilateral early termination of employment agreements by an employer is possible only for certain reasons expressly outlined in the law, and

is subject to the provision by the employer of specified remedies to the employee, except in the case of a termination for cause.

Under the Civil Code, if not otherwise specified in the employment or similar agreement, exclusive right to works made for hire is owned by the employer. In addition, we include special provisions in the job instructions of our software developers providing that exclusive right to any intellectual property created in course of employment duties is owned by us.

The minimum monthly salary in Russia is established by federal law from time to time. The law provides that from January 1, 2021, the minimum monthly salary is set in the amount not less than minimum subsistence level in Russia for subsequent year and current year. Starting from January 1, 2021, the minimum monthly salary is set at an amount of ₹12,792. Salaries of our employees are higher than the statutory minimum in the region and none are below such minimum.

MANAGEMENT

Executive Officers

The following individuals are our executive officers. The table below includes their ages as of the date of this Offering Memorandum:

Name	Age	Title
Roman Goryunov.....	46	Chief Executive Officer, Chairperson of the Management Board, Member of the Board of Directors
Evgeny Serdyukov.....	44	First Deputy Chief Executive Officer, Head of Equity and Derivatives, Member of the Management Board
Irina Ionova	64	Head of SPB Bank
Mikhail Ivanov.....	42	Head of Marketing
Sergey Kalinin	47	Head of Operations
Pavel Krupnov	36	Head of Corporate Finance
Igor Kuleshov	39	Head of Trade Organization Department, Member of the Management Board
Igor Larionov	49	Head of Legal
Yulia Makeeva.....	42	Head of SPB Clearing
Elena Postnova.....	35	Head of GR
Olga Starovoytova	47	Head of Accounting and IFRS
Alexander Tarabtsev	46	Head of Fixed Income, Repo and Treasury

The following is a brief summary of the business experience of our executive officers.

Roman Goryunov has served as our Chief Executive Officer since October 2021. Mr. Goryunov has held a number of executive positions at NP RTS since 2001, including serving as the Chief Executive Officer of NP RTS since 2012 and previously as the Head of the Derivatives Market Department, Vice President and First Vice President. Mr. Goryunov has also been a member and chairperson of the board of directors of SPB Bank since 2014. In 2007, Mr. Goryunov was appointed as the Chief Executive Officer at RTS Stock Exchange. Prior to joining NP RTS, Mr. Goryunov worked at the stock exchange “Saint Petersburg,” our predecessor, where he headed the securities and financial instruments department from 1994 to 2001. He is also a board member of non-profitable organizations related to securities market and higher education. Mr. Goryunov graduated from the Saint Petersburg State Technical University in 1997 with a degree in information systems in economics.

Evgeny Serdyukov has served as our First Deputy CEO and Head of Equity and Derivatives since October 2021, having previously served as our Chief Executive Officer since 2012. He is also a member of the boards of directors of SPB Bank and SPB Clearing, our subsidiaries. Since 2012, he has been the Managing Director for the Development of Organized Markets in the NP RTS group. In 2011, Mr. Serdyukov worked as the Managing Director of Derivatives Market Department of MOEX. In early 2000-s, Mr. Serdyukov worked at the stock exchange “Saint Petersburg,” our predecessor, where he focused on the development of the Russian futures and options market, and in 2001, he facilitated the launch of derivatives trading on RTS-FORTS platform. Mr. Serdyukov graduated from the South Kazakhstan State University named after M. Auezov in 1998 with a degree in industrial and civil construction. He also holds a degree in economics, focusing on finance and credit, from the Saint Petersburg State Technical University.

Irina Ionova has served as a Chief Executive Officer of SPB Bank since 2014, where she also is a member of the board of directors. Prior to joining SPB Bank, Ms. Ionova held a number of positions at the Settlement Chamber RTS, a member of the NP RTS group, including the Chief Accountant and the Chief Executive Officer. She graduated from the Moscow Power Engineering Institute as an electrical engineer specialist with majors in lighting technology and light sources in 1980. In 1996, she graduated from the Financial University under the Government of the Russian Federation with a degree in economics focusing on banking.

Mikhail Ivanov has served as the Head of our Communication and Marketing Department since 2019. He previously worked at several investment companies where he was responsible for the development of brokerage services and investment

products. Since 2006, Mr. Ivanov held several positions at RTS Stock Exchange, where in 2010 he was appointed as the Vice President. Mr. Ivanov graduated from the International Market Institute in 2002 with a degree in finance and credit.

Sergei Kalinin has served as our Head of Operations since November 2021, having previously served as the Director of our Trading Organization Department since 2012. He has also held several management positions in our subsidiaries since 2013, including the Director of Operations Department at Best Execution and the Head of Operating Services Department of the Securities and Derivatives Markets at SPB Clearing, where he is also a member of the board of directors. Since 2018, Mr. Kalinin has also served as the Chief Operations Officer at NP RTS. From 2007 to 2012, Mr. Kalinin was the Director of the Organization and Development of Derivatives Trading Department at MOEX. He graduated from the Saint Petersburg State Technical University in 1996 with a master's degree in economics focusing on management of energy enterprises.

Pavel Krupnov has served as our Head of Corporate Finance since January 2021. Mr. Krupnov was previously the Director of CFG from 2015 to 2021. From 2011 to 2015, he was the Head of Corporate Finance at Rusgrain Holding. From 2009 to 2011, Mr. Krupnov worked at Discovery Communications in London focusing on business and operations in Russia and the CIS. Before that, he worked at Kylla Group in Amsterdam as the Corporate Finance Analyst and at Neva-Rus investment fund as an investment manager. Mr. Krupnov is a member of the board of directors of Independent Registrar Company R.O.S.T. He graduated from the State University of Management in 2007 with a dual degree from Saxion University (the Netherlands) in commercial economics and marketing. Mr. Krupnov is a CFA Charterholder.

Igor Kuleshov has served as the member of our management board since October 2015. Mr. Kuleshov has served as our Head of Trade Organization Department since 2018. In addition, he has served as the Head of Clearing Activities Service Support Department at SPB Clearing since 2021 and as the Head of Trading Support Department at Best Execution since 2013. In the past, Mr. Kuleshov held various positions related to financial market operations support at SPB Exchange, SPB Bank and NP RTS. Mr. Kuleshov graduated from the Middlesex University in London in 2003 with a degree in business economics and accounting.

Igor Larionov has served as our Head of Legal since November 2021. Since 2006, Mr. Larionov held various positions at NP RTS and is currently serving as the Vice President of NP RTS, heading the legal department. He has served as the Chief Executive Officer at Best Execution since 2016 and has also been a member of the board of directors of SPB Bank since 2014. From 2013 to 2015, he was a member of the board of directors of SPB Clearing. Mr. Larionov graduated from the Moscow State University of Economics, Statistics and Informatics in 1994 with a degree in economics and mathematics focusing on economic cybernetics. In 2002, he graduated from the Institute of State and Law of the Russian Academy of Sciences with a degree in law.

Yulia Makeeva has served as the Chief Executive Officer of SPB Clearing since 2013. From 2009 to 2013, Ms. Makeeva held various positions at Clearing Center RTS, including the Head of Business Development of Infrastructure Projects Department. Ms. Makeeva graduated from the Saint Petersburg State University of Economics and Finance in 2000 with a degree in economics, focusing on finance and credit.

Elena Postnova has served as our Head of GR since July 2020, having also served as the Director of Government Affairs Department at the NP RTS group since 2018, where she contributes to the amendment of the CBR and other state bodies' regulations, focuses on the resolution of regulatory issues and ensures the regulatory compliance of the current business projects. Previously, Ms. Postnova held various positions at RTS Stock Exchange, MOEX and the NP RTS group. She graduated from the Moscow State University named after M.V. Lomonosov in 2007 with a degree in law.

Olga Starovoytova has served as our Head of Accounting and IFRS since November 2021, having previously served as the Director of our Tax Planning and IFRS Department since July 2018. Ms. Starovoytova has also held the same position at NP RTS since 2014. In 2013-2014, Ms. Starovoytova held various internal audit positions at NP RTS and SPB Exchange. She has been a member of the board of directors of SPB Bank since 2015. She graduated from the State Academy of Service in 1996 with a degree in economics. Ms. Starovoytova holds a Russian ACCA Diploma in International Financial Reporting.

Alexander Tarabtsev has served as our Head of Fixed Income, Repo and Treasury since 2021. In 2019 and 2020, he also served as also the Chief Financial Officer of NP RTS. From 2012 to 2018, he served as the Head of Corporate and Investment Business Department at UFC-Bank. Mr. Tarabtsev holds degrees in international economics and a Ph.D. from Saint Petersburg State Technical University.

Board of Directors

Our board of directors is comprised of 15 members, including at least five independent directors. See “*Description of Share Capital and Charter—Board of Directors*.” Our board members are elected by our general meeting of shareholders in accordance with our charter to serve until their successors are duly elected and qualified. Brokers who are our shareholders currently have seven board representations, which is determined in accordance with a special procedure set out in the shareholders’ agreement (see “*Related Party Transactions—Shareholders’ Agreement*”).

The primary responsibility of our board of directors is to oversee the operations of our company and to supervise the policies of senior management and the affairs of our company.

Under Russian law, our directors owe fiduciary duties to the company, including a duty to act in good faith, reasonably and in the interests of our company. When exercising powers or performing duties as a director, the director is required to take appropriate and sufficient measures to accomplish the business purposes of the company, as well as ensure compliance with Russian law. The good faith and reasonableness of the director’s actions should be evaluated taking into account the usual business practice and scale of operations of the company.

A director who is, as set out in Russian law, interested in a contract or proposed contract with us must notify us about the nature of his or her interest and proposed contracts influenced by such interest in two months following the date he or she discovered or is deemed to discover its interest in accordance with Russian law. Directors who have an interest in any contract or arrangement do not have the right to vote on approval of such contract or arrangement (and are not counted in the quorum).

The following individuals are members of our board of directors. The table below includes their ages as of the date of this Offering Memorandum:

Name	Age	Title
Jacques Der Megreditchian.....	62	Chairperson of the Board of Directors, Independent Director
Eric Berthelot.....	60	Member of the Board of Directors, Independent Director
Alexander Chmel	65	Member of the Board of Directors, Independent Director
Pavel Efremov	42	Member of the Board of Directors, Independent Director
Roman Goryunov.....	46	Chief Executive Officer, Chairperson of the Management Board, Member of the Board of Directors
Elena Khisamova	43	Member of the Board of Directors, Independent Director
Sergei Khotimsky	43	Member of the Board of Directors
Oleg Mikhasenko	59	Member of the Board of Directors
Dmitry Panchenko	40	Member of the Board of Directors
Olga Pascault	47	Member of the Board of Directors, Independent Director
Vladimir Potapov.....	39	Member of the Board of Directors
Sergei Rybakov.....	50	Member of the Board of Directors, Independent Director
Alexei Skorodumov	47	Member of the Board of Directors
Pavel Sokolov	48	Member of the Board of Directors, Independent Director
Ivan Tyryshkin.....	48	Member of the Board of Directors

The business address for members of our board of directors is at 38 Dolgorukovskaya Street, Building 1, Floor 2, Premise 1, Office 19, 20, Moscow, 127006, Russia.

The following is a brief summary of the business experience of members of our board of directors.

Jacques Der Megreditchian has served as the Chairperson of our board of directors since May 2019. In 2000, he joined Troika Dialog as the Head of Capital Markets, where in 2009, he became the Chief Business Officer responsible for the entire business of Troika Dialog, including investment banking, asset management and venture investments segments. Prior to 2000, Mr. Der Megreditchian held various positions in French financial institutions, including the Deputy CEO of the Moscow branch of Banque Société Générale and the Chief Representative in Russia of Crédit Commercial de France. From 2004 to

2011, Mr. Der Megreditchian was the chairperson of the board of directors of RTS Stock Exchange. Mr. Der Megreditchian graduated from the European Business Institute in 1984 and the French Center for Financial Analysis (CFAF) in 1987.

Eric Berthelot has served as the member of our board of directors since September 2021. He previously worked at prominent investment companies, including Edmond de Rothschild, Credit Agricole and Valartis Bank, where he managed projects related to direct investment and high wealth management, and also participated in structured investments projects. He was also a founder and general manager at Exane, a leading European stockbrokerage firm. Mr. Berthelot graduated from HEC Paris in 1986 and holds an MBA qualification.

Alexander Chmel has served as the member of our board of directors since September 2021. From 2003 to 2012, Mr. Chmel served as a partner of PricewaterhouseCoopers, where he focused on audits of electrical industry companies and advice on the implementation of progressive corporate governance methods to practices of Russian businesses. He led the project teams on various audit projects and equity offerings of Russian energy providers, including an offering of depositary receipts on the London Stock Exchange. Mr. Chmel is a director of corporate governance programs at SKOLKOVO Moscow School of Management. He is also an author of several articles on reporting and corporate governance. Since 2005, Mr. Chmel has been a member of the Accounting Chamber of Russia, where in 2009, he became the Head of the International Cooperation Committee. Mr. Chmel graduated from the Leningrad Institute of Economics and Trade in 1980 with a degree in economics. In 1986, he completed a degree in decision-making theory at the Leningrad Polytechnic Institute.

Pavel Efremov has served as the member of our board of directors since May 2019. From 2002 to 2007, he served at Alor Group, where he advanced from the Broker Assistant to the Head of Trade Operations Department. Since 2007, Mr. Efremov has served as the CEO of Invest Stolica LLC. He was actively involved in the establishment of the Youth Center of the Finance Operations Studies. In 2001, Mr. Efremov completed a degree in economics and business management at the Moscow Aviation Institute. He holds a 1.0 series professional certificate of the financial market specialist.

Roman Goryunov. For information regarding Mr. Goryunov, please see “—Executive Officers.”

Elena Khisamova has served as the member of our board of directors since September 2021. Prior to that, from 2018 to August 2021, Ms. Khisamova served as the Vice President of Gazprombank in charge of the Equity Capital Markets Department, and, from 2008 to 2017, she served as the Managing Director at VTB Capital responsible for equity capital markets. From 2005 to 2008, she also served at leading positions with equity capital markets departments at Deutsche Bank and United Financial Group in Russia. Ms. Khisamova has been a member of the CBR expert committee on information transparency since 2016 and for many years was a member of the MOEX primary markets committee. Ms. Khisamova holds a Global Executive MBA from INSEAD Business School, a Master Degree from the Kazan State University and 1.0 series professional certificate in financial markets.

Sergei Khotimsky has served as the member of our board of directors since September 2020. Mr. Khotimsky is the co-founder and a significant shareholder of Sovcombank, which first received its general banking license in 2004. Since 2014, he has served as the First Deputy President of Sovcombank. Mr. Khotimsky is a member of boards of directors of Sovcombank, Sovcombank Leasing LLC, Sovcombank Insurance JSC, RTS-Holding JSC, RTS Tender LLC, Investment Company Septem Capital LLC and Orient Express Bank. Mr. Khotimsky is the founder of the charitable fund Future Is Now, which is helping orphaned children. Mr. Khotimsky graduated from the International University in Moscow in 1999 with a degree in law.

Oleg Mikhasenko has served as the member of our board of directors since May 2019. Mr. Mikhasenko is the principal shareholder and the President of BrokerCreditService (BCS) financial group, which he founded in 1995. In the same year, BCS received its first securities market license as a broker and investment adviser. Since 2012, Mr. Mikhasenko has served as the chairperson of the board of directors of Management Company BrokerCreditService JSC. Since 2011, he also has served as the chairperson of the board of directors of BCS Bank JSC. Mr. Mikhasenko graduated from the Irkutsk Polytechnic Institute in 1984 with a degree in mining engineering.

Dmitry Panchenko has served as the member of our board of directors since September 2020. From 2011 to 2017, Mr. Panchenko served as the Deputy CEO at Freedom Finance Investment Company. In April 2013, he founded Freedom24.ru, where he worked until April 2017. From May 2017 to July 2019, Mr. Panchenko held several positions at BrokerCreditService, including as the Director of Broker Business Department. Since November 2019, Mr. Panchenko has served as the Investment Business Director of Tinkoff Investments. Mr. Panchenko is a member of the board of directors of

Tinkoff Invest Lab LLC. Mr. Panchenko graduated from the Higher School of Economics in 2002 with a degree in economics. In 2012, he completed master's program in management at the Moscow State University. He holds a 1.0 and 5.0 series professional certificates of the financial market specialist.

Olga Pascault has served as the member of our board of directors since September 2021. Ms. Pascault is a finance specialist with more than 20 years of experience in investing in equities and Eurobonds in emerging markets. Ms. Pascault is a member of boards of directors of Asaka Bank, Uzbekistan's third largest bank, and NESsT UK, a charity that focuses on impact investments and small enterprise in Latin America and Eastern Europe. Also, Ms Pascault is Chair of the Management Board of the Climate Governance Initiative Russia, a part of the global platform that mobilizes boards of directors around the world to address climate change in their businesses. Ms. Pascault has extensive experience in assessing investment risks and opportunities in Emerging Markets at AXA Investment Managers. From 2015 to 2017, she also served as the Managing Director at UniCredit Bank. In 1997, Ms. Pascault graduated from the Finance Academy under the Government of the Russian Federation with a degree in accounting. She also holds CFA UK ESG Investing Certificate and FT Non-Executive Diploma.

Vladimir Potapov has served as the member of our board of directors since September 2020. Vladimir Potapov is the CEO of VTB Capital Investments, VTB Bank's integrated investment product platform, which includes several businesses: VTB Capital Investment Management (Russian and international investor asset management), VTB Bank Broker (brokerage services for retail clients), VTB Capital Broker (brokerage services for institutional investors), Advisory for individuals and corporates and VTB Capital Forex (foreign exchange services for individuals). Mr. Potapov is responsible for strategic and operational development of VTB Capital Investments. Mr. Potapov is also a member of the supervisory board of VTB Bank (Europe) SE and a member of the boards of directors of NAUFOR, Association of Professional Investors and CFA Association (Russia), a member of the Exchange Council of MOEX, a member of the Commission of Financial Markets of the Russian Union of Industrialists and Entrepreneurs. From 2010 to 2013, Mr. Potapov was the Global Head of Portfolio Management in VTB Capital Investment Management, and from 2013 to 2017, he was the CEO of VTB Capital Investment Management. Prior to joining the VTB Group, Mr. Potapov was a partner and lead portfolio manager at Troika Dialog from 2003 to 2010. Mr. Potapov graduated from the Higher School of Economics in 2004 with a bachelor's degree in economics. In 2016, Mr. Potapov completed with honors an MBA program at the Chicago Booth School of Business. Mr. Potapov is a recipient of various awards, including the best CEO in the Russian financial sector according to the latest 2021 "Top-1000 Russian Managers' Rating" of the Kommersant Publishing House and the Association of Managers.

Sergei Rybakov has served as the member of our board of directors since June 2018. Starting from 1999, Mr. Rybakov held various positions, including the First Deputy CEO, at Aton, where he worked for more than nine years. Since 2008, he has served at Alfa Bank in departments related to securities operations. In 2020, he was appointed as the Head of Broker Operations Department and the Managing Director of Alfa Bank. In 1995, Mr. Rybakov graduated from the Bauman Moscow State Technical University with a degree in development engineering.

Alexei Skorodumov has served as the member of our board of directors since May 2019. From 1997 to 2006 and since 2008, Mr. Skorodumov has worked at Derzhava Joint-Stock Commercial Bank, serving as a securities trader and then the Head of Treasury and a member of the executive board. Since March 2016, he has served as the CEO of Derzhava, being also the member of its board of directors. Mr. Skorodumov is also a member of boards of directors of Non-Governmental Pension Fund "Federation," NP RTS and the Moscow International Currency Association. Mr. Skorodumov graduated from the Moscow State University in 1996 with a degree in applied mathematics. He has been a CFA Charterholder since 2004.

Pavel Sokolov has served as the member of our board of directors since September 2020. Mr. Sokolov has more than 15 years of experience in financial markets. From 2003 to 2015, he held multiple positions at Troika Dialog and its successor, Sberbank CIB, including as the Managing Director, Co-Head of Investment Banking Department and Partner. Mr. Sokolov led the bond offerings of various large borrowers, including Uranium One, RusHydro, OGC-5, Gazpromneft, Lukoil and Novolipetsk Steel. Since 2015, Mr. Sokolov has served as a Partner and Deputy CEO for Investment Banking Activities at Aton. Mr. Sokolov graduated from the Saint Petersburg State University in 1997 with a degree in theoretical physics.

Ivan Tyryshkin has served as the member of our board of directors since May 2019. Since 2015, Mr. Tyryshkin has held the position of the Development Director at SKRIN information disclosure system. From 2006 to 2008, Mr. Tyryshkin served as the CEO of Aton Investment Company, and from 2003 to 2006, he was the Senior Executive Director at the United Financial Group. From 1998 to 2001, he was the President of NAUFOR and later, until 2003, he served as the President of RTS Stock Exchange. From 1996 to 1998, Mr. Tyryshkin served as the Head of Professional Market Participants Regulation Department

at the Federal Commission for the Securities Market. Mr. Tyryshkin also served as a member of boards of directors of the Moscow Stock Exchange, Depositary-Clearing Company, Sibneft, Voronezhenergo and Far-Eastern Shipping Company. Mr. Tyryshkin graduated from the Plekhanov Russian Economic Academy in 1995 with a degree in finance.

Audit Committee

The audit committee consists of Alexander Chmel, Elena Khisamova and Olga Pascault and assists the board of directors in overseeing our accounting and financial reporting processes and the audits of our financial statements. Mr. Chmel serves as Chairperson of the committee. Under the SPB Exchange listing requirements, the Chairperson of the audit committee must be independent, *i.e.*, not related to the company, its significant shareholders or counterparties, competitors and the state. The audit committee consists exclusively of members of our board of directors who are financially literate. The audit committee is governed by a charter.

The audit committee is responsible for:

- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by our independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full board of directors on at least an annual basis;
- reviewing and discussing with the board of directors and the independent auditor our annual audited financial statements and quarterly financial statements prior to the filing of the respective annual and quarterly reports;
- reviewing our compliance with laws and regulations, including major legal and regulatory initiatives and also reviewing any major litigation or investigations against us that may have a material impact on our financial statements; and
- approving or ratifying any related person transaction (as defined in our related person transaction policy) in accordance with our related person transaction policy.

The audit committee meets as often as one or more members of the audit committee deem necessary, but in any event not less than four times per year. The audit committee meets at least once per year with our independent accountant, without our executive officers being present.

Nominating and Compensation Committee

The nominating and compensation committee consists of Jacques Der Megreditchian, Eric Berthelot and Olga Pascault and assists the board of directors in identifying individuals qualified to become members of our board of directors consistent with criteria established by our board of directors and in developing our corporate governance principles and in determining executive officer compensation and compensation of members of our board of directors. Mr. Der Megreditchian serves as Chairperson of the committee.

The nominating and compensation committee is responsible for:

- drawing up selection criteria for board members;
- reviewing and evaluating the composition of our board of directors;
- recommending nominees for selection to our board of directors and its corresponding committees;

- making recommendations to the board of directors as to determinations of board member independence;
- leading the board of directors in a self-evaluation, at least annually, to determine whether it and its committees are functioning effectively;
- developing recommendations to the board of directors regarding governance matters;
- reviewing and approving recommendations relevant to compensation of our senior executives and members of the board of directors; and
- reviewing and approving or making recommendations to the board of directors regarding incentive compensation and equity-based plans and arrangements.

Strategy and Budget Committee

The strategy and budget committee consists of Ivan Tyryshkin, Eric Berthelot, Roman Goryunov, Evgeny Ivanets, Elena Khisamova, Dmitry Panchenko, Alexei Skorodumov and Pavel Sokolov, preliminarily considers issues arising before the board of directors in respect of our long-term effectiveness increase and prepare recommendations to the board of directors on these matters, assists the board of directors in issues arising in relation to our financial planning and prepare recommendations to the board of directors on these matters. The strategy and budget committee is the advisory body of SPB Exchange established by the board of directors and is reporting to it. Mr. Tyryshkin serves as Chairperson of the committee.

The strategy and budget committee is responsible for:

- preliminary consideration and preparing of recommendations to the board of directors on the issues of:
 - determination of priority directions of our activity, main long-term strategic benchmarks for our activity (development of strategy) and key performance indicators of our activity;
 - control over carrying out of our strategy development, including, among others, preliminary consideration of the executive bodies' reports on our strategy development;
 - determination of the strategy development and the key performance indicators of our controlled companies;
 - our participation and termination of our participation in other entities; and
 - determination of our position in respect voting on the general shareholders' meetings of our controlled companies;
- preliminary approval of transactions outside of our ordinary course of business, if such approval falls within the competence of the board of directors;
- preliminary discussion of issues related to issue of our securities;
- assessment of voluntary and mandatory offers; and
- consideration of the reorganization and liquidation of SPB Exchange and its controlled companies;
- approval of and amendments to our budget;
- control over administration of our budget and consideration of reports of the chief executive officer on our financial results;

- recommendations to the general shareholders' meeting on the amount of dividends and the procedure for payment of dividends;
- utilization of our reserve fund and other funds;
- preliminary approval of transactions exceeding limits or budget plan approved by the board of directors; and
- preliminary approval of interested party transactions if such approval falls within the competence of the board of directors.

Exchange Council

Under the Organized Trading Law, we are required to establish the stock exchange council. See “*Regulation—Regulation of Stock Exchanges—Shareholders and Corporate Governance*” for more detail on duties and composition of the exchange council.

Corporate Governance

On March 21, 2014, the Board of Directors of the CBR approved the corporate governance code (the “**Russian Corporate Governance Code**”). The Russian Corporate Governance Code is recommended as “best practices” for issuers to follow. We believe that we comply with the Russian Corporate Governance Code in all material respects. As required by the CBR regulations, we disclose those requirements of the Russian Corporate Governance Code that we do not or partly comply with in our annual reports.

Compensation for Executive Officers and Members of the Board of Directors

The compensation for our executive officers and members of our board of directors consists of the base salary and share-based awards. The total amount of compensation paid and benefits in kind provided to our executive officers and members of our board of directors for the year ended December 31, 2020 was ₺112.1 million (including social insurance contributions). We do not currently maintain any profit-sharing or pension plan for the benefit of our executive officers.

Equity Incentive Plans

We have share option programs, or “SOPs,” for our management and directors and for management of our subsidiaries. The key terms of the SOPs are summarized below.

SOP for Management

In February 2018, the board of directors of NP RTS approved the SOP for management, under which NP RTS or SPB Clearing may sell our Shares at a fixed price of ₺184.15 per share to individuals determined by the NP RTS board of directors' personnel and incentives committee. Managers acquiring our Shares pursuant to the SOP must enter into a shareholders' agreement with NP RTS which sets out the right of NP RTS to offer the repurchase of shares from the SOP participant within five years after the execution of the shareholders' agreement and the obligation of the SOP participant to vote on the general shareholders' meetings upon instructions of NP RTS for a specified period of time. The total number of shares allocated to the SOP for management is equal to approximately 11% of the total number of our Shares. As of the date of this Offering Memorandum, 10,755,960 of our Shares, representing 9.43% of our share capital, have been sold pursuant to the SOP for management. See “*Risk Factors—Risks Relating to Our Organizational Structure—NP RTS may exercise significant influence over the outcome of some of our operations and certain decisions of our managers and shareholders*” for more detail on arrangements between NP RTS and our management.

SOPs for Directors

In December 2018, the board of directors of NP RTS approved the SOP for directors, under which NP RTS may grant certain members of our board of directors and members of board of directors of NP RTS options to buy our Shares from NP RTS at a fixed price of ₺5.2625 per share. Certain options might be exercised conditionally.

In December 2020 and May 2021, the board of directors of NP RTS approved another SOP for directors, under which NP RTS might grant certain members of our board of directors and members of board of directors of NP RTS options to buy our Shares from NP RTS at a fixed price of P87.65 per share.

As of the date of this Offering Memorandum, in aggregate, fifteen persons have been granted the options under both SOPs to purchase up to 22,365,040 of our Shares, representing 19.6% of our share capital. As of the date of this Offering Memorandum, options in respect of 19,718,720 of our Shares, representing 17.28% of our share capital, have been exercised.

Proposed New Equity Incentive Plan

We plan to introduce a new equity incentive plan for our executive officers and senior employees following the completion of this Offering. Concurrently with the Offering, the Repurchasing Subsidiary is expected to acquire 3,260,870 Shares at the Offering Price in the total amount of approximately \$37.5 million that may be used for these and other corporate purposes. The expected subscription by the Repurchasing Subsidiary is contingent on, and is expected to close immediately subsequent to, the closing of the Offering, as well as the satisfaction of certain conditions to closing.

Insurance and Indemnification

Subject to certain limitations, we expect to enter into arrangements on indemnification of our executive officers and members of our board of directors against any losses or liabilities which they may sustain or incur in or about the execution of their duties including liability incurred in defending any proceedings whether civil or criminal in which judgment is given in their favor or in which they are acquitted.

Family Relationships

There are no family relationships among any of our executive officers or members of our board of directors.

PRINCIPAL SHAREHOLDERS

The following table sets forth information relating to the ownership of our Shares based on our shareholder list as of October 13, 2021 provided by our registrar, unless otherwise indicated.

Upon the completion of this Offering, the parties to the shareholders' agreement (see "*Related Party Transactions—Shareholders' Agreement*") will continue to control a majority of our Shares. For information regarding material transactions between us and principal shareholders who are our related parties, see "*Related Party Transactions*."

	Shares Owned Before the Offering		Shares Owned After the Offering ⁽¹⁾	
	Number	Percentage	Number	Percentage
Management Company East-West LLC (Fiduciary Manager of Combined Closed-End Investment Fund SPB Fund) ⁽²⁾	12,589,000	11.03%	12,589,000	9.69%
VTB Capital Finance LLC ⁽³⁾	12,287,240	10.77%	12,287,240	9.46%
Public Joint-Stock Company "Sovcombank" ⁽⁴⁾	11,397,206	9.99%	11,397,206	8.78%
Management Company Financial World LLC (Fiduciary Manager of Combined Closed-End Investment Fund Equator+) ⁽⁵⁾	9,804,795	8.59%	9,804,795	7.55%
Roman Goryunov ⁽⁶⁾	9,137,351	8.01%	9,137,351	7.04%
Amereus Group PTE. LTD. ⁽⁷⁾	5,846,680	5.12%	5,846,680	4.50%
TCS LLC ⁽⁸⁾	5,704,320	5.00%	5,704,320	4.39%
Aton ⁽⁹⁾	4,924,186	4.32%	4,924,186	3.79%
NP RTS ⁽¹⁰⁾	4,476,708	3.92%	4,476,708	3.45%
BCS ⁽¹¹⁾	4,123,694	3.61%	4,123,694	3.18%
Other shareholders (each less than 5%) ⁽¹²⁾	33,794,980	29.62%	49,577,152 ⁽¹³⁾	38.17%
Total	114,086,160	100%	129,868,332	100%

⁽¹⁾ Assuming 564,780 new Shares are subscribed and paid for by the eligible shareholders exercising their pre-emptive rights. The Repurchasing Subsidiary granted to the Market Maker an option, exercisable only once at any time during the Stabilization Period and no later than the second business day after the end of the Stabilization Period (excluding such date) to require the Repurchasing Subsidiary to purchase up to 15% of the Offering Shares that may be acquired by the Market Maker as a result of stabilization transactions at such prices at which the Market Maker may acquire them in the open market in connection with such stabilization transactions, plus associated funding costs and commissions. The Repurchasing Subsidiary will hold any Shares it acquires pursuant to the Repurchase Option subject to the lock-up arrangements. See "*Plan of Distribution*." Any Shares repurchased under the Repurchase Option will retain voting rights and may be used for the Company's employee stock option program and other corporate purposes. The table above includes, in the total number of Shares owned after the Offering, such Shares that are subject to repurchase under the Repurchase Option (see also footnote 13). The total number of the Shares in the table above does not include 3,260,870 Shares that the Repurchasing Subsidiary is also expected to acquire, concurrently with the Offering and at the Offering Price in the total amount of approximately \$37.5 million, that may be used for the Company's employee stock option program and other corporate purposes. The expected subscription by the Repurchasing Subsidiary is contingent on, and is expected to close immediately subsequent to, the closing of the Offering, as well as the satisfaction of certain conditions to closing.

⁽²⁾ The address for Management Company East-West LLC (Fiduciary Manager of Combined Closed-End Investment Fund SPB Fund) is 15 First Krasnogvardeysky Drive, Floor 12, Office 37, Moscow, 123112, Russia.

⁽³⁾ The address for VTB Capital Finance LLC is 12 Presnenskaya Embankment, Floor 29, Workplace 29.105, Moscow, 123112, Russia.

- (4) Shareholding as of October 15, 2021. The address for Public Joint-Stock Company “Sovcombank” is 46 Tekstilshchikov Avenue, Kostroma, Kostroma Region, 156000, Russia.
- (5) 70% of the units of Closed-End Investment Fund Equator+ are owned by Mr. Ivan Tyryshkin, member of our board of directors, and 30% of the units are owned by Mr. Vadim Tyryshkin. The address for Management Company Financial World LLC (Fiduciary Manager of Combined Closed-End Investment Fund Equator+) is 2 Bolshoy Savvinskiy Lane, Building 9, Floor 2, Premises V, Office 10, Moscow, 119435, Russia.
- (6) Shareholding as of November 3, 2021. 5,704,320 Shares are subject to three-year lock-up arrangements with NP RTS.
- (7) The address for Amereus Group PTE. LTD. is 101 Cecil Street, #22-01A Tong Eng Building Singapore (069533).
- (8) The address for TCS LLC is 35A Second Khutorskaya Street, Building 25, Unit 11, Floor 3, Moscow, 127287, Russia.
- (9) Aggregate shareholding through all Aton’s investment vehicles. The address of Aton LLC is 20 Ovchinnikovskaya Embankment, building 1, Moscow, 115035, Russia.
- (10) Shareholding as of November 17, 2021. The address for NP RTS is 38 Dolgorukovskaya Street, Building 1, Moscow, 127006, Russia. For more detail on voting power of NP RTS under the shareholders’ agreement, please see *“Risk Factors—Risks Relating to Our Organizational Structure—NP RTS may exercise significant influence over the outcome of some of our operations and certain decisions of our managers and shareholders.”*
- (11) Aggregate shareholding through all BCS’ investment vehicles. Includes up to 1.11% of the Shares subject to a potential sale, which may be completed after the date of this Offering Memorandum. The address of BCS Company LLC is 37 Sovetskaya Street, Novosibirsk, Novosibirsk Region, 630099, Russia.
- (12) Mr. Jacques Der Megreditchian, Chairperson of our board of directors, and Mr. Evgeny Serdyukov, Ms. Irina Ionova, Mr. Mikhail Ivanov, Mr. Sergey Kalinin, Mr. Igor Larionov, Ms. Yulia Makeeva, Ms. Elena Postnova and Ms. Olga Starovoytova, our executive officers, each own less than 1% of the Shares. Mr. Goryunov and our executive officers named in this Offering Memorandum together owned 10.19% of the Shares prior to the Offering.
- (13) Includes up to 2,282,609 Shares that may be purchased by the Repurchasing Subsidiary under the Repurchase Option.

RELATED PARTY TRANSACTIONS

The following is a description of related party transactions we have entered into since January 1, 2019.

During 2020 and 2019, and up to the date of this Offering Memorandum, we entered into a number of transactions with related parties in the ordinary course of business.

Relationship with NP RTS

Share Issuance

On December 24, 2019, we issued additional Shares in the amount of P507 million to NP RTS. The Shares were fully paid in the first quarter of 2020.

Loan Agreements

We have made several loans to NP RTS, one of our significant shareholders. As of December 31, 2020 and December 31, 2019, the outstanding principal amounts of these loans totaled P190 million and P36 million, respectively, of which short-term loans accounted for P60 million and P36 million, respectively. The loans bore interest at varying rates under the loans, ranging from 4% to 6.7% per annum and were repaid in 2021.

During the year ended December 31, 2020, we received interest income of P9.3 million (compared to P1.6 million during the year ended December 31, 2019) accrued on loans made NP RTS, of which short-term interest accounted for P2.6 million (compared to P1.6 million during the year ended December 31, 2019).

In May-July 2021, all loans to NP RTS were repaid in the amount of P165,500 thousand.

Subordinated Deposit Agreement

On April 19, 2017, SPB Bank entered into a subordinated deposit agreement with NP RTS for the deposit of P500 million with SPB Bank. The deposits are placed for 10 years and bear an annual interest rate equal to the key interest rate of the CBR as of the interest payment dates. The deposit amount is the source of additional capital for SPB Bank. A CBR approval is required for an early withdrawal of the deposit amount and for the termination of the subordinated deposit agreement.

During the year ended December 31, 2020, we incurred and paid interest of P25.3 million, compared to P36.6 million during the year ended December 31, 2019 (P11.5 million and P14.5 million during the six months ended June 30, 2021 and 2020, respectively).

Agreement between SPB Exchange and SPB Clearing

On February 2, 2021, SPB Exchange entered into an amended and restated agreement with SPB Clearing with respect to SPB Clearing's clearing activities. This agreement sets out the general framework of relations between SPB Exchange and SPB Clearing acting as a clearing center and a central counterparty. Under this agreement, SPB Clearing is required to exercise clearing of transactions executed on our platform. This agreement has been entered into for an indefinite term.

Purchase Agreement

On December 21, 2020, SPB Exchange entered into a purchase agreement with NP RTS for the purchase of a computer program that had previously been utilized under a license agreement. The purchase price was P400 million, of which P200 million was paid by SPB Exchange in December 2020.

Gratuitous Contribution Agreements

On January 22, 2019, March 15, 2019 and April 1, 2019, we entered into gratuitous contribution agreements with NP RTS under which we received gratuitous contributions from NP RTS of P7 million on each date.

Service Agreements

From 2013 to 2020, we entered into several service agreements with NP RTS in the ordinary course of our business. Under these agreements, NP RTS provides certain services to us for consideration paid. These services include provision of internet access, IP addresses and communication channels, service of data center equipment and technical support of computer hardware, electronic document management services, email services and issue of a certificate of a key for verifying an electronic signature and repository services.

The agreements are entered into either for an indefinite term or for 12 months with an automatic extension. We can terminate these agreements by serving a termination notice as required by the particular agreement, with a notice period that varies from 10 to 60 days.

During the years ended December 31, 2020 and 2019, we incurred expenses under these agreements of ₱8.2 million and ₱6.3 million, respectively (₱5.3 million and ₱3.6 million during the six months ended June 30, 2021 and 2020, respectively).

Sublease of Premises Agreements

From 2014 to 2020, we entered into several sublease agreements with NP RTS in the ordinary course of our business. Under each of these agreements, premises are subleased by us for 11 months with an automatic extension. NP RTS may terminate these agreements if we are late with lease payments for more than 20 days.

During the years ended December 31, 2020 and 2019, we incurred amortization expenses of ₱6.7 million and ₱4.8 million, respectively, under these agreements (₱4.2 million and ₱2.5 million during the six months ended June 30, 2021 and 2020, respectively).

In addition, during the years ended December 31, 2020 and 2019, we incurred interest expense of ₱1.4 million and ₱1.1 million respectively, under these agreements (₱0.7 million and ₱0.6 million during the six months ended June 30, 2021 and 2020, respectively).

License Agreements

In 2014 and 2017, we entered into several license agreements with NP RTS in the ordinary course of business. Under these agreements, NP RTS granted us the right of use of computer software essential for our business and operations and of certain computer hardware. In addition, NP RTS is required to provide us with the technical support necessary for the functioning of both the software and hardware utilized under the license agreements.

During the years ended December 31, 2020 and 2019, we incurred expenses of ₱5.5 million and ₱4.1 million, respectively, under these agreements (₱6.3 million and ₱2.2 million during the six months ended June 30, 2021 and 2020, respectively).

Relationship with Matching Solutions

Loan Agreements

We have made several short-term loans to Matching Solutions, a subsidiary of NP RTS. As of June 30, 2021, December 31, 2020 and December 31, 2019, the outstanding principal amounts of these loans totaled ₱30 million, ₱30 million and ₱28 million, respectively. The loans bore interest at varying rates under the loans, ranging from 5% to 9.2% per annum. On November 15, 2021, we made a one-year loan to Matching Solutions in the amount of ₱30 million at the interest rate of 6.5% per annum.

During the year ended December 31, 2020, we received interest income of ₱2.1 million, compared to ₱0.5 million during the year ended December 31, 2019 (₱0.7 million and ₱1.1 million during the six months ended June 30, 2021 and 2020, respectively), accrued on loans made to Matching Solutions.

Exclusive Right Alienation Agreements

On March 29, 2021, SPB Bank entered into an exclusive right alienation agreement with Matching Solutions for the purchase of exclusive rights in the amount of P46 million (as of June 30, 2021, P46 million was paid). Under this agreement, SPB Bank acquired exclusive rights to software update of the computer software purchased from NP RTS under the purchase agreement dated December 20, 2020.

On May 31, 2021, SPB Bank entered into an exclusive right alienation agreement with Matching Solutions for the purchase of exclusive rights in the amount of P15.5 million (as of June 30, 2021, P15.5 million was paid). Under this agreement, SPB Bank acquired exclusive rights to a software update of the computer software purchased from NP RTS under the purchase agreement dated December 20, 2020.

On October 31, 2019, SPB Bank entered into an exclusive right alienation agreement with Matching Solutions for the purchase of exclusive rights in the amount of P4 million (as of December 31, 2019, P4 million was paid). Under this agreement, SPB Bank acquired exclusive rights to software updates of the computer software purchased from NP RTS under the purchase agreement dated December 20, 2020.

On September 28, 2020, we entered into an exclusive right alienation agreement with Matching Solutions for the purchase of exclusive rights in the amount of P48 million (as of December 31, 2020, P48 million was paid). Under this agreement, we acquired exclusive rights to software updates of the computer software purchased from NP RTS under the purchase agreement dated December 20, 2020.

On December 30, 2020, we entered into an exclusive right alienation agreement with Matching Solutions for the purchase of exclusive rights in the amount of P25 million (as of June 30, 2021, P25 million was paid). Under this agreement, we acquired exclusive rights to software updates of the computer software purchased from NP RTS under the purchase agreement dated December 20, 2020.

See “—*Relationship with NP RTS—Purchase Agreement.*”

Provision of Services

As of the date of this Offering Memorandum, Matching Solutions provides us with certain technical services, including support and development of software essential to our business and operations.

Relationship with Broker Shareholders

For the years ended December 31, 2020 and 2019, we received income of P417,352 thousand and P85,993 thousand, respectively (P452,755 thousand and P146,640 thousand in the six months ended June 30, 2021 and 2020, respectively) and incurred expenses of P585,223 thousand and P67,232 thousand, respectively (P479,298 thousand and P280,396 thousand in the six months ended June 30, 2021 and 2020, respectively), in relation to transactions with our broker shareholders, including Alor+ and brokers from Freedom Holding Corporation and BrokerCreditService groups. As at June 30, 2021, assets with such related parties were P122,418 thousand (P132,762 thousand and P1,074,932 thousand as at December 31, 2020 and 2019, respectively), and liabilities with such related parties were P11,206,658 thousand (P880,971 thousand and P72,944 thousand as at December 31, 2020 and 2019, respectively).

Loans to Employees

In 2018, we provided loans to employees, including members of our senior management, to purchase our Shares with limited recourse. The loans were issued for five years at a below-market interest rate, the Shares were pledged to us until a loan was repaid. During the term of the loan, the employees should either repay the loan in cash (in which case Shares become free from any encumbrances) or withdraw from the arrangement (in which case Shares should be returned). The employees were not required to achieve any performance conditions during the term of the loan. The terms of these arrangements are similar to the terms of options exercisable within five years. In 2020, loans payable by employees were transferred to NP RTS.

On September 4, 2020, Ms. Irina Ionova, Head of SPB Bank, and SPB Bank entered into a five-year loan agreement in the amount of P2 million and the interest rate of 13% (25% if the employment agreement with Ms. Ionova terminates). As of June 30, 2021, the outstanding amount under the loan was P1.16 million.

On November 19, 2019, Mr. Mikhail Ivanov, our Head of Marketing, and SPB Bank entered into a five-year loan agreement in the amount of P2.65 million and the interest rate of 13% (25% if the employment agreement with Mr. Ivanov terminates). As of June 30, 2021, the outstanding amount under the loan was P1.99 million.

Shareholders' Agreement

On April 15, 2021, we entered into a shareholders' agreement with our principal shareholders, including Management Company East-West LLC (Fiduciary Manager of Combined Closed-End Investment Fund SPB Fund), VTB Capital Finance LLC, Public Joint-Stock Company "Sovcombank," Management Company Financial World LLC (Fiduciary Manager of Combined Closed-End Investment Fund Equator+), Mr. Roman Goryunov, NP RTS, Amereus Group PTE. LTD. and TCS LLC. As of November 9, 2021, holders of approximately 84.77% of our Shares were parties to the shareholders' agreement, which sets out rights and obligations of the parties, corporate governance arrangements and restrictions on disposal of Shares.

The shareholders' agreement contains requirements on the composition of our board of directors, including appointment rights of our shareholders. In addition to the representatives of our largest shareholders on the board of directors, our board of directors must also include at least five independent directors, who meet the independence criteria approved by our board of directors. The list of such independent directors is agreed prior to the general shareholders' meeting where the election of our board of directors is an agenda item. Each shareholder who is a party to the shareholders' agreement undertakes to cast a certain number of votes in equal proportions to ensure the election of the independent director nominees to our board of directors.

In addition, representatives of our largest trading participants may be nominated to our board of directors if, after calculation of director nominees of our largest shareholders and the independent director nominees, there are still vacancies on the board of directors. If our largest trading participants are able to nominate directors, each shareholder who is a party to the shareholders' agreement undertakes to cast a certain number of votes in equal proportions to ensure the election of the director nominees that are representatives of our largest trading participants to our board of directors, along with other director nominees.

The shareholders' agreement also contains our undertakings relating to provision of information to the holders of certain amount of our Shares and provisions related to the transfer of our Shares.

In addition, under the shareholders' agreement, if NP RTS holds at least 10% of the total number of votes granted by all our issued Shares and votes against certain matters on the agenda of our general shareholders' meeting, then, at NP RTS' request, each shareholder that is a party to the shareholders' agreement must also vote against or abstain from voting on such matters. The matters that trigger the right of NP RTS to request other parties to the shareholders' agreement to vote at its instruction include a reorganization resulting in direct or indirect merger or consolidation of us with MOEX or the MOEX group, an increase of our share capital by way of placement of additional Shares in favor of MOEX or the MOEX group entity and a distribution of our profits (including dividends) or losses not in accordance with a duly approved policy (save for the cases where such policy has not been approved or is not in compliance with the Russian laws). See *"Risk Factors—Risks Relating to Our Organizational Structure—NP RTS may exercise significant influence over the outcome of some of our operations and certain decisions of our managers and shareholders"* for more detail on NP RTS' voting power under the shareholders' agreement.

The shareholders' agreement terminates upon expiry of two years after the consummation of this Offering, subject to certain conditions.

SUBSEQUENT PUBLIC OFFERING

After the completion of this Offering, we intend, subject to market and other conditions, to file a registration statement on Form F-1 under the Securities Act with the SEC to register newly issued and/or existing Shares in the form of ADSs in the United States as part of the subsequent offering of Shares and ADSs to the public (the “**Subsequent Public Offering**”). We also intend to apply to list the ADSs on The Nasdaq Global Select Market. There can be no assurance that we will file a registration statement or commence the Subsequent Public Offering.

The Subsequent Public Offering of the ADSs in the United States, if and when made, will be made according to a registration statement filed with the SEC. This Offering Memorandum does not constitute an offer to sell or a solicitation of an offer to buy any Shares or ADSs that may be offered in the Subsequent Public Offering in the United States or elsewhere. The offering price of Shares and ADSs that may be offered in the Subsequent Public Offering will be negotiated between us and the underwriters of the Subsequent Public Offering, will be subject to market conditions and may differ materially from the Offering Price.

Negotiating the Subsequent Public Offering may be time-consuming, difficult and expensive. Our ability to complete the Subsequent Public Offering will be subject to the approval by our shareholders at a general meeting, and there can be no guarantee that we will obtain such approval. We cannot therefore assure you that the Subsequent Public Offering will be eventually pursued or completed or, if completed, on what terms it will be completed.

The sale of newly issued Shares (including in the form of ADSs) in the Subsequent Public Offering would dilute the value of Shares held by our then-existing shareholders, including investors acquiring the Offering Shares in the Offering. See “*Risk Factors—Risks Relating to Our Business and Industry—We may need to raise additional funds to finance our future capital needs, which may dilute the value of the outstanding Shares or prevent us from growing our business.*”

DESCRIPTION OF SHARE CAPITAL AND CHARTER

The following is a summary of certain provisions of our charter and Russian law insofar as they relate to the material terms of our Shares. These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, the provisions of our charter and Russian law.

Purpose and Share Capital

Our object is to earn profit by carrying out business activities. Particular types of our permitted business activities are set forth in full in Clause 3.2 of our charter.

Prior to this Offering, our issued and fully paid share capital amounted to ₴427,823,100 and consisted of 114,086,160 issued and fully paid shares with a nominal value of ₴3.75 each.

Following this Offering, assuming 564,780 new Shares are subscribed and paid for by the eligible shareholders exercising their pre-emptive rights and not including 3,260,870 new Shares that are expected to be subscribed by the Repurchasing Subsidiary following the Offering, our issued and fully paid share capital will amount to ₴487,006,245 and will consist of 129,868,332 issued and fully paid Shares with a nominal value of ₴3.75 each.

No preferred shares are authorized or outstanding.

Limitations to Own Our Ordinary Shares

Certain individuals and companies are prohibited from owning, directly or indirectly, 5% or more of our Shares, for example:

- companies incorporated in certain offshore jurisdictions (those include, among others, the British Virgin Islands, Gibraltar, Liechtenstein, Macao, Monaco, Isle of Man, Guernsey and Jersey);
- financial organizations with revoked licenses; and
- disqualified or convicted individuals or former senior management members with a record of unlawful activities that led to a company's bankruptcy.

See “*Regulation—Regulation of Stock Exchanges—Shareholders and Corporate Governance*” for more detail. See also “*Regulation—Merger Control Regulation—Financial and credit organizations*” and “*Regulation—Merger Control Regulation—Foreign investments*” for more detail related to the acquisition of our Shares and shares of our subsidiaries.

Other than the limitations set out above, there are no limitations on the rights to own our Shares, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on our Shares under Russian law or our charter.

Rights Attaching to Ordinary Shares

As required by the Russian Law on Joint-Stock Companies dated December 26, 1995 (as amended, the “**Joint-Stock Companies Law**”) and under our charter, all of our Shares have the same nominal value and grant identical rights to their holders. Each fully paid ordinary share, except for treasury shares, gives its holder the right to:

- freely transfer the ordinary share without the consent of other shareholders;
- receive dividends if the general shareholders' meeting approves payment of such dividends upon a recommendation of the board of directors;
- participate in the general shareholders' meetings and vote on all matters within the scope of authority of a general shareholders' meeting, including through a representative acting by way of a power of attorney;
- participate in the election and removal of members of the board of directors;

- if holding, alone or with other holders, 1% or more of the ordinary share:
 - access the list of persons entitled to participate in the general shareholders' meeting;
 - sue in court, on the company's behalf, members of the board of directors, the general director, members of the management board for damages incurred by the company as a result of their wrongful actions or failure to act;
 - challenge in court major transactions or interested party transactions entered into by the company in breach of the requirements established by the Joint-Stock Companies Law;
 - request that prior consent to, or the approval of, interested party transactions is put on the agenda for voting at either a general shareholders' meeting or a meeting of the board of directors (as determined in accordance with applicable statutory thresholds), and demand evidence from the company that the interested party transaction was in the interests of the company;
- if holding, alone or with other holders, 2% or more of the ordinary shares, within 70 calendar days after the end of the company's reporting year, make proposals for inclusion into the agenda of the forthcoming annual general shareholders' meeting and nominate candidates to the board of directors;
- if holding, alone or with other holders, 10% or more of the ordinary shares, demand that the board of directors convene an extraordinary general shareholders' meeting;
- bring a civil claim against the members of the board of directors, the management board or the general director in the event of violations of statutory rules applicable to voluntary tender offers, mandatory tender offers and squeeze-outs under the Joint-Stock Companies Law;
- subject to certain limitations, demand repurchase by the company of all or some of the shares in the company owned by the shareholder, where such shareholder voted against, or did not participate in the voting on, the decision approving, or consenting to, any of the following actions in respect of the company (provided that the company may not spend more than 10% of the value of the company's net assets to repurchase such shares):
 - a reorganization;
 - the entry into a major transaction involving assets valued at more than 50% of the balance sheet value of the company's assets under RAS;
 - amendments to the charter, or the adoption of a new version of the charter, that limits such shareholder's rights;
 - the delisting of the company's shares, the decision to convert the company into a non-public company, and application for release of an obligation to disclose information required by the securities laws;
- acquire the company's shares in case of issuance of additional shares, by exercising pre-emptive rights on a pro rata basis in relation to the shareholder's existing holding of ordinary shares, as provided for by the Joint-Stock Companies Law;
- upon the company's liquidation, receive a proportionate amount of the company's property after the company's obligations of higher priority are paid off in full;
- have access to certain documents of the company, receive copies for a reasonable fee and, if holding, alone or with other shareholders:
 - 1% or more of the ordinary shares—have free access to information (including appraisers' reports) about major transactions and interested party transactions of the company and minutes of the board of directors' meetings;

- 25% or more of the ordinary shares—have free access to accounting documents of the company; and
- exercise other shareholder rights, provided by the charter, Russian legislation or duly approved decisions of general shareholders' meetings.

Any decision determining the maximum number, nominal value, category (*i.e.*, type) of authorized shares and the rights attached to such shares must be approved by a three quarters majority of the shareholders holding ordinary shares participating in the general shareholders' meeting.

Dividends

The Joint-Stock Companies Law and our charter set forth the procedure for the distribution of dividends by the company to its shareholders. According to our charter, we may declare dividends based on our first quarter, six-month, nine-month or annual results, provided that the declaration of such dividends is recommended by the board of directors and approved, with respect to annual dividends, by the annual general shareholders' meeting, and, with respect to first quarter, six-month or nine-month dividends, by an extraordinary general shareholders' meeting within three months of the end of the relevant reporting period. Dividends are recommended to the general shareholders' meeting by a 3/4 majority vote of the board of directors and approved by a majority vote at the general shareholders' meeting. The amount of dividend approved by the general shareholders' meeting may not be higher than the amount recommended by the board of directors. Dividends, if declared, are payable within a period not exceeding 10 Russian business days to the nominee holders and trustee holders and within 25 Russian business days to persons whose shares are recorded directly in the company's share register, in each case from the date when the list of shareholders eligible to receive dividends is drawn up (the "**dividend record date**"). The dividend record date must be set forth in the decision of the general shareholders' meeting approving the dividend and may not be less than 10 days and more than 20 days following the date of such general shareholders' meeting. Dividends are not paid on treasury shares, as defined under Russian law.

The Joint-Stock Companies Law allows dividends to be paid only out of net profits calculated under RAS, which may not necessarily correspond to the net profits calculated under IFRS.

A decision to pay dividends can be taken as long as the following conditions are met:

- the share capital of the company has been paid in full;
- the company has repurchased all shares tendered for repurchase by shareholders having the right to demand repurchase;
- the company is not insolvent on the date of the adoption of the decision to pay dividends, and would not become insolvent as a result of the proposed dividend payment;
- the value of the company's net assets calculated under RAS on the date of the adoption of the decision to pay dividends is not less (and would not become less as a result of the proposed dividend payment) than the sum of the company's share capital, the company's reserve fund and the excess of the liquidation value over the nominal value of the issued and outstanding preferred shares of the company; and
- other requirements of Russian law have been fulfilled.

In addition, declared dividends may not be paid in the following circumstances:

- the company is insolvent on the date of payment or would become insolvent as a result of the proposed dividend payment;
- the value of the company's net assets calculated under RAS is less (or would become less as a result of the proposed dividend payment) than the sum of the company's share capital, the company's reserve fund and the excess of the liquidation value over the nominal value of the issued and outstanding preferred shares of the company as of the date of payment; and

- as otherwise provided by Russian law.

If, as a result of the occurrence or existence of the above circumstances, a company is prohibited from paying a dividend that it has previously declared, it must pay such dividend when these circumstances no longer apply.

Distributions to Shareholders upon Liquidation

Under Russian law, the liquidation of a company results in its termination without the transfer of rights and obligations to other persons as legal successors. The Joint-Stock Companies Law and our charter provide that the company can be liquidated by a decision taken by a three-quarters majority vote at a general shareholders' meeting or by a court order.

Following a decision to liquidate the company, the right to manage the company's affairs, save for the right to approve liquidation balances, which remains with the shareholders, would pass to a liquidation commission which, in the case of voluntary liquidation, is appointed by the shareholders' meeting and, in an involuntary liquidation, is appointed by the court. Creditors may file claims within a period to be determined by the liquidation commission, which may not be less than two months from the date of publication of notice of liquidation by the liquidation commission.

The Russian Civil Code gives creditors the following order of priority during liquidation:

- first priority—individuals owed compensation for injuries or deaths;
- second priority—employees and individuals party to copyright contracts;
- third priority—federal and local governmental authorities claiming taxes and similar payments to the budgets and non-budgetary funds; and
- fourth priority—other creditors in accordance with Russian law.

Claims of creditors seeking damages in the form of lost profits or penalties are satisfied following the satisfaction of the claims set out above.

Claims of creditors in obligations secured by a pledge over the company's property must be satisfied from the sale proceeds of the pledged property prior to claims of any other creditors, save for the creditors of the first and second orders of priority, provided that claims of those creditors of the first and second orders of priority arose before the respective pledges have been entered into. Any residual claims of secured creditors that remain unsatisfied after the sale of the pledged property rank *pari passu* with the claims of the fourth priority creditors.

The remaining assets of a company are distributed among shareholders in the following order of priority:

- payments to repurchase shares from shareholders which demand the repurchase of their shares in accordance with the Joint-Stock Companies Law;
- payments of declared but unpaid dividends on preferred shares and the liquidation value of the preferred shares, if any; and
- distribution of the remaining assets of a company between the holders of ordinary and preferred shares on a *pro rata* basis.

The Russian Law "On Insolvency (Bankruptcy)" dated October 26, 2002, (as amended, the "**Bankruptcy Law**"), provides for a different order of priority of creditors' claims in the event of insolvency and subsequent liquidation. Certain current obligations must be settled out of the bankrupt estate outside the order of priority indicated above. In the event that the cessation of the activities of the debtor's organization or of a structural subdivision thereof could result in man-made or ecological disasters or in people's deaths, expenses associated with measures to prevent those consequences from arising must also be settled outside the order of priority prior to any claims of the creditors under current obligations.

Under the Bankruptcy Law, the creditors' claims under current obligations must be satisfied during liquidation in the order of priority set out below:

- court expenses of the debtor, expenses associated with the payment of remuneration to the arbitration manager (*i.e.*, court-appointed receiver) and remuneration to third parties engaged by the arbitration manager whose engagement is statutorily prescribed by the Bankruptcy Law;
- severance payments and salary payments to persons who work or worked (after the bankruptcy petition was submitted) under employment agreements;
- expenses associated with the payment of remuneration to third parties engaged by the arbitration manager in connection with fulfilment of his or her duties;
- current utility and operational payments;
- other expenses associated with the current obligations.

Further, the Bankruptcy Law provides for the following order of priority during liquidation (other than claims under current obligations):

- claims of individuals owed compensation for injuries or deaths and other claims envisaged by the Bankruptcy Law;
- severance payments and salary payments to persons who work or worked under employment agreements, and remuneration under copyright agreements;
- settlements with other creditors.

Claims of creditors in obligations secured by a pledge over the company's property are satisfied from the sale proceeds of the pledged property prior to claims of any other creditors, save that only 70% (80% if the pledge secures a loan agreement) of the value of the company's property could be delivered to the creditors whose claims have been secured by the pledge and 20% (15% if the pledge secures a loan agreement) of such value must be distributed to the creditors of the first and second orders of priority, with the remaining 10% (5% if the pledge secures a loan agreement) of the value of the pledge to be used for payment of court expenses, expenses associated with the payment of remuneration to the arbitration manager and remuneration to third parties engaged by the arbitration manager. Expenses incurred in connection with ensuring safe custody of pledged property and the sale of such pledged property at an auction must be paid prior to the claims of creditors who have been granted a pledge over such property and demands of the creditors of the first and second order of priority.

Pre-emptive Rights

The Joint-Stock Companies Law provides existing shareholders with a pre-emptive right to purchase shares or convertible securities placed by way of an open subscription in an amount proportionate to their existing shareholding. In addition, the Joint-Stock Companies Law provides shareholders with a pre-emptive right to purchase shares or convertible securities placed by the company by way of a closed subscription in an amount proportionate to their existing shareholding if the shareholders voted against or did not participate in the voting on the decision approving such subscription. This pre-emptive right does not apply to a closed subscription made available only to existing shareholders, provided that under the terms of such closed subscription each such shareholder has a right to acquire a whole number of shares or convertible securities being placed in the amount proportionate to their existing holdings of such securities.

The company must provide shareholders with written notice of their pre-emptive rights at least 45 days prior to the offering, during which time shareholders may exercise their pre-emptive rights; however:

- if the price of the issued shares or securities convertible into shares being placed by open subscription is determined after the expiration of the pre-emptive right period, the company must provide shareholders with written notice of the proposed placement (or notice specifying the price for the exercise of such pre-emptive rights) at least 20 days

prior to the beginning of the placement period, during which time shareholders may exercise their pre-emptive rights; and

- if information contained in the written notice of the proposed placement is disclosed under Russian securities law, the period during which shareholders may exercise their pre-emptive rights must be at least eight business days following the date of the information disclosure.

Share Capital Increase

We may increase our share capital by issuing new shares or by increasing the nominal value of our previously issued shares.

A decision to increase the share capital by increasing the nominal value of issued shares requires a majority vote of a general shareholders' meeting. A decision to increase the share capital by issuing ordinary or preferred shares by closed subscription; issuing, by open subscription, additional ordinary shares exceeding 25% of the previously issued and outstanding ordinary shares; and issuing, by open subscription, additional preferred shares convertible into more than 25% of the previously issued and outstanding ordinary shares, requires a three-quarters majority vote of all the shareholders present at a general shareholders' meeting. A decision to increase the share capital by issuing, by open subscription, additional ordinary shares up to 25% of the previously issued and outstanding ordinary shares requires a majority vote of all the shareholders present at a general shareholders' meeting. Any decision to increase the company's share capital is taken by the shareholders upon recommendation of the board of directors.

The Joint-Stock Companies Law requires that the placement price of the newly issued shares be determined by the board of directors based on their market value but be not less than their nominal value, except in limited circumstances, including where existing shareholders exercise their pre-emptive right to purchase newly issued shares, in which case the placement price may be not less than 90% of the price paid by third parties, or where the fees of up to 10% are paid to intermediaries, in which case the fees paid may be deducted from the placement price. The board of directors may, but is not required to, involve an independent appraiser to determine the placement price of the shares. There is a specific requirement for determining the placement price of securities, for which prices are regularly published, that the board of directors is required to take into account such prices.

The board of directors is required to value any in-kind contributions for new shares, based on the appraisal report of an independent appraiser.

Russian securities regulations set out detailed procedures for the issuance and registration of shares of a joint-stock company. These procedures include:

- adoption of a decision on the increase of the share capital by placement of additional shares;
- adoption of a decision on the share issuance and, if required, a prospectus;
- registration of the share issuance and in certain cases of a prospectus by the CBR;
- placement of the shares;
- registration of the report or filing of the notification on the results of the share issuance with the CBR; and
- public disclosure of the information at the relevant stages of the share issuance.

Share Capital Decrease and Share Repurchases

We have the right, and under certain circumstances may be statutorily required to, decrease our share capital. The Joint-Stock Companies Law does not allow a company to reduce its share capital below the minimum share capital required by law, which is ₱100,000 for a public joint-stock company. Our charter requires that any decision to reduce its share capital, whether through a repurchase and cancellation of shares or a reduction in the nominal value of the shares, should be approved by the general shareholders' meeting. A decision on the decrease of the share capital through the reduction of the nominal value of

the shares requires a three-quarters majority at the general shareholders' meeting and may be taken only upon the recommendation of the board of directors.

In addition, under the Joint-Stock Companies Law, within three business days of a decision to reduce the company's share capital, the company is required to notify the competent authority on adoption of such decision and publish notifications on the decrease of the share capital in specially designated mass media. The company's creditors whose demands have arisen prior to the publication of the notice on the decrease of the share capital are entitled to demand early performance of the company's obligations within 30 days from the date when the last notification on the decrease of the share capital was published and, in the case early performance is not possible, to demand the termination of the relevant agreement and damages resulting from such termination.

The Joint-Stock Companies Law allows a joint-stock company to decrease its share capital through reduction of the nominal value of the shares only if the following conditions are met:

- the company's share capital has been paid in full;
- the company has repurchased all shares from shareholders who have exercised their right to demand the repurchase of their shares;
- the company is not insolvent on the date of the adoption of the decision to decrease the share capital and would not become insolvent as a result of the proposed decrease of share capital;
- the value of the company's net assets on the date of the adoption of the decision to decrease the share capital is not less (and would not become less as a result of the proposed decrease of share capital) than the sum of its share capital, the reserve fund and the difference between the liquidation value and par value of the company's issued and outstanding preferred shares;
- the company has paid all declared and unpaid dividends; and
- other requirements of the Russian law have been fulfilled.

Where the repurchase of the company's shares is carried out not in the course of the share capital decrease, the Joint-Stock Companies Law allows the company's shareholders or its board of directors to authorize the repurchase of up to 10% of its shares for cash or, if provided for by the company's charter, in consideration for other assets. Under our charter, a voluntary repurchase of the Shares is within the scope of authority of the general shareholders' meeting. The repurchased shares must be resold at the market price within one year of their repurchase, failing which the company is obliged to cancel them and decrease the company's share capital.

Under the Joint-Stock Companies Law, the company's shareholders may demand the repurchase by the company of all or some of their shares, where such shareholders voted against, or did not participate in the voting on, the decision approving, or consenting to, any of the following actions:

- a reorganization of the company;
- the entry into a major transaction involving assets valued at more than 50% of the balance sheet value of the company's assets under RAS;
- amendments to the charter, or adoption of a new version of the charter, that limits such shareholders' rights; or
- the delisting of the company's shares, the decision to convert the company into a non-public company, and application for the release of an obligation to disclose information required by the securities laws.

The company may spend up to 10% of the company's net assets, calculated according to RAS as of the date of the general shareholders' meeting which approved the relevant decision described above, for the share redemption demanded by the shareholders. If the value of shares in respect of which shareholders have exercised their right to demand repurchase exceeds

10% of the company's net assets, the company is required to repurchase shares from each such shareholder on a pro rata basis. Under the Joint-Stock Companies Law, shareholders demanding repurchase of their shares are not entitled to dispose of, or encumber, their shares from the moment of receipt by the company of the respective shareholder's demand until the earlier of registration of the transfer of the shares to the company or the revocation by that shareholder of its demand.

The decision on applying for the delisting of shares or securities convertible into shares requires a three-quarters majority vote of the general shareholders' meeting or, if the company delists all securities and becomes private, 95% of votes of all shareholders. Under the Joint-Stock Companies Law, the decision of the general shareholders' meeting on applying for the delisting of shares or securities convertible into shares enters into force if the aggregate number of shares in respect of which the shareholders have exercised their right to demand repurchase does not exceed the number of shares that can be repurchased by the company given that the company may spend only up to 10% of its net assets calculated under RAS. Otherwise, the decision of the general shareholders' meeting does not enter into force and the application for delisting is not approved.

Registration and Transfer of Shares

Russian law requires that a joint-stock company maintain a register of its shareholders. The register of shareholders of a joint-stock company must be maintained by a specialized licensed registrar. Ownership of the company's registered ordinary shares is evidenced by entries made in such register or on the books of a Russian licensed depository (nominee holder).

Our shareholders' register is maintained by Joint-Stock Company "Independent Registrar Company R.O.S.T.," whose registered office is located at 18 Stromynka Street, Building 5B, Office IX, Moscow, 107076.

The purchase, sale or other transfer of shares is accomplished through the registration of the transfer in the shareholders' register or with a licensed Russian depository, depending on how the shares are held. The registrar or depository may not request any documents in addition to those required by Russian law in order to transfer the shares in the register or with a depo account, as applicable. Refusal to register the shares in the name of the transferee or, upon request of the beneficial holder, in the name of a nominee holder, may be challenged in court.

Reserve Fund

Russian law requires each joint-stock company to establish a reserve fund to be used only to cover the company's losses, redeem the company's bonds and repurchase the company's shares in cases where other funds are not available. The Joint-Stock Companies Law and our charter provide for a minimum reserve fund of 5% of the share capital of the company, funded through mandatory annual transfers of at least 5% of net profits of the company until the reserve fund has reached the above target 5% requirement. We may also establish special purpose funds. Decisions on the use of such funds must be approved by the board of directors.

General Shareholders' Meetings

Scope of Authority and Procedure

The scope of authority of the general shareholders' meeting is set forth in the Joint-Stock Companies Law and in our charter. A shareholders' meeting may not decide on issues that are not included in its scope of authority by the Joint-Stock Companies Law. According to our charter, among the issues which the shareholders have the exclusive right to decide upon are:

- charter amendments, including the adoption of the new version of the charter;
- reorganization or liquidation of the company, appointment of the liquidation commission and approval of interim and final liquidation balance sheets;
- election and removal of the members of the board of directors and of the payment of compensation or remuneration to the members of the board of directors;

- determination of the number, nominal value and type of authorized shares and rights granted by such shares;
- increase of the share capital of the company by increasing the nominal value of the shares or issuance of additional shares;
- decrease of the company's share capital by reducing the nominal value of shares through the repurchase of shares in order to reduce their total number, as well as through the cancellation of shares purchased or bought back by the company;
- split and consolidation of the company's shares;
- approval of an external auditor;
- payment (declaration) of dividends based on the results of the first quarter, six months and nine months of the reporting year;
- approval of annual reports and annual financial statements, as well as distribution of profits, including payment (declaration) of dividends, and losses of the company based on the results of the reporting year;
- determination of the procedure for holding a general shareholders' meeting;
- granting consent to, or the approval of, interested party and major transactions as determined under the Joint-Stock Companies Law;
- participation in financial and industrial groups, associations and other alliances of commercial organizations;
- repurchase by the company of its issued shares as determined under the Joint-Stock Companies Law;
- approval of internal documents regulating governing bodies of the company;
- adoption of a decision on the filing of application on the delisting of the company's shares and/or other securities convertible to shares;
- other matters provided for by the Joint-Stock Companies Law.

Under the Joint-Stock Companies Law, certain shareholders' resolutions may provide that they remain valid for a specific period of time, including resolutions with respect to a company's reorganization, an increase or decrease of the share capital or a split or consolidation of the shares (the "**Validity Period**"). In the event that such shareholders' resolutions are not acted upon within the Validity Period or the effective Validity Period for such resolutions has expired, such resolutions become null and void, and, subject to the provisions of the Joint-Stock Companies Law, are no longer enforceable.

Voting at a general shareholders' meeting is generally on the principle of one vote per ordinary share, with the exception of the election of the board of directors, which is elected through the cumulative voting. See "*—Board of Directors*" for more detail. Decisions are generally passed by a majority vote of the shareholders present at a general shareholders' meeting. However, Russian law and our charter require a three-quarters majority vote of the holders of shares present at a general shareholders' meeting to approve, among others, the following:

- charter amendments, including the adoption of the new version of the charter;
- reorganization or liquidation of the company, appointment of the liquidation commission and approval of interim and final liquidation balance sheets;
- certain major transactions, including major transactions involving assets in excess of 50% of the balance sheet value of the company's assets under RAS;

- determination of the number, nominal value and type of authorized shares and the rights granted by such shares;
- issuance by open subscription of ordinary shares constituting more than 25% of the number of issued and outstanding ordinary shares;
- issuance by closed subscription of ordinary shares;
- decrease of the company's share capital by reducing the nominal value of shares through the repurchase of shares in order to reduce their total number, as well as through the cancellation of shares purchased or bought back by the company;
- repurchase by the company of its issued shares; and
- adoption of a decision on the filing of application on delisting of the company's shares or other securities convertible into shares, unless the company becomes private as a result of delisting of all securities, in which case a majority of 95% of votes of all shareholders is required.

The quorum for the general shareholders' meeting constitutes participation of shareholders (or their representatives) accounting for more than 50% of the issued voting shares. If the 50% quorum requirement is not met, another general shareholders' meeting with the same agenda may (or, in the case of an annual meeting, must) be scheduled and the quorum requirement must be satisfied if shareholders (or their representatives) accounting for at least 30% of the issued voting shares are present at that meeting.

The annual general shareholders' meeting must be convened by the board of directors between March 1 and June 30 of each year, and the agenda must include the following issues:

- election of the members of the board of directors;
- approval of the annual report and annual financial statements;
- approval of the distribution of profits, including approval of annual dividends, and losses of the company; and
- approval of an external auditor.

The general shareholders' meeting also approves the compensation for the members of the board of directors.

A shareholder or group of shareholders owning in the aggregate at least 2% of the issued voting shares may submit proposals for the agenda of the annual general shareholders' meeting and may nominate candidates to the board of directors. Any agenda proposals or nominations must be provided to the company by not later than 70 calendar days after the end of the reporting year.

Extraordinary general shareholders' meetings may be called by the board of directors on its own initiative, or at the request of the external auditor or a shareholder or group of shareholders owning in the aggregate at least 10% of the issued voting shares as at the date of the request.

A general shareholders' meeting may be held in a form of a meeting or by absentee voting. The form of a meeting contemplates the adoption of resolutions by the general shareholders' meeting through the attendance of the shareholders or their authorized representatives for the purpose of discussing and voting on issues on the agenda, provided that if a ballot is mailed to shareholders for participation at a meeting convened in such form, the shareholders may complete and mail the ballot back to the company without personally attending the meeting. A general shareholders' meeting by absentee voting contemplates the determination of shareholders' opinions on issues on the agenda by means of a written poll.

The following issues cannot be decided by a general shareholders' meeting by absentee voting:

- election of the members of the board of directors;
- approval of the annual report and financial statements;
- election of the company's audit commission; and
- approval of the company's external auditor.

In March 2020, as a part of COVID-19 support measures, the law suspended the effect of restriction on absentee voting described above for 2020 and allowed to decide on these issues by absentee voting of a general shareholders' meeting, if so allowed by the board of directors. In February 2021, the suspension was extended for 2021. In 2020 and 2021, we held our annual shareholders' meetings by absentee voting.

In June 2021, the Russian State Duma passed a law allowing online voting at the general shareholders' meeting. Online voting is allowed if the participants are authenticated and are allowed to discuss and vote on the agenda. Technical solutions for online voting may be determined by law, company's charter or unanimous vote of the shareholders' meeting.

Notice and Participation

Under our charter, a notice of each general shareholders' meeting, whether the meeting is to be held in person or by absentee voting, must be published on our official website at least 30 days prior to the date of the meeting. However, in relation to an extraordinary general shareholders' meeting to elect the board of directors or a general shareholders' meeting to approve any reorganization in the form of a merger, spin-off or demerger and to elect the board of directors of the company established as a result of any reorganization in the form of merger, spin-off or demerger, such notice must be published at least 50 days prior to the date of the meeting. Only those items that were set out in the agenda may be voted upon at a general shareholders' meeting.

The list of persons entitled to participate in a general shareholders' meeting is compiled from the company's shareholders register and the information received from the nominee holders on the date set forth by the board of directors, which may not be earlier than 10 days from the date of the adoption of the board of directors resolution to hold a general shareholders' meeting or more than 25 days before the date of the meeting (or, in the case of a shareholders' meeting to elect the board of directors, not more than 55 days before the date of the meeting).

The right to participate in a general shareholders' meetings may be exercised by shareholders as follows:

- by personal attendance and voting;
- by attendance of a duly authorized representative (by proxy); or
- by absentee ballot.

Board of Directors

The Joint-Stock Companies Law requires at least a five-member board of directors for all joint-stock companies with 50 or more holders of voting shares, at least a seven-member board of directors for a joint-stock company with more than 1,000 holders of voting shares, and at least a nine-member board of directors for a joint-stock company with more than 10,000 holders of voting shares. Only individuals (as opposed to legal entities) are entitled to sit on the board of directors. Members of the board of directors are not required to be shareholders of the company. The actual number of directors is determined by the company's charter or by a decision of the shareholders' meeting. Our charter provides that number of the board of directors' members is fifteen.

Our charter and the Joint-Stock Companies Law provide that the company's entire board of directors must be elected at each annual general shareholders' meeting and that the board of directors is elected through cumulative voting. Under cumulative

voting, each shareholder may cast an aggregate number of votes equal to the number of ordinary shares held by such shareholder multiplied by the number of persons to be elected to the board of directors, and the shareholder may give all such votes to one candidate or spread them between two or more candidates. Before the expiration of their term, the directors may be removed as a group at any time without cause by a majority vote at a general shareholders' meeting. If the company's shareholders sought to dismiss one of the company's directors, shareholders would be required to dismiss the entire board of directors and then re-appoint at a general shareholders' meeting those directors whom they wish to retain.

The board of directors is responsible for general management matters, with the exception of those matters that are designated by law and our charter as being the exclusive responsibility of the general shareholders' meeting.

The board of directors has the power to direct the general management of the Company and to decide, among other things, on the following issues:

- determination of the company's business priorities, approval of the Company's development strategy, approval of budgets and performance reports;
- convening annual and extraordinary general shareholders' meetings and approval of the agenda thereof;
- setting up the date for compiling a list of persons entitled to participate in the general shareholders' meeting and resolving other issues with respect to preparation and holding the general shareholders' meeting;
- recommendations for the general shareholders' meeting regarding the amount of dividends and procedure for their payment;
- approval and amendments to the dividend policy;
- determination of the value of property and placement or repurchase price of securities in cases provided for by the Joint-Stock Companies Law;
- repurchase of outstanding bonds and other securities placed by the Company in cases provided for by the Joint-Stock Companies Law;
- appointment of the chief executive officer, determination of the term of his powers, early termination of those powers, termination of the agreement with the chief executive officer and determination of the amount of remuneration and compensation paid to the chief executive officer;
- determination of the number of members of the management board, approval of the members of the management board and early termination of their powers, as well as determination of the amount of remuneration or compensation paid to the members of the management board;
- approval of interested party and major transactions as determined under the Joint-Stock Companies Law;
- approval of the Company's registrar, terms and termination of the contract therewith;
- approval of exchange services fees;
- approval of the members of the exchange council;
- approval of certain transactions set out in our charter, including transactions outside the ordinary course of business, transactions with our shareholders and their affiliates in excess of ₱10 million (other than standard products), transactions in excess of ₱5 million (other than within limits or budgets approved by the board of directors);
- filing of an application seeking listing of the Company's shares or securities convertible into Company's shares;

- approval and amendment of certain documents within the competence of the board of directors under the Organized Trading Law, including organized trading rules and regulations on internal audit and internal control;
- other matters provided for by the Joint-Stock Companies Law and our charter.

A meeting of the board of directors is quorate if half of the directors is present. Our charter generally requires a majority vote of the directors present for an action to pass, with the chairperson having a casting vote, with the exception of actions for which our charter and Russian law requires a 3/4 vote or a unanimous vote of the directors present.

Relevant Provisions of Russian Law

Liability of Shareholders

The Russian Civil Code and the Joint-Stock Companies Law generally provide that shareholders in a Russian joint-stock company are not liable for the obligations of a joint-stock company and bear only the risk of loss of their investments. This may not be the case, however, when one person or entity is capable of determining decisions made by another entity. The person or entity capable of determining such decisions is deemed an “effective parent.” The entity whose decisions are capable of being so determined is deemed an “effective subsidiary.” If the effective subsidiary is a joint-stock company, the effective parent bears joint and several liability for transactions concluded by the effective subsidiary in carrying out the decisions of the effective parent if:

- the ability of the effective parent to give binding instructions is provided for in the charter of the effective subsidiary or in a contract between the effective parent and the effective subsidiary; and
- the effective parent gives binding instructions to the effective subsidiary.

If the effective subsidiary is a Russian limited liability company, the effective parent bears joint and several liability if the effective parent caused the effective subsidiary to conclude a transaction regardless of the source of the effective parent’s ability to determine the decisions of the effective subsidiary.

Accordingly, a shareholder of an effective parent is not personally liable for the debts of such effective parent’s effective subsidiary unless that shareholder is itself an effective parent of the effective parent. Under the general provisions of the Russian Civil Code, any person who has the ability to de facto direct activities of a legal entity or give instructions to senior management and members of the governing bodies of a legal entity is obliged to act in the interests of such legal entity in good faith and may be held liable for the losses sustained by a legal entity as a result of breach of such duty. Accordingly, a shareholder will not be personally liable for the company’s debts or those of the company’s effective subsidiaries unless a relevant shareholder controls the company’s business.

In addition, an effective parent may be held secondarily liable for an effective subsidiary’s debts if the effective subsidiary becomes insolvent or bankrupt as a result of a willful action or inaction of the effective parent. This is the case regardless of how the effective parent’s capability to determine decisions of the effective subsidiary arises, such as through ownership of voting securities or by contract. If the effective subsidiary is a limited liability company, then the effective parent will be held secondarily liable if the effective subsidiary’s insolvency is caused by the willful misconduct or negligence of such effective parent, subject to the insufficiency of the effective subsidiary’s assets to cover its obligations.

Shareholders of an effective subsidiary that is a joint-stock company may also claim compensation for the effective subsidiary’s losses from the effective parent if: (i) the effective parent caused the effective subsidiary to take any action or fail to take any action that resulted in a loss and (ii) the effective parent knew that such action or failure to take such action would result in the effective subsidiary’s loss. Participants of an effective subsidiary that is a limited liability company may claim compensation for the effective subsidiary’s losses from the effective parent if the effective parent through its willful misconduct or negligence caused the effective subsidiary to take any action, or fail to take any action, that resulted in a loss.

Interested Party Transactions

Under the Joint-Stock Companies Law certain transactions defined as “interested party transactions” may require approval by disinterested directors or shareholders of the company. “Interested party transactions” include transactions involving a member of the board of directors, the management board (including the general director), any controlling person or any person who is able to direct the actions of the company, if that person, or that person’s spouse, parents, children, adoptive parents or children, brothers or sisters or controlled person (controlled entity), is:

- a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary;
- the controlling person of a legal entity that is a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary; or
- a member of any management body of a company or a member of any management body of the managing organization of the company that is a party to, or a beneficiary of, a transaction with the company, whether directly or as a representative or intermediary.

For the purposes of regulating interested party transactions, a controlling person is a person who has the right to:

- directly or indirectly (through controlled entities) control more than 50% of the votes in the supreme governing body of the controlled entity; or
- appoint or elect the sole executive body or more than 50% of the collective executive body of the controlled entity.

A “controlled person” or a “controlled company” is the legal entity which is directly or indirectly controlled by the controlling person.

Members of the company’s governing bodies, the company’s controlling persons, and persons who have the right to give binding instructions to the company must provide the company with the information about the nature of their interest in a transaction under the regime of the Joint-Stock Companies Law within two months from the day they became or should have become aware of the circumstances by virtue of which they may be deemed to be interested parties. Furthermore, if such information changes, the company must be notified of such changes within 14 days from the day on which such relevant party became or should have become aware of the changes. If the person who may be deemed to be an interested party to the transaction is in breach of their duty to inform the company (as described above) as of the date on which such transaction is entered into, it will be presumed that such person is liable for causing any loss suffered by the company as a result of such transaction.

A company must notify the following persons of an interested party transaction:

- members of the board of directors and the collective executive body (management board); and
- company shareholders, where:
 - the company has no board of directors,
 - all members of the board of directors are interested parties in the transaction, or
 - the company’s charter contains an obligation to notify the shareholders and members of the board of directors of any potential interested party transactions.

Such notice must be delivered at least 15 days prior to the date of the transaction, unless, for the purposes of the board and executive bodies notification, the charter of the company provides for a shorter notice period.

A public joint-stock company must prepare a report on interested party transactions concluded by the company during the reporting year. Such reports must be made available to persons entitled to take part in the general shareholders' meeting as part of the preparation for the general shareholders' meeting of a public joint-stock company. The report must be signed by the sole executive body of the company and approved by the board of directors of the company, while the accuracy of the information contained in the report must be confirmed by the company's internal audit commission or its auditor.

An interested party transaction must be approved in advance by the board of directors or by the general shareholders' meeting only if such approval is requested by:

- the sole executive body (the general director) of the company, a member of the board of directors or collective executive body (management board); or
- a shareholder (or shareholders) holding at least 1% of the voting shares of the company.

A transaction that has not been approved can be subsequently challenged by the company, any board member or a shareholder (or shareholders) holding at least 1% of the voting shares in the company, provided that the transaction in question was prejudicial to the interests of the company and the other party to the transaction knew or should have known that (i) the transaction was an interested party transaction and/or (ii) such transaction had not been approved. Shareholders and board members may also demand formal evidence from the company that the interested party transaction was in the interests of the company. Such information must be provided within 20 days of request from a member of the board of directors of the company or a shareholder (or shareholders) holding at least 1% of the company's voting shares.

An interested party transaction requires prior consent by a majority vote of directors who are not interested parties to the transaction and who meet a number of additional criteria set forth in the Joint-Stock Companies Law, unless it is subject to shareholders' consent.

Consent is to be provided at a general shareholders' meeting by a majority of disinterested shareholders present at the meeting if:

- the value of the transaction or a number of interrelated transactions is 10% or more of the balance sheet value of the company's assets under RAS;
- the transaction or a number of interrelated transactions involves the secondary market sale of ordinary shares in the amount exceeding 2% of the company's issued ordinary shares and ordinary shares, in which issued convertible securities may be converted;
- the transaction or a number of interrelated transactions involves the secondary market sale of preferred shares in the amount exceeding 2% of the company's issued shares and shares into which issued convertible securities may be converted;
- the number of directors who are not interested in the transaction is not sufficient to constitute a quorum; or
- all the members of the board of directors of the company are interested in the transaction, or none of them is an independent director.

The interested party transaction regime does not apply in the following circumstances, among others, unless other grounds for interested party transaction approval are present:

- transactions in the ordinary course of business provided that the company has entered into numerous similar transactions on comparable terms over an extended period of time and that such prior transactions were not interested party transactions;
- transactions in respect of assets, the price or balance sheet value of which does not exceed 0.1% of the balance sheet value of the company's assets under RAS, provided that the value of such transactions does not exceed the limits established by the CBR (currently set forth in CBR Instruction No. 4335-U dated March 31, 2017 at the amount of

₽20 million for the companies with the balance sheet value of the assets up to ₽25 billion as at the latest reporting date);

- the company has only one shareholder that simultaneously performs the functions of the company's sole executive body;
- all shareholders of the company are deemed interested in the transaction provided that there are no other interested persons;
- transactions are conducted in connection with the offering of the company's shares and other securities, convertible to shares;
- transactions are conducted in connection with a public offering of bonds or repurchase of issued bonds;
- the company is repurchasing its issued shares;
- transactions are conducted in connection with reorganization of the company;
- the company is required by law to enter into the transaction, and settlements under such transactions are made pursuant to prices set by the Russian Government on or pursuant to tariffs and prices established by appropriate state authorities authorized by the Russian Government;
- transactions are concluded on the terms of preliminary agreement, provided such preliminary agreement was duly approved; or
- transactions are concluded on the open organized market or under an open tender, provided that terms of company's participations in such trades were prior approved by the board of directors.

Major Transactions

The Joint-Stock Companies Law defines a "major transaction" as a transaction, or a series of interrelated transactions, entered into outside of the ordinary course of business of the company, which involves the acquisition or disposal, or a possibility of disposal, of property, transfer of property for temporary use or transfer of certain rights in relation to intellectual property, in each case having a value of 25% or more of the balance sheet value of the assets of a company as determined under RAS, subject to certain carve-outs set out in the Joint-Stock Companies Law, including:

- transactions performed by the company which has only one shareholder who simultaneously acts in the capacity of the company's sole executive body;
- transactions in connection with the placement (public offering) or organization of placement of shares through a subscription (sale of shares), or with the placement of securities convertible into shares;
- transactions in connection with the transfer of property during reorganization of the company;
- transactions which are mandatory for a company under Russian law requirements, and settlements
- under which transactions are made pursuant to prices set by the Russian Government or pursuant to
- tariffs and prices established by appropriate state authorities authorized by the Russian Government;
- transactions aimed at acquisition of securities under mandatory tender offer terms; and
- transactions concluded on the terms of a preliminary agreement, provided such preliminary agreement was duly approved.

For the purposes of the Joint-Stock Companies Law, a transaction is considered to be within the ordinary course of business of company (or any another organization which conducts business of a similar type) regardless of whether or not the company has entered into similar transactions previously if such transaction does not result in the cessation of the company's business, a change in the type of business undertaken by the company, or a material change in the scale of the company's business.

Major transactions involving assets ranging from 25% to 50% of the balance sheet value of the company's assets under RAS require unanimous approval by all members of the board of directors or, failing which, a simple majority vote at a general shareholders' meeting. Major transactions involving assets in excess of 50% of the balance sheet value of the company's assets under RAS require a three-quarters majority vote at a general shareholders' meeting. Where a major transaction requires the consent (or subsequent approval) of the general shareholders' meeting (for example, where the value of the transaction exceeds 50% of the balance sheet value of the company's assets under RAS), the documentation to be presented before the general shareholders' meeting must include an opinion of the board of directors on such major transaction. Such board of directors' opinion must include, among other things, information on the likely impact of such major transaction on the company's business and a determination as to whether or not the transaction is in the interests of the company.

The Joint-Stock Companies Law expressly authorizes the subsequent approval of major transactions and allows for ratification of any transactions for which prior consent may not have been obtained in advance.

Any major transaction entered into in breach of the requirements established by the Joint-Stock Companies Law may be invalidated by a court pursuant to a claim made by the company, a member of its board of directors or any shareholder(s) holding at least 1% of the shares carrying voting rights in the company.

Shareholders' Agreements

Shareholders' agreements in respect of Russian joint-stock companies are regulated by the Russian Civil Code and the Joint-Stock Companies Law, which stipulates that shareholders may enter into an agreement under which they undertake to exercise their shareholder rights in a certain manner or to refrain from exercising their shareholder rights, including:

- to vote in a certain manner at a general shareholders' meeting;
- to coordinate voting with other shareholders;
- to acquire or dispose of shares at a pre-determined price or upon occurrence of certain events;
- to refrain from disposing of shares until the occurrence of certain events; and
- to perform jointly other actions relating to the company's management, activities, reorganization and liquidation.

The Joint-Stock Companies Law mandates shareholders of the joint-stock company to report the fact of entry into a shareholders' agreement by such shareholders within 15 days from the date of execution of the shareholders' agreement and requires any person granted voting rights under the shareholders' agreement to report such rights to the company if such person has the right to dispose of, directly or indirectly, voting shares of the company carrying more than 5%, 10%, 15%, 20%, 25%, 30%, 50% or 75% of the total number of votes attached to the issued ordinary shares of the company. Such notice must be sent to the company within five days since the moment such shareholder has been granted with such voting rights over a certain number of votes. Russian public joint-stock company is then obliged to disclose the information on the shareholders' agreements and the number of votes granted to the relevant shareholder thereunder. There is no requirement to disclose the text of the shareholders' agreement to the company or to publish it.

Under Russian law, failure by one of the parties to comply with the terms of the shareholders' agreement must not affect the decisions of the general shareholders' meeting, unless all shareholders are party to such shareholders' agreement, in which case an aggrieved shareholder is entitled to file a claim seeking invalidation of the relevant decision of the general shareholders' meeting adopted in breach of the terms of the shareholders' agreement.

Disclosure of Information

In accordance with Russian securities regulations the company as a public company is required to make certain public disclosures and filings on a periodical basis, including the following:

- publish semi-annually reports containing information about the company, its shareholders, the members of the board of directors and the management board, its auditors, important developments during the reporting period, and other information about the company's financial and business activity;
- publish consolidated financial statements;
- file with the CBR and publish in newswire and on the company's website, any information concerning material facts and changes in the company's financial and business activity, including, among other things:
 - any reorganization;
 - certain changes in the composition of the company's assets;
 - certain facts related to share issuances;
 - decisions of the general shareholders' meetings and certain decisions of the board of directors;
 - acquisition or disposal by a person, directly or indirectly and independently or together with other persons specified in the Securities Market Law, of the shares carrying a specified number of voting rights, if such number of voting rights equals 5% or more or becomes more or less than 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% of the total number of voting rights attached to the shares; and
 - information on any of the following documents received by the company: a voluntary tender offer (including any competing tender offer); a mandatory tender offer (including any competing tender offer); a notice of the right of shareholders to sell their shares to the person that has acquired more than 95% of the ordinary shares; or a demand that minority shareholders sell their shares to the person that has acquired more than 95% of the ordinary shares;
- disclose information at various stages of shares issuance through publication of certain data as required by the securities regulations;
- disclose the company's annual report and annual financial statements prepared in accordance with RAS;
- disclose on the company's website on a quarterly basis a list of the company's affiliated persons; and
- disclose other information as required by applicable Russian securities legislation.

Regulation of the Russian Government No. 400 dated April 4, 2019 sets out the exceptions from disclosure requirements of Russian issuers in certain events, which includes the imposition of foreign sanctions on the issuer and the risk of imposition of foreign sanctions on the issuer as a result of such disclosure. The information that may be omitted in the disclosure includes, among others, the information on management board members, the information on affiliates and the information on shareholders (including persons controlling shareholders) of the issuer. In addition, Regulation of the Russian Government No. 913 dated July 17, 2019 sets out the similar carve-outs from the disclosure requirements of trade organizers if the trade organizer is subject to foreign sanctions or the disclosure of certain trade organizer's information may lead to imposition of such sanctions. See *“Risk Factors—Risks Relating to Russia—The adoption, maintenance and expansion of international embargo, economic, trade or other sanctions against Russia may have a material adverse effect on our business, financial condition and results of operations.”*

Approval of the FAS

See “*Regulation—Merger Control Regulation—General.*”

Notification of Acquisition of Significant Interest

Under Russian securities legislation, each holder of ordinary shares of a joint-stock company that has issued securities and registered a prospectus in respect of such securities in the Russian Federation must notify the company and the CBR of an acquisition of the right, directly or indirectly, to vote on 5% or more of the ordinary shares by virtue of an agreement or otherwise, and of any subsequent change in the number of such ordinary shares above or below any of 5%, 10%, 15%, 20%, 25%, 30%, 50%, 75% or 95% thresholds. Each notification should contain the name of the acquirer, the name of the company and the number of the votes that can be cast. Such notifications must be generally given within 10 days after the holder learned or should have learned that it had acquired the right to vote on the respective amount of the shares of the company.

As a general rule, such notifications must be effected not later than 10 days from the date when the disclosing person acquired/disposed of the securities, or learned or should have learned of the relevant fact, including acquisition or sale of securities.

In addition, companies or persons having 5% or more votes in the share capital of a stock exchange are required to notify the CBR on changes of their shareholding and on compliance with the limitations on persons having right to hold 5% or more of voting shares of the stock exchange. See “*Regulation—Regulation of Stock Exchanges—Shareholders and Corporate Governance*” for more detail. Such notification must be filed within 10 days after such company or person has become aware of the relevant fact.

Change of Control

A person intending to acquire more than 30% of the voting shares (taking into account those it already holds together with its affiliates) has the right to make a public offer to other shareholders of the public joint-stock company (a voluntary offer). Within 35 days after acquisition by any means, subject to certain exceptions, of more than 30%, 50% or 75% of such shares, the acquirer must make a public offer to purchase the remaining shares from the shareholders (a mandatory offer).

The acquirer’s payment obligations arising from both voluntary and mandatory offers must be secured in each case by an irrevocable bank guarantee valid for at least six months after the expiration date of the relevant acceptance period.

At any time after the company receives a voluntary or a mandatory offer and until 25 days prior to the expiration of the relevant acceptance period, any person has the right to make a competing offer (that satisfies the requirements for voluntary or mandatory offers, as the case may be) to purchase that number of shares at a price that is not less than the price offered in the relevant voluntary or mandatory offer. Any shareholder may revoke its previous acceptance of that offer and accept the competing offer. A copy of the competing offer must be sent to the person who made the respective voluntary or mandatory offer so that such person has the opportunity to amend its offer by increasing the purchase price or shortening the settlement period.

In addition, from the date upon which a voluntary or mandatory offer has been made until 20 days after the expiration of the period for acceptance of such voluntary or mandatory offer, decisions on share capital increases through an additional share issuance, approval of interested party and certain other transactions and issues may only be made by a shareholders’ resolution.

If, as a result of either a voluntary or the mandatory offer, the acquirer purchases more than 95% of the voting shares, it will have an obligation to:

- notify all the other shareholders (within 35 days after acquisition of shares above such threshold) of their right to sell their shares and other securities convertible into shares; and
- purchase their shares or convertible securities upon request of each such minority shareholder.

The notice must be accompanied by a bank guarantee.

In addition, as an alternative to giving such notice, the acquirer has the right to deliver a mandatory buy-out demand, requiring the minority shareholders to sell their shares to it if it purchases more than 95% of the shares carrying voting rights as a result of the relevant offer, where at least 10% of the shares were acquired in the course of such offer. No bank guarantee is required in such case as the shares are transferred to the acquirer subject to the purchase price having been paid to the shareholders or deposited with a notary.

Prior notice of the offers, the buy-out notice or request must be filed with the CBR. The CBR may require revisions to be made to the terms of the offer (including the price) in order to bring them into compliance with the applicable rules.

MATERIAL RUSSIAN TAX CONSIDERATIONS

The following summary contains a description of the material Russian tax consequences of the acquisition, ownership and disposition of the Offering Shares, but it does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase Offering Shares. The summary is based upon the tax laws of Russia and regulations thereunder as of the date of this Offering Memorandum, all of which are subject to change.

General

The following is an overview of certain Russian tax considerations relevant to the purchase, ownership and disposal of the Offering Shares. This overview is based on the Russian laws in effect on the date of this Offering Memorandum, which are subject to potential change, possibly with a retrospective effect. This overview does not seek to address the applicability of, or procedures in relation to, taxes levied by regions, municipalities or other non-federal level authorities of Russia, nor does it seek to address the availability of double tax treaty relief in respect of income payable on the Offering Shares, or practical difficulties connected with claiming such double tax treaty relief.

Prospective investors should consult their own tax advisers regarding the tax consequences of investing in the Offering Shares that may arise in their own particular circumstances. No representation with respect to the Russian tax consequences of investing in, owning or disposing of the Offering Shares pertinent to any particular Holder is made hereby.

Many aspects of Russian tax laws are subject to significant uncertainty and a lack of interpretive guidance, resulting in the inconsistent interpretation and application of such laws. Further, provisions of the Russian Tax Code applicable to financial instruments and the interpretation and application of those provisions by the Russian tax authorities may be subject to more rapid and unpredictable changes (possibly with retrospective effect) and inconsistent interpretation than in jurisdictions with better developed capital markets or taxation systems. In particular, the interpretation and application of such provisions will in practice rest substantially with local tax inspectorates and relevant interpretations may continually change. In practice, interpretation by different tax inspectorates may be inconsistent or contradictory, and may result in the imposition of conditions, requirements or restrictions that are not explicitly stated in the Russian Tax Code. Similarly, in the absence of binding precedents, court rulings on tax or other related matters taken by different Russian courts relating to the same or similar facts and circumstances may also be inconsistent or contradictory.

For the purposes of this overview, the term “**Russian Resident Holder**” means:

- (a) a Holder which is a legal entity or an organization and is:
 - (i) a Russian legal entity or organization (including international companies registered in accordance with Federal Law No. 290-FZ “On International Companies” dated August 3, 2018, as amended);
 - (ii) a foreign legal entity or organization treated as a Russian tax resident based on Russian domestic law (if Russia is treated as the place of management of such legal entity or organization as determined in the Russian Tax Code unless otherwise envisaged by an applicable double tax treaty);
 - (iii) a foreign legal entity or organization treated as a Russian tax resident based on the provisions of an applicable double tax treaty (for the purposes of application of such double tax treaty); or
 - (iv) a foreign legal entity or organization which holds and/or disposes of the Offering Shares through its permanent establishment in Russia (a “**Russian Resident Holder—Legal Entity**”), or
- (b) a Holder who is an individual and is actually present in Russia for a total of 183 calendar days or more in any period comprised of 12 consecutive months (a “**Russian Resident Holder—Individual**”).

Presence in Russia is not considered interrupted if an individual departs for short periods (less than six months) from the Russia for medical treatment or educational purposes, as well as for employment or other duties related to the performance of services on offshore hydrocarbon fields. The interpretation of this definition by the Russian Ministry of Finance states that, for tax withholding purposes, an individual’s tax residence status should be determined on the date of the payment (based on

the number of days in Russia in the 12-month period preceding the date of the payment). An individual's final tax liability in Russia for any reporting calendar year should be determined based on the number of days spent in Russia in such calendar year.

For the purposes of this overview, the term "Non-Resident Holder" means any Holder (including any individual (a "**Non-Resident Holder—Individual**") and any legal entity or an organization (a "**Non-Resident Holder—Legal Entity**")) that does not qualify as a Russian Resident Holder.

Holders of the Offering Shares should seek professional advice on their tax status in Russia.

Taxation of the Acquisition of the Offering Shares

The acquisition of the Offering Shares by a Russian Resident Holder—Legal Entity or a Non-Resident Holder—Legal Entity should not constitute a taxable event under Russian tax law. Consequently, the acquisition of the Offering Shares should not trigger any Russian tax implications for a Russian Resident Holder—Legal Entity or a Non-Resident Holder—Legal Entity.

In certain circumstances, acquisition of the Offering Shares by a Russian Resident Holder—Individual may constitute a taxable event for Russian personal income tax purposes. In particular, if the acquisition price of the Offering Shares is below fair market value (calculated under a specific procedure for the determination of the market price of securities for Russian personal income tax purposes), this may constitute a taxable event pursuant to the provisions of the Russian Tax Code relating to material benefit (imputed income) received by individuals as a result of acquiring securities. Such difference may be subject to the Russian personal income tax for a Russian Resident Holder—Individual at progressive scale of rates (13% and 15% depending on the total annual income of the individual).

The taxation of income of a Non-Resident Holder—Individual will depend on whether the income is characterized as received from a Russian or non-Russian source. Although the Russian Tax Code does not contain any provisions as to how the source of a material benefit should be determined, in practice the Russian tax authorities may treat such income as Russian source income if the Offering Shares are purchased "in the Russian Federation." In the absence of any additional guidance as to what should be considered as a purchase of securities in Russia, the Russian tax authorities could apply various criteria, including looking at the place of the acquisition transaction, the location of the seller, territory of service rendering (if the discount from the fair market value is a form of remuneration), or other similar criteria. In such a case, if the acquisition price of the Offering Shares is below fair market value, a Non-Resident Holder—Individual could be subject to Russian personal income tax at a rate of 30% on an amount equal to the difference between the fair market value (calculated under the Russian Tax Code) and the purchase price of the Offering Shares.

Subject to any available relief under an applicable double tax treaty, Russian personal income tax from such income may be withheld at source of payment or, if the tax is not withheld, a Non-Resident Holder—Individual may be required to declare his or her income in Russia by filing a tax return and paying the tax on a self-assessment basis or based on a tax assessment received from the Russian tax authorities, depending on the circumstances.

In certain circumstances, a Russian Resident Holder—Legal Entity acquiring the Offering Shares must fulfil the responsibilities of a tax agent (*i.e.*, a legal entity resident in Russia for tax purposes which pays taxable Russian source income to a non-resident legal person, organization or non-resident individual and is responsible for withholding Russian tax) with respect to withholding tax from the sales proceeds for the Offering Shares to be transferred to a Non-Resident Holder disposing of the Offering Shares. Holders of the Offering Shares should consult their own tax advisers with respect to the tax consequences of acquiring the Offering Shares.

Taxation of Dividends

Russian tax on dividends is withheld and remitted to the Russian budget by a Russian company that, in accordance with the provisions of the Russian Tax Code, is regarded as a tax agent. The applicable withholding tax rate will depend on the status of the dividend recipient unless the Shares are held through the Russian depository, in which case the withholding tax rate applicable will also depend on the disclosure of information to such Russian custodian in respect of the persons executing rights attached to the relevant Shares and on the jurisdiction where such persons are resident for tax purposes.

The following sections summarize the taxation of dividends paid by the Company in respect of the Offering Shares held other than through foreign accounts.

Russian Resident Holders

Payments of dividends by the Company to a Russian Resident Holder that is either an individual or a legal entity, other than a legal entity or organization not organized under Russian law that holds the Offering Shares through a permanent establishment in Russia, discussed below, should generally be subject to tax in Russia, and such tax should not exceed 13% of the gross dividend amount payable to each Russian Resident Holder (for Russian Resident Holders—Individuals the tax should generally not exceed 15% of the gross dividend amount). The Holders should bear in mind that tax is calculated in Russian rubles, therefore exchange rate fluctuation may affect the effective tax rate. Russian income tax paid on dividends received by the Company may be credited by a Russian Resident Holder—Individual against personal income tax on dividends payable by the Company.

Payments of dividends by the Company to a Holder that is a legal entity or organization not organized under Russian law that holds the Offering Shares through a permanent establishment in Russia should generally be subject to Russian withholding tax at a rate of 15%. A Holder that is a legal entity or organization not organized under Russian law that holds the Offering Shares through a permanent establishment in Russia is entitled to pay this tax to the Russian budget on its own behalf (*i.e.*, without the withholding of tax by the Russian entity distributing the dividends to such holder) if such Holder provides the Russian entity distributing the dividends as the Russian tax agent with special documentary evidence confirming the fact that this dividend income is attributable to a permanent establishment of the Holder in Russia.

This evidence includes (i) a confirmation of the Holder's registration with the Russian tax authorities and (ii) notification from the Holder that such dividend income is attributable to the permanent establishment of the Holder in Russia. The Russian Tax Code does not provide any formal guidance as to the required format of the notification. In particular, the document confirming the fact that this dividend income is attributable to the permanent establishment of the Holder in Russia should be issued by the Russian tax authorities at the holder's place of tax registration.

Russian Resident Holders should consult their own tax advisers with respect to the tax consequences of the receipt of dividend income in respect of the Offering Shares.

Non-Resident Holders

In general, payment of a dividend by a Russian entity to a Non-Resident Holder is subject to Russian withholding tax at a rate of 15%. Such Russian withholding tax may generally be subject to reduction pursuant to the terms of an applicable double tax treaty between the Russian Federation and the country of tax residence of the Non-Resident Holder to the extent such Non-Resident Holder is entitled to benefit from this double tax treaty and the corresponding tax reliefs provided by such treaty. However, no assurance can be given that any available DTT relief (or a refund of any taxes withheld) will be available for a Non-Resident Holder.

Payment of a dividend on the Offering Shares made by the Company to a Non-Resident Holder may be subject to withholding tax at a reduced rate if such reduction is provided for by an applicable double tax treaty, provided that the Russian tax documentation requirements are satisfied. It should be noted that in March 2020, the President of Russia proposed to cancel tax benefits with certain DTT partner countries and increase the tax rates on income withholding on dividends and interest to 15%, noting that Russia is ready to withdraw from DTTs with countries that do not agree with such measures. Russia has signed amendments to the DTTs with Malta, Cyprus (effective as of January 1, 2021) and Luxembourg (to become effective as of January 1, 2022). In accordance with these amendments, no withholding tax rate on interest (for Cyprus and Luxembourg) or 5% withholding tax on interest (for Malta) and on dividends will apply to certain categories of recipients of income, such as insurance companies and pension funds, government authorities and with respect to interest on external bonds (Eurobonds). The Russian Ministry of Finance has announced that DTTs with Hong Kong, Singapore and Switzerland could be revised as well. In September 2021, it was announced that the Russian Ministry of Finance initiated a revision of DTT with Switzerland. It is possible that some other DTTs will also be renegotiated by the Russian Ministry of Finance.

For Non-Resident Holders—Legal Entities, such documentation would include an annual confirmation of the Holder’s tax residency to be presented to the Russian tax resident acting as a tax agent prior to payment of such income and other documents confirming the eligibility of the Non-Resident Holders—Legal Entities for the benefits of the double tax treaty (the Russian tax authorities may, in practice, require a wide variety of documentation). In addition to a tax residency certificate, the Russian Tax Code obliges Non-Resident Holders—Legal Entities to provide the tax agent with a confirmation that it is the beneficial owner of the relevant income or proceeds in advance of payment of such income or proceeds. As of the date of this Offering Memorandum, there has been no guidance on the form of such confirmation in the Russian Tax Code. Due to, inter alia, these requirements there can be no assurance that treaty relief at source will be available in practice for a Non-Resident Holder—Legal Entity.

A Non-Resident Holder—Individual should confirm to the tax agent that he or she is a tax resident of a relevant foreign jurisdiction having a double tax treaty with the Russian Federation by providing the tax agent with (i) a passport of the foreign resident, or (ii) another document envisaged by an applicable federal law or recognized as a personal identity document of the foreign resident in accordance with an international treaty, and (iii) if such passport/document does not confirm the individual’s tax resident status in such foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status as a tax resident of the respective country. A notarized Russian translation of such official confirmation is required. If a non-resident individual holder does not obtain double tax treaty relief at the time the dividend is paid and income tax is withheld by a tax agent, such non-resident individual holder may apply for a refund generally within three years from the end of the tax period during which the tax was withheld. There can be no assurance that such double tax treaty relief or tax refund will be available to a Non-Resident Holder—Individual.

Non-Resident Holders should consult their own tax advisers with respect to the tax consequences of the receipt of dividends from the Offering Shares.

The following sections summarize the taxation of dividends paid by the Company in respect of the Offering Shares held through foreign nominal accounts.

Special requirements are provided by the Russian Tax Code with respect to the taxation of dividends in respect of securities of Russian issuers which are held in certain types of accounts with Russian custodians as described below, including the Offering Shares held in special accounts for foreign nominal holders (*i.e.*, foreign custodians, depositaries, foreign authorized holders (for example, foreign brokers)) or depositary receipt programs.

This tax regime introduces, among other things, disclosure of tax-related information on an aggregate basis by a foreign nominal holder to the Russian custodian acting as a tax agent in respect of persons executing rights in respect of the Offering Shares issued by the Company held with Russian custodians in foreign nominal holder deposit accounts, foreign authorized holder deposit accounts and foreign depositary receipt program deposit accounts. When the Russian custodian transfers dividends in respect of the Offering Shares, Russian withholding tax is calculated and withheld by such Russian custodian acting as a tax agent based on the disclosure of the aggregated information about the persons executing rights in respect of the relevant Offering Shares.

The Russian custodian acting as a tax agent can, *prima facie*, withhold the tax from the dividends payable under the Offering Shares held in the above types of accounts at a rate of 15%. If the required information is properly disclosed in accordance with the Russian Tax Code, the Russian custodian can withhold Russian withholding tax at the tax rate stipulated in the Russian Tax Code or as determined by a relevant double tax treaty, but only if the application of such reduced tax rate provided by such double tax treaty does not require compliance with any additional requirements.

If the tax is withheld at a rate higher than that established by a relevant double tax treaty, a Non-Resident Holder—Legal Entity that meets certain additional requirements set by the relevant double tax treaty can claim a reduced withholding income tax rate for dividends established by such treaty by claiming a refund from the Russian budget (provided such Non-Resident Holder is viewed as the “beneficial owner” of such dividends under the Russian Tax Code and subject to the eligibility for treaty benefits of such Non-Resident Holder).

In order to claim advance double tax treaty relief, a Non-Resident Holder—Individual should confirm to a tax agent that he or she is a tax resident of a relevant foreign jurisdiction having a double tax treaty with the Russian Federation by providing the tax agent with (i) a passport of the foreign resident, or (ii) another document envisaged by an applicable federal law or recognized as a personal identity document of the foreign resident in accordance with an international treaty, and (iii) if such

passport/document does not confirm the individual's tax resident status in such foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status as a tax resident of the respective country. A notarized Russian translation of such official confirmation is required. See “—*Tax Treaty Procedures and Refund of Tax Withheld.*”

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

Both Russian Resident Holders and Non-Resident Holders should therefore consult their own tax advisers with respect to the tax consequences of their receipt of dividends in respect of the Offering Shares registered in the above accounts.

Taxation of Capital Gains

The following sections summarize the taxation of capital gains in respect of a disposal of the Offering Shares.

Russian Resident Holders

A Russian Resident Holder—Legal Entity should, *prima facie*, be subject to Russian profits tax at a rate of up to 20% on the capital gains realized on a disposal of the Offering Shares. The applicable Russian profits tax rate could be reduced to zero provided that (i) at the date of sale (or other disposal) of the Shares, the Shares continuously belonged to the Russian Resident Holder—Legal Entity on the basis of legal ownership or other proprietary right for more than five years, and (ii) not more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in Russia.

Generally, Russian Resident Holders—Legal Entities are required to submit Russian profits tax returns and assess and pay tax on capital gains. The taxable capital gain from disposal of the Offering Shares is generally determined by a Russian Resident Holder—Legal Entity as the gross proceeds from the disposal of the Offering Shares less the cost of acquisition of such Offering Shares and expenses incurred by such Russian Resident Holder in relation to the acquisition, holding and sale of the Offering Shares (provided that the cost of acquisition of the Offering Shares and the other expenses can be confirmed by appropriate primary documents).

Russian Resident Holders—Legal Entities should consult their own tax advisers with respect to the tax consequences of gains derived from a disposal of the Offering Shares.

A Russian Resident Holder—Individual should generally be subject to personal income tax at the progressive scale of rates (13% from individual's total annual income up to ₱5 million and 15% from total annual income over ₱5 million) on the gross proceeds from a disposal of the Offering Shares less any available deductions (including the cost of acquisition of the Offering Shares, expenses incurred by such Russian Resident Holder in relation to the acquisition, holding and sale of the Offering Shares (provided that the cost of acquisition of the Offering Shares and the other expenses can be confirmed by appropriate primary documents) and material benefit resulted from the acquisition of the Offering Shares provided that Russian personal income tax was paid from such material benefit). The applicable personal income tax rate could be reduced to zero provided that (i) at the date of sale (or other disposal) of the Offering Shares, the Offering Shares continuously belonged to the Russian Resident Holder—Individual on the basis of legal ownership or other proprietary right for more than five years, and (ii) not more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in Russia. Tax reliefs may apply depending on the circumstances; please consult with a professional tax adviser on this matter.

If such income is paid to a Russian Resident Holder—Individual by a tax agent, the applicable Russian personal income tax should be withheld at source by such tax agent (including a licensed broker or an asset manager who carries out operations on behalf of the Russian Resident Holder—Individual under an asset management agreement, a brokerage service agreement, an agency agreement or a commission agreement or a Russian legal entity or an individual entrepreneur making payments to the Russian Resident Holder—Individual under relevant sale and purchase or share exchange agreement). If the Russian personal income tax has not been withheld (due to the fact that the buyer was not a tax agent) for Russian personal income tax purposes, a Russian Resident Holder—Individual is required to submit an annual personal income tax return, assess and personally pay the tax.

Russian Resident Holders—Individuals should consult their own tax advisers with respect to the tax consequences of gains derived from a disposal of the Offering Shares.

Non-Resident Holders

A Non-Resident Holder—Legal Entity generally should not be subject to any Russian taxes on the capital gains realized on a disposal of the Offering Shares.

The proceeds (capital gain) of a Non-Resident Holder—Legal Entity from a sale (or other disposal) of the Offering Shares could be subject to Russian withholding tax if (i) the Offering Shares are not qualified as securities traded on an organized securities market as defined in the Russian Tax Code, and (ii) more than 50% of the asset base of the Company directly or indirectly consists of immovable property located in the Russian Federation. In such case, the gross proceeds of such disposal less any available deductions (including, but not limited to, the purchase price of the Offering Shares and associated transaction costs) may be subject to withholding income tax in the Russian Federation at a rate of 20%. The above withholding tax rate is subject to any available double tax treaty relief. In order to enjoy the benefits of an applicable double tax treaty, documentary evidence is required to be presented by a Non-Resident Holder—Legal Entity to the tax agent prior to any payment being made to confirm the applicability of the double tax treaty under which benefits are claimed, including a confirmation that such Non-Resident Holder—Legal Entity is the beneficial owner of the relevant income or proceeds. A Non-Resident Holder—Legal Entity that disposes of the Offering Shares through a permanent establishment in Russia is entitled to pay this tax to the Russian budget on its own behalf (that is, without the withholding of tax). In such case, the Non-Resident Holder—Legal Entity must provide the tax agent with documentary evidence confirming the fact that the income from the disposal of the Offering Shares is attributable to a permanent establishment of the Non-Resident Holder—Legal Entity in Russia. This evidence includes a notarized copy of the form confirming the registration of the Holder with the Russian tax authorities.

Non-Resident Holders—Legal Entities should consult their own tax advisers with respect to the possibility of being subject to Russian taxes on the capital gains realized on a disposal of the Offering Shares.

A Non-Resident Holder—Individual generally should not be subject to any Russian taxes on the capital gains realized from a disposal of the Offering Shares outside the Russian Federation, provided the proceeds of such disposal of the Offering Shares are not received from a source within the Russian Federation. According to an opinion of the Ministry of Finance of the Russian Federation, such proceeds shall be treated as income received from a source within the Russian Federation if the depository or registry, which keep records about transactions resulting in the transfer of ownership of Offering Shares, is located in Russia. In the absence of any additional guidance as to what should be considered as a source within the Russian Federation, the Russian tax authorities may apply various criteria in order to determine the source of the sale (or other disposal) of the Offering Shares, including the place where the transaction was concluded, the location or tax residency of the buyer, the location of the register where the transfer of title to the Offering Shares takes place, or other similar criteria. If proceeds from the disposal of the Offering Shares are treated as received from a Russian source as discussed above, a Non-Resident Holder—Individual will generally be subject to Russian personal income tax at a rate of 30% (which could be reduced to zero if certain criteria are met as discussed above for a Russian Resident Holder—Individual) in respect of the gross proceeds from such sale, redemption or other disposal less any available deduction of expenses incurred by the Holder (which includes the purchase price of the Offering Shares) subject to any available double tax treaty relief and the discussion above in “*Taxation of the Acquisition of the Offering Shares*.” If the sale (or other disposal) of the Offering Shares is made by a Non-Resident Holder—Individual through a Russian tax agent, Russian personal income tax should be withheld at source by such tax agent (including a licensed broker or an asset manager which carries out operations on behalf of the Non-Resident Holder—Individual under an asset management agreement, a brokerage service agreement, an agency agreement or

a commission agreement). If the Offering Shares are not sold through a Russian tax agent, generally no Russian personal income tax should be withheld at source.

If a Non-Resident Holder—Individual does not obtain double tax treaty relief at the time the proceeds from the disposal of the Offering Shares are paid to such Non-Resident Holder—Individual, and income tax is withheld by the Russian payer of such income, the Non-Resident Holder—Individual generally may apply for a refund within three years from the end of the tax period during which the tax was withheld, as discussed below. However, no assurance could be given that any available double tax treaty relief (or the refund of any taxes withheld) will be available for a Non-Resident Holder—Individual.

Non-Resident Holders—Individuals should consult their own tax advisers with respect to the tax consequences of the receipt of proceeds from a disposal of the Offering Shares and the possibilities of benefiting from any double tax treaty relief to obtain the refund of any taxes withheld.

Tax Treaty Procedures and Refund of Tax Withheld

Advance Relief

Russia has concluded double tax treaties with a number of countries. These double tax treaties may contain provisions that allow for the reduction or elimination of Russian withholding taxes with respect to income or proceeds received by Non-Resident Holders from a source within Russia, which would include income or proceeds from the sale, redemption or other disposal of the Offering Shares. To the extent double tax treaty relief is available and the Russian Tax Code requirements are met (*i.e.*, the “beneficial ownership” concept and the concept of “tax residency”), a non-resident holder must comply with the information, documentation and reporting requirements which are then in force in the Russia to obtain such relief.

The concept of “beneficial ownership” was introduced into the Russian Tax Code as of January 1, 2015 as a part of the de-offshorization rules. In accordance with this concept, if a person serves as an intermediary and has an obligation to transfer part or all of the income received from the company to a third party (*i.e.*, a person that is not able to act independently with respect to the use and disposition of the received income), such person may not be treated as the beneficial owner of income. The result of the denial of beneficial ownership would be the denial of tax treaty benefits (such as the reduced tax on dividends). Although the “beneficial ownership” concept as currently defined in the Russian Tax Code is in line with the relevant internationally known rules, the application of this concept in the Russian administrative and court practice currently shows rather broad and conflicting interpretations. Given the current conflicting interpretation of the “beneficial ownership” concept, the application of this concept may lead to excessive taxation of the Company’s retained earnings on their distribution.

A Non-Resident Holder—Legal Entity which is the beneficial owner of income or proceeds for the purposes of an applicable double tax treaty and the Russian Tax Code must provide the payer of the income or proceeds with a certificate of tax residence issued by the competent tax authority of the relevant treaty country in advance of payment of such income or proceeds in order to obtain relief from Russian withholding taxes under a double tax treaty. This certificate should confirm that the respective Non-Resident Holder—Legal Entity is a tax resident of the relevant double tax treaty country in the particular calendar year during which the income or proceeds is paid. This certificate should be apostilled or legalized and needs to be renewed on an annual basis.

A notarized Russian translation of the certificate may be required. However, in practice, the payer of the income or proceeds may request additional documents confirming the eligibility of a Non-Resident Holder—Legal Entity for the benefits of the double tax treaty. In addition, in order to enjoy benefits under an applicable double tax treaty, the person claiming such benefits must be the beneficial owner of the relevant income or proceeds according to the requirements of the Russian Tax Code. In addition to a certificate of tax residency the Russian Tax Code obliges a Non-Resident Holder—Legal Entity to provide the tax agent with a confirmation that it is the beneficial owner of the relevant income or proceeds in advance of the payment of such income or proceeds. As of the date of this Offering Memorandum, there has been no guidance on the form of such confirmation and it is at the moment unclear how these measures will be applied in practice. Due to, *inter alia*, the introduction of these changes, there can be no assurance that treaty relief at source will be available in practice for non-resident holders, which are either legal entities or individuals.

Currently, in order to obtain a full or partial exemption from taxation in Russia under an applicable double tax treaty at source, a Non-Resident Holder—Individual must confirm to a tax agent that he or she is a tax resident of a relevant foreign jurisdiction having a double tax treaty with Russia by providing the tax agent with (i) a passport of the foreign resident, or (ii) another document envisaged by an applicable federal law or recognized as a personal identity document of the foreign resident in accordance with an international treaty, and (iii) if such passport/document does not confirm the individual's tax resident status in such foreign country, upon request of the tax agent, an official confirmation issued by the competent authorities evidencing his or her status as a tax resident of the respective country. A notarized Russian translation of such official confirmation is required. The above provisions are intended to provide a tax agent with the opportunity of applying reduced withholding tax rates or exemptions under an applicable double tax treaty at source.

The treaty relief procedure as described above does not apply if dividends are paid in respect of the Offering Shares which are registered in special accounts (*i.e.*, foreign nominal holder deposit account, foreign authorized holder deposit account or foreign depository receipt program deposit account) opened with a Russian custodian.

In this case, a foreign nominal holder of the above accounts should present tax-related information on an aggregate basis to a Russian custodian acting as the tax agent (the format and the deadlines are established by the Russian Tax Code). Subject to receipt of such information, the Russian custodian can apply Russian withholding tax at the tax rate in the Russian Tax Code, or as determined by a relevant double tax treaty but not applying any reduced tax rate which is subject to special conditions (percentage of shareholding, threshold of investments to the capital of a Russian legal entity or a holding period) under the relevant double tax treaty (a reduced tax rate that is subject to conditions can only be obtained through a tax refund). However, there can be no assurance that tax relief at source will be available in practice for the holders with respect to dividends paid on the Offering Shares, which are held in certain types of accounts with Russian custodians.

Non-Resident Holders and Russian Resident Holders should consult their own tax advisers with respect to the applicability of tax relief under a double tax treaty and the relevant procedures required in Russia to claim such relief.

Refund of Tax Withheld

For a Non-Resident Holder—Legal Entity for which double tax treaty relief is available, if Russian income tax was withheld at the source on a payment at a rate which is higher than the applicable rate established by a relevant double tax treaty, a claim for refund of such tax is possible within three years from the end of the tax period during which the tax was withheld.

To reclaim the tax, the following documents must be submitted to the Russian tax authorities by the Non-Resident Holder—Legal Entity:

- an application for a refund of the withheld tax (the form of such application is established by the Order of the Ministry of the Russian Federation for Taxes and Levies);
- confirmation of residence of the income recipient; and
- copies of the relevant contracts or other documents based upon which the income was paid and payment documents confirming the payment of the tax that was withheld and paid to the appropriate Russian authorities.

For a Non-Resident Holder—Individual for whom double tax treaty relief is available, if Russian income tax was withheld by the source of a payment at a rate higher than the applicable rate established by a relevant double tax treaty, a refund of such tax may be filed with the tax agent generally within three years from the end of the tax period during which the tax was withheld. In the absence of a tax agent who withheld the Russian personal income tax, such an application for a refund may be filed with the Russian tax authorities within three years from the end of the tax period during which the tax was withheld if it is accompanied by a Russian tax return, a tax residency certificate and documentation proving the tax was withheld and paid to the Russian authorities. To obtain a refund, documentation confirming the right of the recipient of the income to double tax treaty relief is required.

Certain additional documentation requirements were introduced into the Russian Tax Code in order to claim a refund of excess withholding tax. In particular, to process a claim for a refund of such excess withholding tax the Russian tax authorities additionally require a number of documents, including: a document confirming that the applicant exercised his/her

rights under the Russian securities; a document confirming the amount of income paid in respect of the Russian securities; information about the custodian (custodians) that transferred dividend to the foreign company (the holder of the relevant account with the Russian custodian); and a document confirming that the applicant satisfies any additional conditions under the Russian Tax Code or the relevant double tax treaty for application of the reduced tax rate (if applicable). Starting from January 1, 2021, refund of excess withholding tax should generally be made to the taxpayer's bank account opened with a Russian bank or to the bank account of a foreign nominee holder, a foreign authorized holder and/or the person to whom the custodian account of depositary program is opened, if income to the taxpayer was paid via such persons.

The Russian tax authorities may, in practice, require a wide variety of documentation confirming the right to benefits under a double tax treaty or the right to receive a zero tax rate under Russian domestic tax law. Such documentation, in practice, may not be explicitly required by the Russian Tax Code and in particular could include documents confirming the eligibility of the holder claiming a refund of tax to be treated as the "beneficial owner" of such dividend under the Russian Tax Code. Obtaining a refund of Russian tax withheld may be a time-consuming process and involve considerable difficulties.

The treaty relief and refund procedures with respect to a dividend paid to special accounts, as discussed above, are ambiguous, and may be subject to different interpretation by the Russian tax authorities.

Stamp Duties

No Russian stamp duty should be payable by the Holders upon any of the transactions with the Offering Shares discussed in this section of the Offering Memorandum (for example, on a purchase or sale of the Offering Shares), except for transactions involving the receipt of the Offering Shares by way of inheritance.

PLAN OF DISTRIBUTION

Description of the Distribution

The Offering consists of an offering of the Offering Shares by the Company (i) in the Russian Federation and (ii) otherwise to non-U.S. persons outside the United States in offshore transactions in reliance on Regulation S.

The Offering Shares are expected to be issued and sold by the Company to the Senior Global Coordinator as initial purchaser, on behalf of the Underwriters, pursuant to the Underwriting Agreement (as defined below), as well as Aton, BCS and Sovcombank, and the offer and acceptance of the offer for such Offering Shares, pursuant to the Share Issuance documentation for the purpose of onward sale by the Underwriters, Aton, BCS and Sovcombank to investors.

In connection with the Offering, the Company and the Underwriters entered into an underwriting agreement and an underwriting support agreement (together, the “**Underwriting Agreement**”) dated as of the Pricing Date. Under the terms of, and subject to, the conditions contained in the Underwriting Agreement, the Underwriters agreed to purchase, at the Offering Price, the number of Offering Shares in the amounts to be determined and announced on the Pricing Date.

In connection with the Offering, the Repurchasing Subsidiary and Aton, BCS and Sovcombank entered into an engagement letter on November 8, 2021 (the “**Voskhod Engagement Letter**”) on terms similar to the terms of the Underwriting Agreement. Under the terms of, and subject to, the conditions contained in the Voskhod Engagement Letter, Aton, BCS and Sovcombank were engaged as joint bookrunners by the Repurchasing Subsidiary.

The Offering Price is \$11.50 per Offering Share, equal to ₪834.9 at the CBR exchange rate in effect on November 19, 2021.

The Offering Shares have not been and will not be registered under the Securities Act or any state securities laws and may not be offered or sold within the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See “*Selling Restrictions.*”

Settlement, Dealings Prior to Settlement and Delivery

The transaction related to the Shares is expected to take place on November 19, 2021, and the Settlement of the Shares is expected to take place on or about the Settlement Date. Prior to the Settlement, it is expected that dealings in the Shares will commence on SPB Exchange on November 19, 2021, subject to completion of the Offering and issuance of the Shares. Therefore, all transactions in the Shares from November 19, 2021 and up until the Settlement Date will be done at the sole risk of the parties concerned. If the Settlement does not take place, the Offering will be withdrawn, in which case all subscriptions for the Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Shares on SPB Exchange will be annulled.

The Shares are expected to be delivered hence the dealings in the Shares on an unconditional basis are expected to commence on SPB Exchange on or about the Settlement Date. It is expected that the delivery of the Shares allocated to investors in the Offering, as agreed with the Underwriters, will take place through the facilities of the relevant SDs, by means of crediting the Shares to a depository account with the relevant SD or a depo account with an intermediary that has a depository account with the relevant SD. Dealings in advance of the crediting of the relevant account shall be at the sole risk of the person concerned.

The timetable above may be subject to change. Certain events provided therein are beyond the control of the Company or the Underwriters. The Company, in agreement with the Underwriters, reserves the right to change the above timetable for the Offering. Information about any changes to the proposed timetable of the Offering will be notified to investors and, if necessary, supplements to the Offering Memorandum will be made in accordance with applicable regulations.

Underwriting Agreement

In the Underwriting Agreement, the Company is expected to make certain representations and warranties and to agree to indemnify the Underwriters against certain liabilities, including liability under the Securities Act.

The obligation of the Underwriters pursuant to the terms of the Underwriting Agreement will be subject to the satisfaction of certain conditions precedent contained in the Underwriting Agreement, such as the receipt by the Underwriters of officers' certificates and customary legal opinions.

The Underwriting Agreement may be terminated upon written notice by the Joint Global Coordinators (on behalf of the Underwriters), upon the occurrence of certain events, including the suspension or limitation of trading on SPB Exchange or breach of the representations and warranties to be given by the Company. If the Underwriting Agreement is terminated, the Offering will not take place, in which case any allotments already made to investors will be invalidated and investors will have no claim for delivery. Claims with respect to any subscription fees already paid and costs incurred by an investor in connection with the subscription will be governed solely by the legal relationship between the investor and the financial intermediary to which the investor submitted its purchase order. Investors who engage in short-selling bear the risk of being unable to satisfy their delivery obligations.

Voskhod Engagement Letter

In the Voskhod Engagement Letter, the Repurchasing Subsidiary agreed to indemnify Aton, BCS and Sovcombank against certain liabilities, including liabilities arising from the Company's breach in respect of representations, warranties or undertakings given under the Underwriting Agreement, as well as to procure the execution by the Company of an indemnity agreement with Aton, BCS and Sovcombank. In turn, Aton, BCS and Sovcombank made certain representations and warranties to the Repurchasing Subsidiary with respect to the selling restrictions. The Voskhod Engagement Letter may be terminated upon written notice by Aton, BCS or Sovcombank upon the occurrence of certain events.

Lock-up

We and the Repurchasing Subsidiary have agreed with the Underwriters, subject to certain exceptions, not to sell or dispose of any of the Shares until 180 days after the closing date of this Offering. Our executive officers, members of our board of directors and a majority of shareholders that are parties to the shareholders' agreement (see "*Related Party Transactions—Shareholders' Agreement*"), holding an aggregate of more than 75% of our Shares, have agreed to similar lock-up restrictions for a period of 180 days.

Stabilization

In connection with the Offering, the Stabilizing Manager, on behalf of the Underwriters, will procure that the Market Maker shall, to the extent permitted by applicable laws, regulations and rules of the CBR and/or SPB Exchange, purchase, for stabilization purposes, the Shares on SPB Exchange in a total number of up to 15% of the Offering Shares within the Stabilization Period, with a view to supporting the demand for the Shares at a level higher than that which might otherwise prevail in the open market, in accordance with the Market-Making Agreement.

There will be no obligation on the part of the Stabilizing Manager or any person acting on behalf of the Stabilizing Manager to effect stabilizing transactions and there is no assurance that stabilizing transactions will be undertaken. Such stabilization, if commenced, may be discontinued at any time without prior notice. Except as required by law or regulation, neither the Stabilizing Manager nor any person acting on behalf of the Stabilizing Manager intends to disclose the extent of any stabilization transactions conducted in relation to the Offering.

The Repurchasing Subsidiary granted the Repurchase Option to the Market Maker, exercisable only once at any time during the Stabilization Period and no later than the second business day after the end of the Stabilization Period (excluding such date), to require the Repurchasing Subsidiary to purchase up to 15% of the Offering Shares that may be acquired by the Market Maker and/or its affiliate as a result of stabilization transactions at such prices at which the Market Maker may acquire them in the open market in connection with such stabilization transactions, plus associated funding costs and commissions. The Repurchasing Subsidiary will hold any Shares it acquires pursuant to the Repurchase Option subject to the lock-up arrangements. Any Shares repurchased under the Repurchase Option will retain voting rights and may be used for the Company's employee stock option program and other corporate purposes.

Other Relationships

The Underwriters, Aton, BCS and Sovcombank and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters, Aton, BCS and Sovcombank and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriters, Aton, BCS and Sovcombank and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The Underwriters, Aton, BCS and Sovcombank and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

As of the date of this Offering Memorandum, VTB Capital Finance LLC, an affiliate of VTB Capital plc, beneficially owns 10.77% of our Shares, and VTB Bank, an affiliate of VTB Capital plc, beneficially owns 1.07% of one of our key operating subsidiaries, SPB Clearing. Additionally, in the year ended December 31, 2020, VTB Bank accounted for 12% of the trading volume on our platform and 11% of the trading volume on our platform in the six months ended June 30, 2021.

Pre-emptive Rights of Existing Shareholders

In connection with the Offering, on July 21, 2021, we authorized the issue of up to 114,086,160 new Shares to be issued by us. Our existing shareholders of record as of June 26, 2021 have statutory pre-emptive rights to subscribe for such new Shares pro rata to their holdings of existing Shares as of June 26, 2021 at the same price as the Offering Price per Offering Share. We published a notice advising eligible shareholders of their pre-emptive rights on October 11, 2021. The eligible shareholders were able to exercise their pre-emptive rights over a period of eight Russian business days, which commenced on October 12, 2021 and ended on October 21, 2021 (inclusive). The eligible shareholders who exercised their pre-emptive rights will be entitled to purchase the pre-emption shares within five Russian business days after the announcement of the Offering Price. See also “*Description of Share Capital and Charter—Pre-emptive Rights*.” We received applications from 12 eligible shareholders to subscribe for 564,780 new Shares. Any new Shares subscribed but not paid in full by the eligible shareholders during this period will not be placed. Any new Shares subscribed and paid in full by the eligible shareholders pursuant to their pre-emptive rights will be placed in addition to the Offering Shares.

SELLING RESTRICTIONS

General

No action has been or will be taken in any jurisdiction that would permit a public offering of the Offering Shares, or possession or distribution of this Offering Memorandum or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Offering Shares may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any other offering material or advertisement in connection with the Offering Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Offering Memorandum comes should inform themselves about and observe any restrictions on the distribution of this Offering Memorandum and the offer and sale of the Offering Shares offered in the Offering, including those in the paragraphs below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Offering Memorandum does not constitute an offer to subscribe for or buy any of the Offering Shares offered in the Offering to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

United States

The Offering Shares have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons.

Each Underwriter, Aton, BCS and Sovcombank has agreed, severally and not jointly, that it will not offer or sell the Offering Shares (1) as part of its distribution at any time or (2) otherwise until after completion of the “distribution compliance period” within the United States to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells the Offering Shares during the “distribution compliance period” a confirmation or other notice setting forth the restrictions on offers and sales of the Offering Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Company, the Underwriters, Aton, BCS and Sovcombank reserve the right to reject any offer to purchase the Offering Shares, in whole or in part, for any reason. This Offering Memorandum does not constitute an offer to any person in the United States or to any U.S. person. Distribution of this Offering Memorandum by any non-U.S. person outside the United States to any U.S. person or any person within the United States, and those persons, if any, retained to advise such person outside the United States with respect thereto, is unauthorized and any disclosure without the prior written consent of the Company of any of its contents to any person within the United States and those persons, if any, retained to advise such non-U.S. person outside the United States, is prohibited.

European Economic Area

In relation to each Member State of the European Economic Area (each, a “**Member State**”), no Offering Shares have been offered or will be offered pursuant to the Offering to the public in that Member State prior to the publication of a prospectus in relation to the Offering Shares which has been approved by the competent authority in that Member State or, where appropriate, approved in another Member State and notified to the competent authority in that Member State, all in accordance with the Prospectus Regulation, except that the Offering Shares may be offered to the public in that Member State at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the Prospectus Regulation) subject to obtaining the prior consent of the Underwriters, Aton, BCS and Sovcombank for any such offer; or
- (c) in any other circumstances falling within Article 1(4) of the Prospectus Regulation, provided that no such offer of Offering Shares shall require us or any Underwriter, Aton, BCS and Sovcombank to publish a prospectus pursuant

to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer to the public**” in relation to the Offering Shares in any Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Offering Shares to be offered so as to enable an investor to decide to purchase any Shares, and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

Each person in a Member State who receives any communication in respect of, or who acquires any Offering Shares under, the Offering contemplated hereby will be deemed to have represented, warranted and agreed to and with each of the Underwriters, Aton, BCS and Sovcombank and their affiliates and us that it meets the criteria outlined in this section.

We, the Underwriters, Aton, BCS and Sovcombank and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Underwriters, Aton, BCS and Sovcombank, be permitted to acquire the Offering Shares in the Offering.

United Kingdom

This Offering Memorandum and any other material in relation to the Offering Shares described herein is only being distributed to, and is only directed at, and any investment or investment activity to which this Offering Memorandum relates is available only to, and will be engaged in only with persons who are (i) persons having professional experience in matters relating to investments who fall within the definition of investment professionals in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (“**FPO**”); or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the FPO; (iii) outside the United Kingdom; or (iv) persons to whom an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (“**FSMA**”)) in connection with the issue or sale of any Offering Shares may otherwise lawfully be communicated or caused to be communicated, (all such persons together being referred to as “**Relevant Persons**”). The Offering Shares are only available in the United Kingdom to, and any invitation, offer or agreement to purchase or otherwise acquire the Shares will be engaged in only with, the Relevant Persons. This Offering Memorandum and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other person in the United Kingdom. Any person in the United Kingdom that is not a Relevant Person should not act or rely on this Offering Memorandum or any of its contents.

No Offering Shares have been offered or will be offered pursuant to the Offering to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offering Shares which has been approved by the Financial Conduct Authority in accordance with the UK Prospectus Regulation, except that the Offering Shares may be offered to the public in the United Kingdom at any time:

- (a) to any legal entity which is a qualified investor as defined under Article 2 of the UK Prospectus Regulation;
- (b) to fewer than 150 natural or legal persons (other than qualified investors as defined under Article 2 of the UK Prospectus Regulation), subject to obtaining the prior consent of the Underwriters, Aton, BCS and Sovcombank for any such offer; or
- (c) in any other circumstances falling within Section 86 of the FSMA,

provided that no such offer of the Offering Shares shall require us and/or any Underwriters, Aton, BCS or Sovcombank, or any of their affiliates, to publish a prospectus pursuant to Section 85 of the FSMA or supplement a prospectus pursuant to Article 23 of the UK Prospectus Regulation. For the purposes of this provision, the expression an “**offer to the public**” in relation to the Offering Shares in the UK means the communication in any form and by any means of sufficient information on the terms of the offer and any Offering Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offering Shares and the expression “**UK Prospectus Regulation**” means Regulation (EU) 2017/1129 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018.

Each person in the UK who acquires any Offering Shares in the Offering or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with us, the Underwriters, Aton, BCS and Sovcombank and their affiliates that it meets the criteria outlined in this section.

We, the Underwriters, Aton, BCS and Sovcombank and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters, Aton, BCS and Sovcombank of such fact in writing may, with the prior consent of the Underwriters, Aton, BCS and Sovcombank, be permitted to acquire the Offering Shares in the Offering.

Canada

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

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

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

Australia

This Offering Memorandum: (i) does not constitute a prospectus or a product disclosure statement under the Australian Corporations Act 2001 of the Commonwealth of Australia (Cth), as amended, (the "**Australian Corporations Act**"); (ii) does not purport to include the information required of a prospectus under Part 6D.2 of the Australian Corporations Act or a product disclosure statement under Part 7.9 of the Australian Corporations Act; has not been, nor will it be, lodged as a disclosure document with the Australian Securities and Investments Commission (ASIC), the Australian Securities Exchange operated by ASX Limited or any other regulatory body or agency in Australia; and (iii) may not be provided in Australia other than to select investors ("**Exempt Investors**") who are able to demonstrate that they: (a) fall within one or more of the categories of investors under Section 708 of the Australian Corporations Act to whom an offer may be made without disclosure under Part 6D.2 of the Australian Corporations Act; and (b) are "wholesale clients" for the purpose of Section 761G of the Australian Corporations Act. The Offering Shares may not be directly or indirectly offered for subscription or purchase or sold, and no invitations to subscribe for, or buy, the Offering Shares may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any Offering Shares may be distributed, received or published in Australia, except where disclosure to investors is not required under Chapters 6D and 7 of the Australian Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the Offering Shares, each prospective investor in the Offering Shares represents and warrants to the Company, the Underwriters, Aton, BCS and Sovcombank and their affiliates that such prospective investor is an Exempt Investor.

Japan

The Offering Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended) (the "**FIEA**"). The securities may not be offered or sold, directly or indirectly, in Japan or to or for the benefit of any resident of Japan (including any person resident in Japan or any corporation or other entity organized under the laws of Japan) or to others for reoffering or resale, directly or indirectly, in Japan or to or for the benefit

of any resident of Japan, except pursuant to an exemption from the registration requirements of the FIEA and otherwise in compliance with any relevant laws, regulations or ministerial guidelines of Japan.

Cyprus

Each Underwriter, Aton, BCS and Sovcombank, and each further Underwriter to be appointed:

- has not offered or sold and will not offer or sell any Offering Shares in Cyprus, except in conformity with the provisions of the Public Offer and Prospectus Law, Law 114(I)/2005 and the provisions of the Cyprus Companies Law, Cap. 113 (as amended);
- has not and will not offer or sell any Offering Shares in Cyprus other than in compliance with the provisions of the Investment Services and Activities and Regulated Markets Law, Law 144(I)/2007 (the “**Cyprus Investment Services Law**”);
- has not and will not distribute copies of the Underwriting Agreement or this Offering Memorandum or any other offering material to the information distribution channels or the public in Cyprus, nor (when distributed by a duly licensed investment firm established or operating through a branch in Cyprus) to any person in Cyprus other than a “professional client” as defined in the Cyprus Investment Services Law;
- has not used the material and disclosure statements in the Underwriting Agreement or in this Offering Memorandum for solicitation purposes for or in connection with the acquisition of the Offering Shares in circumstances under which is unlawful under Cyprus laws to make such an offer or solicitation; and
- will not be providing from or within Cyprus any “investment services,” “investment activities” and “non-core services” (as such terms are defined in the Cyprus Investment Services Law) in relation to the Offering Shares or will be otherwise providing investment services, investment activities and non-core services to residents or persons domiciled in Cyprus and will not be concluding in Cyprus any transaction relating to such investment services, investment activities and non-core services in contravention of the Cyprus Investment Services Law and/or any applicable regulations adopted pursuant thereto or in relation thereto.

Switzerland

The Offering Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“**SIX**”) or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the Offering Shares or the offering may be publicly distributed or otherwise made publicly available in Switzerland. Neither this document nor any other offering or marketing material relating to the Offering, the Company or the Offering Shares have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of the Offering Shares will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of the Offering Shares has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (“**CISA**”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Offering Shares.

Hong Kong

No Offering Shares have been offered or sold or will be offered or sold in Hong Kong, by means of any document, other than: (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**Hong Kong Securities and Futures Ordinance**”) and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provision) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the Offering Shares has been issued or has been in the possession of any

person for the purposes of issue, nor will any such advertisement, invitation or document be issued or be in the possession of any person for the purpose of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the Offering Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Hong Kong Securities and Futures Ordinance and any rules made under the Hong Kong Securities and Futures Ordinance.

United Arab Emirates

This Offering Memorandum is strictly private and confidential and is being issued to a limited number of investors who are exempt from the requirements of the Securities and Commodities Authority (“SCA”) Board of Directors’ Chairman Decision No.(3/R.M.) of 2017 on the Regulation of Promotion and Introduction (“PIRs”). No Offering Shares have been or are being publicly offered, sold, promoted or advertised in the UAE in accordance with the PIRs. The Offering Shares will be sold outside the UAE and are not part of a public offering. This Offering Memorandum and the relevant documents have not been reviewed, approved or licensed by the UAE Central Bank, SCA or any other relevant licensing authorities or governmental agencies in the UAE. This Offering Memorandum is strictly private and confidential and has not been reviewed, deposited or registered with any licensing authority or governmental agency in the UAE. This Offering Memorandum must not be shown, made available or provided to any person other than the original recipient and may not be reproduced or used for any other purpose. The Offering Shares may not be offered or sold directly or indirectly to the public in the UAE. If you do not understand the contents of this Offering Memorandum you should consult an authorized financial adviser. The Offering Shares have not been and will not be offered, sold or publicly promoted or advertised in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Center

This Offering Memorandum relates to an exempt offer (“**Exempt Offer**”) in accordance with the Offered Securities Rules of the Dubai Financial Services Authority (the “**DFSA**”). This Offering Memorandum is intended for distribution only to persons of a type specified in the Offered Securities Rules of the DFSA. It must not be delivered to, or relied on by, any other person. The DFSA has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The DFSA has not approved this Offering Memorandum nor taken steps to verify the information set forth herein and has no responsibility for this Offering Memorandum. The Offering Shares to which this Offering Memorandum relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the Offering Shares should conduct their own due diligence on the Offering Shares. If you do not understand the contents of this Offering Memorandum you should consult an authorized financial advisor.

Qatar

This Offering Memorandum may not be distributed in Qatar and does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, the Offering Shares in Qatar or the Qatar Financial Centre. In particular, the Offering Shares offered under this Offering Memorandum have not been and will not be registered under the applicable laws of Qatar (including the laws and regulations of the Qatar Financial Centre and the Qatar Financial Centre Regulatory Authority) or before the Qatar Financial Markets Authority or the Qatar Stock Exchange. This Offering Memorandum and the underlying instruments have not been reviewed, approved, registered or licensed by any regulator in Qatar (including the Qatar Financial Centre Authority, the Qatar Financial Centre Regulatory Authority, the Qatar Financial Markets Authority, the Qatar Stock Exchange and the Qatar Central Bank).

Saudi Arabia

Each Underwriter, Aton, BCS and Sovcombank, severally and not jointly nor jointly and severally represents, warrants and undertakes that any offer of Offering Shares to any investor in the Kingdom of Saudi Arabia or who is a Saudi person shall comply with Article 11 or Article 12 or Article 13 or Article 15 of the “Offers of Securities Regulations” as issued by the Board of the Capital Market Authority resolution number 2-11-2004 dated October 4, 2004 and amended by the Board of the Capital Market Authority resolution number 3-151-2016 dated December 21, 2016.

South Africa

In South Africa, the Offering will only be made by way of private placement to, and be capable of acceptance by (i) persons falling within the exemptions set out in section 96(1)(a) and/or (ii) selected persons, acting as principal, acquiring the Offering Shares for a contemplated total acquisition cost of R1 million or more, as envisaged in section 96(1)(b), of the South African Companies Act, 2008 (South African Companies Act) and to whom the Offering will specifically be addressed (South African Qualifying Investors) and this Offering Memorandum is only being made available to such South African Qualifying Investors. The Offering and the Offering Memorandum do not constitute an offer for the sale of or subscription for, or the solicitation of an offer to buy and to subscribe for, Shares to the public as defined in the South African Companies Act and will not be made or distributed, as applicable, to any person in South Africa in any manner which could be construed as an offer to the public in terms of the South African Companies Act. Should any person who is not a South African Qualifying Investor receive this Offering Memorandum, they should not and will not be entitled to acquire any Offering Shares or otherwise act thereon. This Offering Memorandum does not, nor is it intended to, constitute a prospectus prepared and registered under the South African Companies Act or an advertisement in terms of section 98 of the South African Companies Act. Accordingly, the Offering Memorandum does not comply with the substance and form requirements for prospectuses or advertisements set out in the South African Companies Act and the South African Companies Regulations of 2011 and has not been approved by, and/or registered with, the South African Companies and Intellectual Property Commission, or any other South African authority.

The information contained in this Offering Memorandum constitutes factual information as contemplated in section 1(3)(a) of the FAIS Act and should not be construed as an express or implied recommendation, guidance or proposal that any particular transaction in respect of the Offer Shares is appropriate to the particular investment objectives, financial situations or needs of a prospective investor, and nothing in this Offering Memorandum should be construed as constituting the canvassing for, or marketing or advertising of, financial services.

TRANSFER RESTRICTIONS

This Offering is being made in accordance with Regulation S under the Securities Act. The Offering Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction except Russia and, accordingly, may not be offered, sold, pledged or otherwise transferred or delivered within the United States or to, or for the account or benefit of, U.S. persons, as defined in Regulations S under the Securities Act (“**U.S. Persons**”).

A purchaser of the Offering Shares will be deemed to have represented, acknowledged and agreed that:

- (1) it (or any person for whose account or benefit it is acting) is outside the United States and is not a U.S. Person, and can lawfully acquire the Offering Shares pursuant to applicable securities laws and regulations;
- (2) the Offering Shares are being offered and sold in a transaction not involving a public offering in the United States within the meaning of the Securities Act, and that the Offering Shares have not been and will not be registered under the Securities Act or any other applicable U.S. state securities laws and may not be offered, sold, pledged or otherwise transferred within the United States or to, or for the account or benefit of, U.S. Persons;
- (3) if it should resell or otherwise transfer the Offering Shares prior to the expiration of the 40-day distribution compliance period which commences upon completion of after the date of this Offering Memorandum, it will do so only outside the United States and to non-U.S. Persons, in compliance with Rule 903 or 904 under the Securities Act and in accordance with all applicable U.S. state securities laws.

As a result of the foregoing restrictions, purchasers of the Offering Shares are advised to consult legal counsel prior to making any purchase, offer, sale, resale or other transfer of such Offering Shares.

SETTLEMENT AND DELIVERY

Subject to acceleration or extension of the timetable for the Offering, payment for, and delivery of, the Offering Shares (“**Settlement**”) is expected to take place on or about the Settlement Date. If Settlement does not take place on the Settlement Date as planned or at all, the Offering may be withdrawn, in which case all subscriptions for the Offering Shares will be disregarded, any allotments made will be deemed not to have been made and any subscription payments made will be returned without interest or other compensation and transactions in the Offering Shares on SPB Exchange may be annulled. Any transactions in the Offering Shares prior to Settlement are at the sole risk of the parties concerned. The Company, the Underwriters, Aton, BCS and Sovcombank do not accept responsibility or liability towards any loss incurred by any person as a result of the withdrawal of the Offering or the (related) annulment of any transactions in the Offering Shares on SPB Exchange. Each purchaser of the Offering Shares must pay for such Offering Shares by the date agreed with the Underwriters, Aton, BCS and Sovcombank. The Offering Shares will be delivered to purchasers through the facilities of the relevant SD. Therefore, to take delivery of the Offering Shares, purchasers must have a depositary account with the relevant SD or a depo account with an intermediary that has a depositary account with the relevant SD. The purchasers shall take all actions required in accordance with the depositary rules and applicable law to take delivery of the purchased Offering Shares, including the issuance of appropriate credit instructions to their depositaries.

LEGAL MATTERS

Certain legal matters with respect to the Offering will be passed upon for the Company in respect of the laws of England and the Russian Federation by Debevoise & Plimpton LLP. Certain legal matters with respect to the Offering will be passed upon for the Underwriters in respect of the laws of England by Cleary Gottlieb Steen & Hamilton LLP and in respect of the laws of the Russian Federation by Cleary Gottlieb Steen & Hamilton LLC.

INDEPENDENT AUDITORS

Our consolidated financial statements as of December 31, 2020 and 2019, and for each of the years then ended, appearing in this Offering Memorandum have been audited by Ernst & Young LLC, as set forth in their report thereon appearing elsewhere herein. The current address of Ernst & Young LLC is 77 Sadovnicheskaya Naberezhnaya, bldg. 1, Moscow, 115035, Russia.

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Report on Review of Interim Financial Information of
Public Joint-Stock Company "SPB Exchange"
and its subsidiaries
for the six months ended 30 June 2021
November 2021

**Report on Review of Interim Financial Information of
Public Joint-Stock Company "SPB Exchange"
and its subsidiaries**

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Report on Review of Interim Financial Information

To the shareholders and the Board of Directors of
Public Joint-Stock Company "SPB Exchange"

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of Public Joint-Stock Company "SPB Exchange" (the Company) and its subsidiaries, which comprise the interim condensed consolidated statement of comprehensive income for the six-month period ended 30 June 2021, the interim condensed consolidated statement of financial position as at 30 June 2021, interim condensed consolidated statement of changes in equity and interim condensed consolidated statement of cash flows for the six-month period then ended, and selected explanatory notes (interim financial information). Management of Public Joint-Stock Company "SPB Exchange" is responsible for the preparation and presentation of this interim financial information in accordance with IAS 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.

Emphasis of matter

We draw attention to Note 1 "Corporate information" and Note 28 "Events after the reporting period" to the interim condensed consolidated financial statements, which disclose the fact that on 2 July 2021 the Company changed its legal name from PJSC "Saint-Petersburg Exchange" to Public Joint-Stock Company "SPB Exchange". Our conclusion is not modified in respect of this matter.

Other matter

The interim condensed consolidated financial statements of Public Joint-Stock Company "SPB Exchange" for the six-month period ended 30 June 2020 were reviewed by another auditor who issued a review report with an unmodified conclusion on those financial statements on 26 November 2020.



E.V. Zaichikova
Partner
Ernst & Young LLC

3 November 2021

Details of the entity

Name: Public Joint-Stock Company "SPB Exchange"
Record made in the State Register of Legal Entities on 21 January 2009, State Registration Number 1097800000440.
Address: Russia 127006, Moscow, Dolgorukovskaya ulitsa, 38, building 1, floor 2, unit 1, offices 19, 20.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021**

THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Fee and commission income	4	3,023,334	868,753
Interest income	5	205,608	119,927
Net trade and investment income	6	4,086	2,613
Net (loss)/income from dealing in foreign currencies	7	(2,923)	20,002
Other operating income	8	248,040	42,261
Total operating revenue		3,478,145	1,053,556
Direct operating expenses	9	(945,672)	(367,374)
Interest expense	10	(38,808)	(26,373)
(Provision for impairment) / reversal of provision for impairment of financial assets	11	(5,128)	8,803
Gross operating result		2,488,537	668,612
Administrative expenses	12	(560,516)	(237,228)
Other expenses	13	(33,483)	(2,026)
Profit before tax		1,894,538	429,358
Income tax expense	14	(394,029)	(89,805)
Profit for the period		1,500,509	339,553
<i>Profit attributable to:</i>			
Equity holders of the parent		1,421,441	301,777
Non-controlling interest		79,068	37,776
Earnings per share			
Profit for the period attributable to SPB shareholders per ordinary share	22	12.46	3.05
Basic and diluted earnings per share, RUB		12.46	2.83
Diluted earnings per share, RUB		12.46	2.83
Other comprehensive loss, including:		(19,828)	(1,827)
Losses from revaluation of financial assets at fair value through other comprehensive income less income tax		(19,828)	(1,827)
Total comprehensive income		1,480,681	337,726
<i>Attributable to:</i>			
Equity holders of the parent		1,406,785	300,430
Non-controlling interest		73,896	37,296

Authorized and signed on behalf of management of PJSC SPB Exchange:

R.Y. Goryunov
General Director
PJSC SPB Exchange

3 November 2021



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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Authorized and signed on behalf of management of PJSC SPB Exchange:

3 November 2021

PJSC SPB Exchange

**UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)**

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Note	Attributable to equity holders of the parent						Total	Non-controlling interests	Total equity and reserves
	Share capital	Treasury shares	Share premium	Revaluation reserve	Other contributions by share-holders	Retained earnings			
Balance at 1 January 2020	316,050	(24,869)	54,588	8,448	142,214	479,332	975,763	311,454	1,287,217
Income for the period	-	-	-	-	-	301,777	301,776	37,776	339,552
Other comprehensive loss (revaluation of financial assets at fair value through other comprehensive income)	-	-	-	(1,348)	-	-	(1,348)	(479)	(1,827)
Total comprehensive (loss)/income for the period	-	-	-	(1,348)	-	301,777	300,428	37,297	337,725
Other contributions by shareholders	22	-	-	-	360	-	360	-	360
Transactions with treasury shares	-	1,612	-	-	-	478	2,090	-	2,090
Share issue	22	111,773	1,212,366	-	-	(507,138)	817,001	-	817,001
Additional emission	-	-	-	-	-	10,927	10,927	(10,927)	-
Transactions with shares of subsidiaries not resulting in loss of control	-	-	-	-	30	5,245	5,275	(15,276)	(10,001)
Balance at 30 June 2020 (unaudited)	427,823	(23,257)	1,266,954	7,100	142,604	290,621	2,111,845	322,548	2,434,393

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Authorized and signed on behalf of management of PJSC SPB Exchange:

3 November 2021



PJSC SPB Exchange

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Authorized and signed on behalf of management of PJSC SPB Exchange:

3 November 2021

PJSC SPB Exchange

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. CORPORATE INFORMATION

Principal activities

There were no significant changes in Group's principal activities as compared to details disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2020.

Public Joint-Stock Company "SPB Exchange" (formerly, "SAINT PETERSBURG EXCHANGE") (hereinafter, "SPB Exchange") was established on 21 January 2009 following the reorganization of Non-Profit Partnership Stock Exchange Saint-Petersburg established in 2002 into Open Joint-Stock Company Saint-Petersburg Exchange. In 2015, the charter documents were amended so that Open Joint-Stock Company Saint-Petersburg Exchange was renamed into Public Joint-Stock Company "SAINT PETERSBURG EXCHANGE". As disclosed in Note 28 "Events after the reporting period" on 2 July 2021 a new legal name PJSC SPB Exchange had been registered.

The Group's structure is presented below:

	Share of controlled capital, %		Activity
	30 June 2021 (unaudited)	31 December 2020	
PJSC SPB Exchange			Parent
			Trading arrangements services in stock and commodity markets, repository activities
JSC Voskhod	100.00	100.00	Computer and IT-related services
CC Clearing Center MFB (JSC)	96.71	96.71	Clearing and central counterparty services
PJSC Best Efforts Bank	73.92	73.73	Brokerage services, depository services, settlement depository services, banking transactions services
JSC Best Execution	70.44	70.44	Information and technical support services
JSC Best Stocks	50.10	50.10	Provision of analytical data

As at 30 June 2021 and 31 December 2020 the voting shares of SPB Exchange were held by the following shareholders:

	30 June 2021 (unaudited)	31 December 2020
NP RTS Association	20.28%	54.12%
PJSC Sovcombank	12.93%	-
Group of Freedom Holding Corp.	12.82%	12.82%
LLC VTB Capital Finance	10.77%	-
Amereus Group LTD.	5.12%	-
LLC "TKS"	5.00%	-
PJSCB DERZHAHA	0.17%	5.77%
Other shareholders with less than 5% votes	32.91%	27.29%
Total shares	100.00%	100.00%

As at 30 June 2021 (unaudited), 4.33% (31 December 2020: 7.16%) of the share capital of SPB Exchange were owned by individuals, including the Group's key management personnel. These shareholders concluded shareholders' agreements with the NP RTS Association, according to which the NP RTS Association may provide shareholders with mandatory instructions on voting during general shareholders' meetings. As at 30 June 2021 (unaudited), the total voting share of the NP RTS Association, the shareholders' agreements included, was 24.61% (31 December 2020: 61.28%).

On 30 August 2021, the Group has issued its interim condensed consolidated financial statements for the six months ended 30 June 2021. The current financial statements are issued in addition to those financial statements to provide the readers with information on the subsequent events occurred between 30 August 2021 and the date of approval of these financial statements.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting* and should be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2020.

Selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the last annual financial statements as at and for the year ended 31 December 2020. These interim condensed consolidated financial statements do not include all the information required for full annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRSs").

The Group has prepared the financial statements on the basis that it will continue to operate as a going concern. The Board of Directors consider that there are no material uncertainties that may cast doubt significant doubt over this assumption. They have formed a judgement that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, and not less than 12 months from the end of the reporting period.

The Russian rouble exchange rate applied in preparation of these interim condensed consolidated financial statements were as follows:

	30 June 2021 (unaudited)	31 December 2020
USD	72.3723	73.8757
EUR	86.2026	90.6824

Significant accounting policies

The accounting policies and methods of computation applied in the preparation of these interim condensed consolidated financial statements are consistent with those disclosed in the annual consolidated financial statements of the Group for the year ended 31 December 2020 in the Note "*Summary of the most significant accounting policies*". The effect of the new standards and interpretations which became effective since 1 January 2021 is not significant.

Management's estimates and judgments

Judgments and critical estimates made by Management in the process of applying the accounting policies were consistent with those disclosed in the annual consolidated financial statements for the year ended 31 December 2020.

3. CHANGES IN COMPARATIVE INFORMATION

In preparing its annual consolidated financial statements for 2020, the Group changed its accounting policies regarding the presentation of the consolidated statement of cash flows. Starting the year ended 31 December 2020, the Group presents cash flows from operating activities using the indirect method instead of the direct method that had been applied in previous periods. The Group believes that the indirect method of presenting cash flows from operating activities shows more relevant and reliable information to users of financial statements and investors since it corresponds to market practice and allows comparing indicators with those of industry peers. The comparative interim condensed consolidated statement of cash flows for the period ended 30 June 2020 was presented in accordance with the new approach.

In addition to changes to the accounting policies regarding the consolidated statement of cash flows, comparatives were adjusted as described below. These changes did not have any material effect on the earnings per share for 2020.

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

3. CHANGES IN COMPARATIVE INFORMATION (continued)

Recognition of the option program under IFRS 2 *Share-based Payment*

In preparing its annual consolidated financial statements for 2020, the Group revised the approach to the option program recognition retrospectively. In 2018, the Group provided loans to its employees to purchase shares of PJSC SPB Exchange with limited recourse on the following terms: the loans were issued for five years at a below-market interest rate, the shares were pledged to the Group until the loans are repaid; during the term of the loans, the employees should either repay them in cash (in which case the shares become free from any encumbrances) or withdraw from the arrangement (in which case the shares should be returned); employees are not required to achieve any performance conditions over the loan term. According to IFRS 2 *Share-based Payment*, these arrangements are share-based compensations that do not depend on subsequent achievement of performance conditions by employees; therefore, these expenses are recognized in full at the date of issue at the fair value of the compensation. The terms of these arrangements are similar to the terms of an option exercisable within five years. Accordingly, option fair value was measured based on the option valuation model. Previously, these arrangements were recognized as disposal of treasury shares with deferred payment. Adjustments to the interim comparative consolidated financial statements are presented below.

Item of interim condensed consolidated statement of financial position	Adjustment at 30 June 2020
Financial assets at amortized cost	(26,788)
Deferred tax assets	(889)
Effect of change on assets	(27,677)
Treasury shares	(23,257)
Uncovered loss	(4,420)
Effect of change on equity and liabilities	(27,677)
Item of interim condensed consolidated statement of comprehensive income	Adjustment for six months of 2020
Trade and investment income less expenses	(115)
Interest income	(1,642)
Administrative expenses	-
Income tax expense	195
Loss for the period	(1,562)

Item of interim condensed consolidated statement of changes in equity	Adjustment for six months of 2020			
	Treasury shares	Share premium	Retained earnings	Total
Disposal of treasury shares	1,612	-	-	-
Retained earnings	-	-	(1,562)	-

Write-off of revaluation reserve for intangible assets

The Group revised retrospectively its approach to the recognition of a part of intangible assets earlier measured at fair value. The Group retrospectively excluded the revaluation reserve adjusting intangible assets to their cost. Adjustments to the financial statements are presented below.

Item of interim condensed consolidated statement of financial position	Adjustment at 30 June 2020
Intangible assets	(85,394)
Deferred tax assets	17,079
Effect of change on assets	(68,315)
Revaluation reserve	(76,993)
Retained earnings	8,678
Effect of change on equity and liabilities	(68,315)

PJSC SPB Exchange

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**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

3. CHANGES IN COMPARATIVE INFORMATION (continued)

Write-off of revaluation reserve for intangible assets (continued)

Item of interim condensed consolidated statement of comprehensive income	Adjustment for six months of 2020
Administrative expenses	4,102
Income tax expense	(820)
Profit for the period	3,282

Item of interim condensed consolidated statement of changes in equity	Adjustment for six months of 2020		
	Revaluation reserve	Retained earnings	Total
Amortization of revaluation reserve for intangible assets	3,273	(3,273)	-

In addition to the above changes, certain items of the interim condensed consolidated statement of comprehensive income were reclassified. Those changes in classification did not have any significant effect on the previously presented interim condensed consolidated statement of comprehensive income for the six months ended 30 June 2020.

Taxes payable other than income tax, unused vacation liabilities and advances issued

Certain amounts for the previous year were reclassified to align with the presentation format in the current period. An adjustment was made to the consolidated statement of financial position as at 30 June 2020 to reclassify taxes payable other than income tax and social contributions, unused vacation liabilities and advances issued. The reclassifications had no impact on the results presented for the comparative period. Those changes in classification do not have any significant effect on previously recorded cash flows from operating activities in the statement of cash flows, and had no impact on the previously issued statement of comprehensive income for any period.

4. FEE AND COMMISSION INCOME

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Clearing center services	1,708,141	627,617
Stock market services	1,134,416	184,217
Brokerage services	134,983	12,256
Information services	14,805	11,279
Software	12,250	90
Repository services	5,160	4,730
Information and technical support services	4,835	2,812
Outsourcing	2,319	2,218
Listing services	2,065	2,935
Servicing and maintaining bank accounts	1,796	10,913
Market maker services	1,282	2,021
Depository operations	720	1,043
Commodity market services	-	5,835
Other fee and commission income	562	787
Total	3,023,334	868,753

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021**
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. FEE AND COMMISSION INCOME (continued)

During second half of 2020 Group implemented the Marketing program. Clearing participants that join the program and achieve specified volume of trading operations are entitled for rebates in accordance with Marketing program limits. Rebates are spread between Clearing center services and Stock market services and presented for six months ended 30 June 2021 as follows (for six months ended 30 June 2020 – nil):

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Revenue based on transaction based terms	1,831,103	627,617
Rebates	(122,962)	–
Fee income from clearing center services	1,708,141	627,617
	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Stock market services on transaction based terms	1,216,390	184,217
Rebates	(81,974)	–
Stock market services	1,134,416	184,217

5. INTEREST INCOME

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest income on reverse repurchase agreements	171,434	90,053
Interest income on financial assets at fair value through other comprehensive income	29,494	24,351
Interest income on loans issued	4,671	5,522
Interest income on amounts due from credit institutions	9	1
Total	205,608	119,927

6. NET TRADE AND INVESTMENT INCOME

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
(Losses less gains) / gains less losses from financial instruments mandatorily classified as at fair value through profit or loss	(4,544)	1,932
Gains less losses from derivative financial instruments with securities as an underlying asset	1,021	108
Gains less losses from financial instruments classified as at fair value through other comprehensive income	7,609	573
Total	4,086	2,613

7. NET INCOME FROM FOREIGN CURRENCIES TRANSACTIONS

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Net gain/(losses) from derivative financial instruments with foreign currency as an underlying asset, including	1,505	(57,388)
Swaps	1,728	(60,268)
Other derivative financial instruments	(223)	2,880
Net (losses)/gains from revaluation of foreign currency-nominated assets and liabilities	(6,814)	133,114
Net gains/(losses) from purchase and sale of foreign currency	2,386	(55,724)
Total	(2,923)	20,002

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

8. OTHER OPERATING INCOME

In six months ended 30 June 2021 (unaudited), the Group derived other operating income amounting to RUB 248,040 thousand from participation in an incentive program provided by the broker (six months ended 30 June 2020 (unaudited): RUB 42,261 thousand).

9. DIRECT OPERATING EXPENSES

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Brokerage services	(474,089)	(289,433)
Market maker services	(363,042)	(14,352)
Depository services	(51,624)	(12,256)
Clearing services	(18,813)	(22,177)
Obtaining market data	(16,760)	(6,790)
Technical and software support services	(11,645)	(5,285)
Stock market services	(9,699)	(17,081)
Total	(945,672)	(367,374)

10. INTEREST EXPENSE

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Interest expense on repurchase agreements	(18,969)	(9,133)
Interest expense on loans and borrowings	(12,486)	(15,991)
Interest expense on leases	(754)	(757)
Interest expense on current accounts and deposits from customers	(263)	(306)
Other interest expense	(6,336)	(186)
Total	(38,808)	(26,373)

In six months ended 30 June 2021 (unaudited) interest expenses amounted of RUB 6,253 thousand and are represented by interest expenses on accounts payables to suppliers and contractors.

11. ALLOWANCES FOR IMPAIRMENT OF FINANCIAL ASSETS

Information on changes in the allowance for impairment and expected credit losses (hereinafter, "ECL") on the Group's financial assets is presented below:

	Financial assets at amortized cost						
	Cash and cash equivalents	Amounts due from financial institutions	Amounts transferred under repurchase agreements	Loans and borrowings issued	Debt securities	Accounts receivable	Total
Allowance at 1 January 2020	53	7,241	163	9,929	1,051	-	18,437
(Provision for impairment) / reversal of provision for impairment of financial assets	199	(4,625)	429	(5,243)	313	124	(8,803)
Allowance at 30 June 2020	252	2,616	592	4,686	1,364	124	9,634
Allowance at 1 January 2021	3,101	12,752	1,918	5,455	-	3,720	26,946
Reversal of provision for impairment of financial assets / (provision for impairment)	6,041	(4,564)	14	2,919	-	718	5,128
Allowance at 30 June 2021	9,142	8,188	1,932	8,374	-	4,438	32,074

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

12. ADMINISTRATIVE EXPENSES

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Remuneration to employees	(282,999)	(138,303)
Social insurance contributions	(70,103)	(38,102)
Information and advisory services	(62,399)	(11,519)
Amortization of intangible assets	(38,054)	(5,138)
Taxes (other than income tax and social insurance contributions)	(23,220)	(5,738)
Loss from write-off of intangible assets	(20,927)	-
Maintenance and software support expenses	(13,885)	(8,289)
Depreciation of property and equipment	(8,851)	(4,445)
Communications	(8,691)	(5,481)
License fees and intellectual property usage expenses	(8,385)	(7,289)
Office supplies	(4,602)	(3,255)
Rebranding expenses	(3,543)	-
Banking	(3,457)	(1,916)
Current repair and maintenance	(2,785)	(2,923)
Lease and maintenance of office premises and equipment	(2,248)	(442)
Advertising	(1,995)	(287)
Representation expenses	(972)	(412)
Other	(3,400)	(3,689)
Total	(560,516)	(237,228)

During six months ended 30 June 2021 the Group written off intangible assets related to clearing operations on the commodity section due to cease of operations in this section of the SPB Exchange.

13. OTHER EXPENSES

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Withholding tax on income received by ultimate recipients paid by the Group	(29,178)	-
Financial assistance	(2,667)	(2,000)
Penalties and fees	(1,570)	(26)
Other	(68)	-
Total other expenses	(33,483)	(2,026)

14. INCOME TAX

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Current tax	(391,717)	(45,591)
Deferred tax	(2,312)	(44,214)
Total	(394,029)	(89,805)

Reconciliation between the estimated and actual income tax is provided below:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Profit before income tax	1,894,538	429,358
Tax at the statutory tax rate (20%)	(378,908)	(85,871)
Tax at lower rates	929	498
Adjustment on non-deductible expense	(16,050)	(4,432)
Total	(394,029)	(89,805)

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)**

14. INCOME TAX (continued)

The Group calculates income tax based on the tax accounts maintained and performs interim income tax payments in accordance with the Russian tax legislation during the year. As result of this current income tax assets or current income tax liability occur as at reporting dates.

15. CASH AND CASH EQUIVALENTS

	30 June 2021 (unaudited)	31 December 2020
Cash on clearing accounts	20,908,429	9,339,341
Cash on correspondent accounts	4,764,469	1,376,672
Cash on accounts with the Bank of Russia (other than obligatory reserves)	306,607	337,505
Cash on hand	32,302	36,808
Cash on settlement accounts	8,473	2,196
Allowance for ECL	(9,142)	(3,101)
Total	26,011,138	11,089,421

The Group consistently determines the composition and measurement of cash and cash equivalents in the interim condensed consolidated statement of financial position and the interim condensed consolidated statement of cash flows.

The Group has no restricted cash.

16. FINANCIAL ASSETS AT AMORTIZED COST

	30 June 2021 (unaudited)	31 December 2020
Amounts transferred under reverse repurchase agreements	10,133,614	4,801,750
Amounts due from financial institutions	699,233	606,363
Financial receivables	123,915	84,737
Loans and borrowings issued	26,290	228,548
Accounts receivable	–	20,279
Total	10,983,052	5,741,677

Each type of financial assets at amortized cost is presented below:

Amounts transferred under reverse repurchase agreements

	Currency	30 June 2021 (unaudited)	31 December 2020
Amounts transferred under reverse repurchase agreements and collateralized by securities	US dollars	4,315,140	1,016,452
<i>Effective rate, %</i>		(1.25)-6%	(1.25)-6%
Amounts transferred under reverse repurchase agreements and collateralized by securities	Russian rubles	5,819,904	3,787,216
<i>Effective rate, %</i>		0.3-9%	0.3-9%
Amounts transferred under reverse repurchase agreements and collateralized by securities	Euros	502	–
<i>Effective rate, %</i>		–	–
Allowance for ECL		(1,932)	(1,918)
Total		10,133,614	4,801,750

Amounts transferred under reverse repurchase agreements and secured by securities comprise cash paid by the Group when purchasing securities under the first part of reverse repurchase agreements with the seller's obligation to repurchase the securities at a fixed future date.

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16. FINANCIAL ASSETS AT AMORTIZED COST (continued)

Amounts transferred under reverse repurchase agreements (continued)

Fair value of these securities received as collateral under reverse repurchase agreements and not recorded in the interim condensed consolidated statement of financial position is presented below. These securities were received under reverse repurchase agreements concluded at a Russian stock exchange and over-the-counter to generate investment income.

	Issuer's rating group	30 June 2021 (unaudited)	31 December 2020
Securities			
Corporate shares	A to AAA rated	2,601,296	521
	BBB- to BBB+ rated	608,993	1,381,570
	BB- to BB+ rated	151,282	558,832
	B- to B+ rated	332,084	9,066
	not rated	21,406	39,714
Governments and municipal bonds	BBB- to BBB+ rated	5,781,527	3,191,207
Corporate bonds and Eurobonds	BBB- to BBB+ rated	203,494	-
	BB- to BB+ rated	298,726	-
	B- to B+ rated	148,442	-
	BB- to BB+ rated	502	-
Foreign governments bonds	B- to B+ rated	-	67,253
Total		10,147,752	5,248,163

Amounts due from financial institutions

	30 June 2021 (unaudited)	31 December 2020
Cash on brokerage accounts	601,133	502,924
Obligatory reserves with the Central Bank of Russia	106,288	116,191
Allowance for ECL	(8,188)	(12,752)
Total	699,233	606,363

Financial receivables

Financial receivables comprise settlements on foreign exchange operations under conversion transactions, derivative financial instruments, operations with securities and receivables from counterparties under agreements, under which securities are delivered on the next day after the day of entering into an agreement. The respective payment liabilities of the Group are recognized in the interim condensed consolidated statement of financial position as financial liabilities at amortized cost as disclosed in Note 19 "Financial liabilities at amortized cost".

Loans and borrowings issued

	Currency	Nominal rate, %	Effective rate, %	30 June 2021 (unaudited)	31 December 2020
Borrowings issued to legal entities	Russian rubles	6.5-9.3%	6.5-9.3%	31,129	228,648
Loans issued to customers	Russian rubles	13%	13%	3,535	5,355
Allowance for ECL				(8,374)	(5,455)
Total				26,290	228,548

Accounts receivable

In most cases, the age of accounts receivable under services rendered and other operations does not exceed one month.

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16. FINANCIAL ASSETS AT AMORTIZED COST (continued)

Analysis of credit quality of financial assets at amortized cost

30 June 2021 (unaudited)	Current	Past due	Impaired	Total
Amounts transferred under repurchase agreements	10,135,546	–	–	10,135,546
Amounts due from financial institutions	707,421	–	–	707,421
Loans and borrowings issued	34,664	–	–	34,664
Financial receivables	127,063	391	899	128,353
Allowance for ECL	(21,722)	(311)	(899)	(22,932)
Total other financial assets at amortized cost	10,982,972	80	–	10,983,052

31 December 2020	Current	Past due	Impaired	Total
Amounts transferred under repurchase agreements	4,803,668	–	–	4,803,668
Amounts due from financial institutions	619,115	–	–	619,115
Loans and borrowings receivable	234,003	–	–	234,003
Financial receivables	84,737	–	–	84,737
Fees and commissions receivable	17,764	124	–	17,888
Other accounts receivable	5,171	–	940	6,111
Allowance for ECL	(22,781)	(124)	(940)	(23,845)
Total other financial assets at amortized cost	5,741,677	–	–	5,741,677

The analysis of changes in the gross carrying amount of financial assets and respective allowances for ECL demonstrates additions and repayments of financial assets at amortized cost and revaluation of financial assets nominated in foreign currencies. In the periods presented in the financial statements, no transfers of assets took place between categories where risks are measured for 12-month ECL or lifetime ECL; no transfers occurred to/from credit-impaired financial assets, either. Therefore, there were no movements in ECL allowances between these categories.

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Classes of financial assets at fair value through other comprehensive income

	Issuer's rating group	30 June 2021 (unaudited)	31 December 2020
Debt instruments			
Corporate bonds and Eurobonds		586,137	401,170
	BBB- to BBB rated	315,986	287,971
	BB- to BB+ rated	134,349	84,959
	B- to B+ rated	84,425	28,240
	unrated	51,377	–
Bonds and Eurobonds of credit institutions		213,636	184,701
	BBB- to BBB rated	9,687	45,670
	BB- to BB+ rated	197,115	135,050
	B- to B+ rated	6,834	3,981
Eurobonds of foreign governments and municipal Eurobonds		84,247	58,968
	BB- to BB+ rated	38,965	22,574
	B- to B+ rated	45,282	36,394
Bonds and Eurobonds of the Russian Federation	BBB- to BBB rated	307,428	106,009
Total		1,191,448	750,848

For financial assets at fair value through other comprehensive income, the Group applies the impairment requirements to recognize and measure the allowance for credit losses. The allowance is recognized in other comprehensive income and does not decrease the carrying amount of a financial asset in the interim condensed consolidated statement of financial position. Based on the analysis of expected credit losses as at 30 June 2021 (unaudited), the amount of the allowance is nil (31 December 2020: nil).

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18. OTHER NON-FINANCIAL ASSETS

	30 June 2021 (unaudited)	31 December 2020
Deferred advisory costs	45,863	–
Advances issued	30,809	15,106
Value added tax	6,896	6,647
Other taxes	741	491
Inventories	365	188
Total	84,674	22,432

19. FINANCIAL LIABILITIES AT AMORTIZED COST

Amounts due to customers are represented by amounts payable to legal entities, the vast majority of which are professional participants in the securities market:

	30 June 2021 (unaudited)	31 December 2020
Amounts of clearing participants	22,260,381	8,042,073
Amounts received under repurchase agreements	4,942,478	2,678,673
Brokerage accounts of the Bank's customers and amounts borrowed from higher-ranking brokers	2,731,483	2,293,741
Current accounts of the Bank's customers	2,449,896	472,213
Accounts payable	606,995	460,081
Loans payable	506,171	505,342
Deposits of the Bank's customers	19,250	162,315
Finance lease liabilities	16,165	21,133
Settlements on foreign exchange operations, derivative financial instruments and operations with securities	–	82,159
Total	33,532,819	14,717,730

Amounts of clearing participants

Amounts of clearing participants represent individual collateral contributions, as well as contributions to the joint collateral pool made by participants to ensure that they discharge their obligations under concluded transactions and to pay the commission fee. As at 30 June 2021 (unaudited), amounts due to three major clearing participants are RUB 19,377,220 thousand or 84% (31 December 2020 five major: RUB 7,504,316 thousand or 77%) of the total amounts of clearing participants.

Amounts received under repurchase agreements

Amounts received under repurchase agreements are nominated in US dollars, rubles and euros, maturing in 1-2 days. As at 30 June 2021 (unaudited), the effective interest rates under the transactions were 0-9% (31 December 2020: 0-9%). The Group pledged securities received as collateral under reverse repurchase agreements to secure the discharge of liabilities under repurchase agreements. The amount of pledged assets as at 30 June 2021 (unaudited) RUB 4,868,972 thousand (31 December 2020 was RUB 2,693,745 thousand). Liabilities under repurchase agreements were paid at maturity dates after the reporting date.

Brokerage accounts of the Bank's customers and amounts borrowed from higher-ranking brokers

Brokerage accounts of the Bank's customers and amounts borrowed from higher-ranking brokers represent the amounts due to customers of PJSC Best Efforts Bank. As at 30 June 2021 (unaudited), amounts of five customers on brokerage accounts with PJSC Best Efforts Bank total RUB 1,866,337 thousand or 72% (31 December 2020: RUB 1,608,313 thousand or 70%).

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19. FINANCIAL LIABILITIES AT AMORTIZED COST (continued)

Accounts payable

	30 June 2021 (unaudited)	31 December 2020
Settlements with suppliers and contractors	454,591	371,680
Payables to customers	61,418	31,654
Remuneration to employees	60,758	35,406
Other liabilities	30,228	21,341
Total	606,995	460,081

Loans payable

As at 30 June 2021 (unaudited) and 31 December 2020, loans received represent the amortized cost of one subordinated RUB-nominated deposit from the Group's shareholder, the NP RTS Association, received by PJSC Best Efforts Bank on the following terms: the deposit matures in 2027, the interest rate equals the key rate of the Bank of Russia.

Finance lease liabilities

As at 30 June 2021 (unaudited) and 31 December 2020, finance lease liabilities represent the present value of lease payments under leases of office premises accounted for pursuant to IFRS 16 *Leases* from 1 January 2019. The discount rates applied in the calculation of lease liabilities by the Group's companies ranged from 6.86% to 9.88% p.a. Lease terms stipulated by agreements or estimated by management range from two to five years.

Settlements on foreign exchange operations, derivative financial instruments and operations with securities

As at 31 December 2020 settlements on foreign exchange operations, derivative financial instruments and operations with securities such liabilities represent liabilities under contracts related to operations with securities for which settlements and delivery are carried out not earlier than the next day after the date of conclusion of the contract. As at 30 June 2021 (unaudited) the Group doesn't have such liabilities.

20. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below presents the fair value of contracts for delivery of securities concluded by the Bank as at 30 June 2021 and 31 December 2020.

	30 June 2021 (unaudited)	31 December 2020
Obligations to deliver securities and foreign currency, including:		
<i>Obligations to deliver securities</i>	499,234	131,553
<i>Securities contracts</i>	555	–
<i>Forwards and swaps</i>	386	252
Total financial liabilities at fair value through profit or loss	500,175	131,805

21. OTHER NON-FINANCIAL LIABILITIES

	30 June 2021 (unaudited)	31 December 2020 (unaudited)
Withholding tax on income received by ultimate recipients payable by the Group	29,178	–
Social insurance contributions payables	19,434	10,495
Taxes payable other than income tax and social insurance contributions	12,099	6,135
Advances received	11,647	6,771
Total	72,358	23,401

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22. EQUITY

Share capital and share premium

As at 30 June 2021 (unaudited) and 31 December 2020, the share capital of SPB Exchange is represented by 2,852,154 ordinary shares, amounting to RUB 427,823,100.

In March 2020 shareholders of the Group approved issue of 745,154 ordinary shares at par value of RUB 150 per share. The shares were placed at RUB 1,777 per share. The total consideration received for these shares comprised of cash of RUB 817,000,628 and ordinary shares of PJSC Best Efforts Bank of RUB 507,138,030, contributed by the NP RTS Association. The shares were purchased by new investors as well as existing shareholders of PJSC SPB.

On May 14, 2021 the extraordinary General Meeting of shareholders of SPB Exchange approved decision to split the issued ordinary shares of SPB Exchange into new ordinary shares with split ratio 40. The split became effective in July 2021. As a result of the share split the share capital of PJSC SPB Exchange consists of 114,086,160 ordinary shares with par value of 3.75 ruble each as of the date of issue of these consolidated financial statements, amounting to RUB 427,823,100

Earnings per share for six months ended 30 June 2021 (unaudited) and 30 June 2020 (unaudited) were calculated based on 114,086,160 shares after split.

Earnings per share

The calculation of basic and diluted earnings per share was as follows:

	Six months ended 30 June 2021 (unaudited)	Six months ended 30 June 2020 (unaudited)
Profit for the year attributable to SPB shareholders	1,421,441	301,777
Weighted average number of ordinary shares	114,086,160	98,885,553
Dilutive effect of option program (shares)	–	7,907,926
Weighted average number of ordinary shares, assuming dilution (shares)	114,086,160	106,793,479
Profit per share of ordinary stock attributable to SPB shareholders (in Russian rubles)		
Basic earnings per ordinary share, RUB	12.46	3.05
Diluted earnings per ordinary share, RUB	12.46	2.83

Retained earnings

No dividends were declared during six months ended 30 June 2021 (unaudited) and 30 June 2020 (unaudited). The retrospective inclusion of the Bank's financial statements in the interim condensed consolidated financial statements of the Group resulted in the incomparability of information on payments of dividends calculated in the effective ownership interests and the actually paid dividends recorded in the interim condensed consolidated statement of cash flows.

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22. EQUITY (continued)

Revaluation reserve

	Financial assets at fair value through other comprehensive income
Revaluation reserve at 1 January 2021	4,250
Change in revaluation reserve for the reporting period	(18,320)
Deferred tax accrued through revaluation reserve for the reporting period	3,664
Changes in ownership interest without loss of control	10
Revaluation reserve at 30 June 2021 (unaudited)	(10,396)
Revaluation reserve at 1 January 2020	8,448
Change in revaluation reserve for the reporting period	(5,247)
Deferred tax accrued through revaluation reserve for the reporting period	1,049
Revaluation reserve at 31 December 2020	4,250

23. SEGMENT ANALYSIS

For the purpose of segment analysis and management, the Group identifies four operating segments, which are the Group's strategic business units. These strategic business units offer different services and are managed separately because they require different strategies. In general, activities of each of the reporting segments can be described as follows:

- Clearing and central counterparty services;
- Trade organizer services;
- Depository services, settlement depository services, brokerage services, banking services;
- Information and technical support services.

The Group identifies reporting segments that correspond to operating segments.

The allocation of assets and liabilities to segments can be presented as follows:

	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking, and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
30 June 2021 (unaudited)						
Assets	31,363,820	2,754,665	12,069,712	96,939	(7,242,147)	39,042,989
Liabilities	(28,954,849)	(347,265)	(10,735,288)	(9,249)	5,908,914	(34,137,737)
Intersegment settlements	2,280,562	674,596	(3,011,383)	53,975	2,250	-
31 December 2020						
Assets	13,916,941	2,278,335	6,822,615	103,041	(4,793,923)	18,327,009
Liabilities	(12,368,935)	(293,598)	(5,683,945)	(2,367)	3,452,646	(14,896,199)
Intersegment settlements	387,471	13,697	(436,410)	35,242	-	-

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23. SEGMENT ANALYSIS (continued)

Information on profit/(losses) of reporting segments for six months ended 30 June 2021 and six months ended 30 June 2020 can be presented as follows:

Six months ended 30 June 2021 (unaudited)						
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Fee and commission income from external customers	1,722,595	1,155,460	176,644	18,713	(50,078)	3,023,334
<i>Intersegment fee and commission income</i>	840	12,417	35,103	1,718	(50,078)	–
Interest income	116,776	3,895	85,941	536	(1,540)	205,608
Net trade and investment income/ (expenses)	(502)	–	4,588	–	–	4,086
Net income from dealing in foreign currencies	(503)	174	(2,542)	(52)	–	(2,923)
Other operating income	–	–	248,040	–	–	248,040
Total operating revenue	1,838,366	1,159,529	512,671	19,197	(51,618)	3,478,145
Direct operating expenses, including	(559,281)	(389,992)	(32,243)	(2,349)	38,193	(945,672)
<i>Intersegment direct operating expenses</i>	(35,411)	(1,486)	(95)	(1,201)	38,193	–
Interest expense	(12,082)	(6,432)	(21,869)	(37)	1,612	(38,808)
(Provision)/reversal of provision for impairment of financial assets	(25,385)	(1,175)	11,868	535	9,029	(5,128)
Gross operating result	1,241,618	761,930	470,427	17,346	(2,784)	2,488,537
Administrative expenses	(128,995)	(228,101)	(185,360)	(30,894)	12,834	(560,516)
Other expenses	(29,178)	(3,269)	(1,036)	–	–	(33,483)
Profit/(loss) before tax	1,083,445	530,560	284,031	(13,548)	10,050	1,894,538
Income tax (expense)/benefit	(222,478)	(107,899)	(61,652)	6	(2,006)	(394,029)
Profit/(loss) for the period	860,967	422,661	222,379	(13,542)	8,044	1,500,509

Six months ended 30 June 2020 (unaudited)						
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Fee and commission income from external customers	640,252	198,828	108,385	3,281	(81,993)	868,753
<i>Intersegment fee and commission income</i>	1,614	496	79,414	469	(81,993)	–
Interest income	35,500	8,889	82,840	792	(8,094)	119,927
Net trade and investment income/ (expenses)	1,072	221	1,655	–	(335)	2,613
Net income from dealing in foreign currencies	3,854	(95)	16,243	–	–	20,002
Other operating income	–	–	42,261	–	–	42,261
Total operating revenue	680,678	207,843	251,384	4,073	(90,422)	1,053,556
Direct operating expenses, including	(312,014)	(86,410)	(48,371)	(1,381)	80,802	(367,374)
<i>Intersegment direct operating expenses</i>	(17,770)	(63,019)	–	(13)	80,802	–
Interest expense	(333)	(267)	(31,922)	(53)	6,202	(26,373)
(Provision)/reversal of provision for impairment of financial assets	(1,090)	(475)	5,004	6,029	(665)	8,803
Gross operating result	367,241	120,691	176,095	8,668	(4,083)	668,612
Administrative expenses	(38,335)	(54,099)	(146,496)	(954)	2,655	(237,228)
Other expenses	(26)	(2,000)	–	–	–	(2,026)
Profit before tax	328,880	64,592	29,600	7,714	(1,428)	429,358
Income tax expense	(66,188)	(14,399)	(7,846)	(1,543)	171	(89,805)
Profit for the period	262,692	50,193	21,754	6,171	(1,257)	339,553

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23. SEGMENT ANALYSIS (continued)

Six months ended 30 June 2021 (unaudited)						
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Clearing center services	1,708,141	–	–	–	–	1,708,141
Stock market services	–	1,135,172	–	–	(756)	1,134,416
Brokerage services	–	–	140,162	–	(5,179)	134,983
Information services	13,605	1,620	–	–	(420)	14,805
Servicing and maintaining bank accounts	–	–	2,138	–	(342)	1,796
Repository services	–	5,820	–	–	(660)	5,160
Listing services	–	2,065	–	–	–	2,065
Information and technical support services	–	–	–	6,553	(1,718)	4,835
Software sale	840	10,018	–	12,160	(10,768)	12,250
Outsourcing	–	–	2,319	–	–	2,319
Market maker services	–	–	1,282	–	–	1,282
Depository operations	–	–	30,107	–	(29,387)	720
Other fee and commission income	9	765	636	–	(848)	562
Total fee and commission income	1,722,595	1,155,460	176,644	18,713	(50,078)	3,023,334
Intersegment income	(840)	(12,418)	(35,103)	(1,717)	50,078	–
Total fee and commission income excluding intersegmental operations	1,721,755	1,143,042	141,541	16,996	–	3,023,334

Six months ended 30 June 2020 (unaudited)						
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
Clearing center services	627,755	–	–	–	(138)	627,617
Stock market services	–	184,220	–	–	(3)	184,217
Brokerage services	–	–	13,016	–	(760)	12,256
Commodity market services	–	5,835	–	–	–	5,835
Information services	10,795	544	–	–	(60)	11,279
Servicing and maintaining bank accounts	–	–	11,242	–	(329)	10,913
Repository services	–	5,110	–	–	(380)	4,730
Listing services	–	2,935	–	–	–	2,935
Information and technical support services	–	–	–	3,281	(469)	2,812
Software sale	840	143	–	–	(893)	90
Outsourcing	–	–	2,218	–	–	2,218
Market maker services	–	–	63,427	–	(61,406)	2,021
Depository operations	–	–	17,962	–	(16,919)	1,043
Other fee and commission income	862	41	520	–	(636)	787
Total fee and commission income	640,252	198,828	108,385	3,281	(81,993)	868,753
Intersegment income	(1,614)	(496)	(79,414)	(469)	81,993	–
Total fee and commission income excluding intersegmental operations	638,638	198,332	28,971	2,812	–	868,753

In six months ended 30 June 2021 (unaudited), the Group derived operating income from main customer amounting to RUB 729,435 thousand in such segments as “*Clearing and central counterparty activity*” and “*Trade organizer activity*” (six months ended 30 June 2020 (unaudited): RUB 262,389 thousand).

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24. FAIR VALUE

The fair value of assets and liabilities is measured as follows:

- The fair value of assets and liabilities that are traded in active liquid markets is measured using the quoted price.
- The fair value of other non-financial assets and liabilities is assessed in accordance with generally accepted models and is based on the discounted cash flow analysis that relies on prices used for existing transactions in the current market.

The Group's assets which are measured at fair value on a recurring basis are presented in accordance with the fair value hierarchy in the table below.

30 June 2021 (unaudited)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	–	560	–	560
Financial assets at fair value through other comprehensive income	1,191,448	–	–	1,191,448
Total	1,191,448	560	–	1,192,008

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	–	561	–	561
Financial assets at fair value through other comprehensive income	750,848	–	–	750,848
Total	750,848	561	–	751,409

As at 30 June 2021 (unaudited) and 31 December 2020, all financial liabilities measured at fair value through profit or loss and recorded on the balance sheet of the Group are classified at Level 1 of the hierarchy.

The fair value of cash and cash equivalents not included in the table belongs to Level 1 of the fair value hierarchy. The fair value of financial assets and liabilities carried at amortized cost is included in Level 3 of the fair value hierarchy. The Group's management believes that fair values of cash, financial assets and liabilities carried at amortized cost, as well as other non-financial assets and liabilities recorded in the interim condensed consolidated statement of financial position approximate their carrying amounts recorded in these interim condensed consolidated financial statements.

25. OFFSET OF FINANCIAL ASSETS AND LIABILITIES

The Group offsets a financial asset and a financial liability under repurchase and reverse repurchase transactions effected between the Group, acting as central counterparty, and other clearing participants, and the net amount is presented in the consolidated statement of financial position when the criteria of IAS 32 with respect to the legal right and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously are met. The offsetting is performed when it reflects the Group's estimated future cash flows from settlements on two or more separate financial instruments.

The tables below show the amounts of repurchase transactions outstanding as at the reporting dates, which were offset and the claims on which were derecognized in the statement of financial position:

	30 June 2021 (unaudited)	
	Gross amount	Amount to be offset
Financial assets under Repurchase agreements with the central counterparty CC MFB (JSC)	65,939,996	(61,019,944)
Financial assets Repurchase agreements with central counterparty CC MFB (JSC)	65,939,996	(61,019,944)
Financial Liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(65,939,996)	61,019,944
Financial Liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(65,939,996)	61,019,944

INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021
 THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

25. OFFSET OF FINANCIAL ASSETS AND LIABILITIES (continued)

	31 December 2020		
	Gross amount	Amount to be offset	Net amount
Financial assets under Repurchase agreements with central counterparty CC MFB (JSC)	35,763,432	(34,821,136)	942,296
Financial assets Repurchase agreements with central counterparty CC MFB (JSC)	35,763,432	(34,821,136)	942,296
Financial liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(35,763,432)	34,821,136	(942,296)
Financial liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(35,763,432)	34,821,136	(942,296)

26. CONTINGENCIES

Litigations

From time to time and in the ordinary course of business, the Group may become a party to legal proceedings, regulatory matters and claims from customers and counterparties. Management believes that all currently outstanding matters, when resolved, will not have a material effect on financing and operating activities of the Group. Further, management believes that it is not probable that an outflow of economic benefits will be required with respect to these matters for which a reliable estimate can be made; therefore, no provisions were made in the interim condensed consolidated financial statements.

27. RELATED PARTY TRANSACTIONS

For the purposes of these interim condensed consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, as defined by IAS 24 *Related Party Disclosures*. In considering related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During the reporting period NP RTS lost control over the Group and represents a shareholder having significant influence as of 30 June 2021.

During reporting periods, in the ordinary course of business, the Group entered into a number of transactions with related parties. As at the end of the period, the balances were as follows:

	30 June 2021 (unaudited)		
	Shareholder having significant influence	Key management personnel	Group companies of the shareholder having significant influence
Financial assets through other comprehensive income	–	–	–
Financial assets at amortized cost	191	1,174	22,793
Property and equipment	14,467	–	–
Other non-financial assets	660	–	–
Financial liabilities at amortized cost	(2,253,356)	(16,940)	–
Other non-financial liabilities – Social insurance contributions payables	–	(3,486)	–
	31 December 2020		
	Controlling shareholder	Key management personnel	Group companies of the controlling shareholder
Financial assets through profit and loss	–	–	–
Financial assets through other comprehensive income	–	–	–
Financial assets at amortized cost	194,212	–	29,203
Property and equipment	18,647	–	–
Other non-financial assets	23	–	–
Financial liabilities at amortized cost	(871,759)	(6,613)	(15,507)
Other non-financial liabilities – Social insurance contributions payables	–	(1,805)	–
PJSC SPB Exchange			27

**INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTHS ENDED 30 JUNE 2021**
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

27. RELATED PARTY TRANSACTIONS (continued)

As at 30 June 2021 (unaudited) and 31 December 2020, property and equipment comprised right-of-use assets related to leased office premises owned by the shareholder.

During six months ended 30 June 2021 (unaudited) Group acquired intangible assets from a subsidiary of the shareholder having significant influence amounted to RUB 61,500 thousand (for six months ended 30 June 2020 (unaudited): nil).

The financial results of transactions with related parties during reporting periods were as follows:

Six months ended 30 June 2021 (unaudited)			
	Shareholders with significant influence	Key management personnel	Group companies of the shareholder with significant influence
Fee and commission income	4,287	–	9
Interest income	3,666	78	744
Interest expense	(19,449)	(83)	–
Direct operating expenses	(8,729)	–	(900)
(Provision for impairment) / reversal of provision for impairment of financial assets	4,246	–	(7,154)
Administrative expenses	(9,632)	(45,537)	(300)
Short-term employee benefits	–	(45,537)	–
Six months ended 30 June 2020 (unaudited)			
	Controlling shareholder	Key management personnel	Group companies of the controlling shareholder
Fee and commission income	3,958	4	5
Interest income	3,990	399	1,142
Interest expense	(16,556)	(6)	–
Direct operating expenses	(4,186)	–	(1,006)
(Provision for impairment) / reversal of provision for impairment of financial assets	6,196	–	(980)
Administrative expenses	(5,491)	(24,163)	(300)
Short-term employee benefits	–	(24,163)	–

Some of the Company's trading participants are controlled by persons who during six months ended 30 June 2021 (unaudited) and 30 June 2020 (unaudited) were regularly elected to the Company's and its subsidiaries boards of directors. In addition, according to the policy of the Company, some of these companies became shareholders of the Company during six months ended 30 June 2021 (unaudited).

For the six months ended 30 June 2021 (unaudited) the Group earned income of RUB 452,755 thousand (six months ended 30 June 2020 (unaudited): RUB 146,640 thousand) and incurred expenses of RUB 479,298 thousand (six months ended 30 June 2020 (unaudited): RUB 280,396 thousand) in relation to such trading participants. As at 30 June 2021 (unaudited) assets with such related parties were RUB 122,418 thousand (31 December 2020: RUB 132,762 thousand) and liabilities with such related parties were RUB 11,206,658 thousand (31 December 2020: RUB 880,971 thousand).

Key management personnel of the Group comprises sole executive bodies of each company, members of the Boards of Directors and Management Boards, and (in case of credit institutions) members of the Asset and Liability Committee and the Credit Committee.

28. EVENTS AFTER THE REPORTING PERIOD

On 2 July 2021 a new legal name had been registered. The new legal name is Public Joint-Stock Company "SPB Exchange".

In July 2021 the extraordinary General Meeting of shareholders of PJSC "SPB Exchange" approved additional issue of 114,086,160 ordinary shares with par value RUB 3.75 each. The way of placing is an open subscription. The offering price will be set by the Board of Directors of PJSC "SPB Exchange". Existing shareholders will be able to exercise their preemptive right to acquire additional shares.

In July 2021 there was a further decrease in the share of the NP RTS Association in SPB Exchange due to the sale of shares to third parties. As at the date of issue of these interim condensed consolidated financial statements, the NP RTS Association owns 16.5% shares of SPB Exchange.

In September 2021, the Board of Directors of PJSC SPB Exchange approved acquisition of software in the amount of RUB 43,800 thousand from a subsidiary of the shareholder having significant influence. Acquisition took place on 6 September 2021.

In September 2021, a new Board of Directors of PJSC SPB Exchange was elected. The new Board of Directors consist of 15 members, including representatives of key financial market participants, shareholders of SPB Exchange and independent directors.

In October 2021 three executives of the Group took part in the option program introduced in 2018 by signing the shareholders' agreements.

In October 2021 the Group continued realizing the share option program (SOP) for management of the Group, as well as started the new SOP for members of the Group's board. Under new SOP, Association NP RTS grants certain options to buy shares of SPB Exchange from Association NP RTS at a fixed price; certain options may be exercised conditionally.

Authorized and signed on behalf of management of PJSC SPB Exchange:



R.Y. Goryunov
General Director
PJSC SPB Exchange



3 November 2021

Independent auditor's report
on the consolidated financial statements of
Public Joint-Stock Company "SPB Exchange"
and its subsidiaries
for 2020 and 2019

November 2021

**Independent auditor's report
on the consolidated financial statements of
Public Joint-Stock Company "SPB Exchange"
and its subsidiaries**

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Independent auditor's report

To the shareholders and the Board of Directors of
Public Joint-Stock Company "SPB Exchange"

Opinion

We have audited the consolidated financial statements of Public Joint-Stock Company "SPB Exchange" (the Company) and its subsidiaries (the Group) (formerly PJSC "Saint-Petersburg Exchange), which comprise the consolidated statement of comprehensive income for 2020 and 2019, the consolidated statement of financial position as at 31 December 2020 and 31 December 2019, the consolidated statement of changes in equity and the consolidated statement of cash flows for 2020 and 2019, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020 and 31 December 2019, and its consolidated financial performance and consolidated cash flows for 2020 and 2019, in accordance with International Financial Reporting Standards (IFRS).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the *Auditor's responsibility for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter

We draw attention to Note 1 "Corporate information" and Note 35 "Events after the reporting period" to the consolidated financial statements, which disclose the fact that on 2 July 2021 the Company changed its legal name from PJSC "Saint-Petersburg Exchange" to PJSC "SPB Exchange". Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for 2020 and 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key audit matter	How our audit addressed the key audit matter
<p>Recognition of revenue</p> <p>The major part of the Group's revenue for 2019 and 2020 that includes fees for clearing center services and fees for the stock market services is recognized based on information automatically generated by the Group's trading and clearing system. Modules of the trading and clearing system process significant volumes of data on transactions in the stock market and clearing transactions, calculate the amounts of fees based on various tariff plans and transfer these data to the accounting systems.</p> <p>The recognition of revenue in the Group's consolidated financial statements greatly depends on the corresponding highly complex information systems and the availability of reliable control procedures.</p> <p>Due to the significance of revenue indicators and the exposure to the risk of inadequate functioning of automated and manual controls, this matter was considered one of the most significant matters for our audit.</p> <p>Information on revenue is presented in Note 7 <i>Fee and commission income</i>.</p>	<p>Our audit procedures with respect to fees for clearing center services and fees for the stock market services included, among others, the following:</p> <ul style="list-style-type: none"> ▶ Analysis of the Group's accounting policy with respect to revenue recognition and its comparison with key principles of IFRS 15 <i>Revenue from Contracts with Customers</i>; ▶ Analysis of the control environment ensuring the functioning of information technologies and calculations, information systems related to accounting for revenue, as well as controls over changing and segregating user rights and testing of these controls, as well as analysis of data transfer procedures, involving our specialists with information technology competences; ▶ Tests of design and operational efficiency of controls over the revenue recognition process, including the collection of data on trading volumes, authorization of changes in tariff plans and input of these data in automated systems, as well as analysis of the fee calculation algorithm; ▶ Selective reconciliation of data on tariffs included in the automated calculation systems with approved orders and published tariff plans;

Key audit matter	How our audit addressed the key audit matter
	<ul style="list-style-type: none"> ► Recalculation of the amounts of fees on a selective basis and analytical procedures that include, in particular, analysis of the dependency of fee income on trading volumes; ► Reconciliation of revenue data in automated calculation systems with revenue data included in accounting systems; ► Procedures to obtain independent confirmations from the Group's counterparties with respect to accounts receivable balances on a selective basis; ► Selective reconciliation of cash proceeds from counterparties with invoices issued to them. <p>We also analyzed fee and commission income disclosed in the consolidated financial statements.</p>

Accounting for a business combination due to the acquisition of PJSC Best Efforts Bank

As described in Note 5 *Business combination under common control*, the Group recognized the acquisition of control over PJSC Best Efforts Bank (the Bank) as a business acquisition under common control.

The Group recalculated its financial indicators as if the controlling ownership interest in the Bank had been transferred in the earliest period presented regardless of the actual date of the combination. The above matter was one of the most significant matters for our audit as the process of recalculating the Group's financial indicators in order to include the Bank's financial information in the consolidated financial statements for 2019 and 2020 was complicated and involved a number of judgments with respect to the application of a unified accounting policy, as well as the conclusion that the Bank and the Group were under common control at the date of the business combination.

In the course of our audit procedures, we analyzed the recalculation of the Group's financial indicators as at 31 December 2019 and 31 December 2020, as well as for 2019 and 2020 performed due to the inclusion of the Bank's financial information in the consolidated financial statements. We also reviewed the recognition of the Bank's assets and liabilities at their adjusted carrying amounts considering the requirement of a unified accounting policy for the Group's organizations, and analyzed management's conclusion that the Bank and the Group were under common control. We studied the documents confirming the owner of the Bank and the Group at the date of the business combination. We reviewed the disclosures in the consolidated financial statements that relate to the business combination.

Other information included in the "Annual report of PJSC Saint-Petersburg Exchange for 2020"

Other information consists of the "Annual report of PJSC Saint-Petersburg Exchange for 2020" other than the consolidated financial statements and our auditor's report thereon. Management is responsible for the other information.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and the Audit Committee of the Board of Directors for the consolidated financial statements

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

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

The Audit Committee of the Board of Directors is responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management and related disclosures.
- ▶ Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide the Audit Committee of the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and have communicated with these parties all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, threat mitigation actions or related safeguards.

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

The partner in charge of the audit resulting in this independent auditor's report is E.V. Zaichikova.



E.V. Zaichikova
Partner
Ernst & Young LLC

3 November 2021

Details of the audited entity

Name: Public Joint-Stock Company "SPB Exchange"
Record made in the State Register of Legal Entities on 21 January 2009, State Registration Number 1097800000440.
Address: Russia 127006, Moscow, Dolgorukovskaya ulitsa, 38, building 1, floor 2, unit 1, offices 19, 20.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	2020	2019
Fee and commission income	7	2,769,426	539,568
Interest income	8	279,333	170,722
Net trade and investment income/(expenses)	9	16,743	(12,033)
Net income from dealing in foreign currencies	10	75,016	17,348
Other operating income		154,287	-
Total operating revenue		3,294,805	715,605
Direct operating expenses	11	(902,785)	(300,622)
Interest expense	12	(53,960)	(50,390)
Provision for impairment of financial assets	13	(8,524)	(3,593)
Gross operating result		2,329,536	361,000
Administrative expenses	14	(713,398)	(355,139)
Other income		1,948	114
Other expenses	15	(22,193)	(5,000)
Profit before tax		1,595,893	975
Income tax expense	16	(327,079)	(6,910)
Profit/(loss) for the period		1,268,814	(5,935)
Profit/(loss) attributable to:			
Equity holders of the parent		1,197,635	(26,545)
Non-controlling interest	28	71,179	20,610
Profit/(loss) for the year attributable to SPB shareholders per ordinary share:	27		
- Basic earnings/(loss) per share, RUB		11.41	(0.35)
- Diluted earnings/(loss) per share, RUB		10.94	(0.35)
Other comprehensive (loss)/income, including:		(5,694)	29,193
(Losses)/gains from revaluation of financial assets at fair value through other comprehensive income (less income tax)		(5,694)	29,193
Total comprehensive income		1,263,120	23,258
Attributable to:			
Equity holders of the parent		1,193,437	(5,020)
Non-controlling interest		69,683	28,278

Authorized and signed on behalf of management of PJSC SPB Exchange:



 R.Y. Goryunov
 General Director
 PJSC SPB Exchange
 3 November 2021

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

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	31 December 2020	31 December 2019
Assets			
Cash and cash equivalents	17	11,089,421	1,142,457
Financial assets at amortized cost	18	5,749,976	5,793,639
Financial assets at fair value through other comprehensive income	19	750,848	696,994
Financial assets at fair value through profit or loss	20	561	746
Intangible assets	21	584,987	64,795
Property and equipment	22	105,729	97,255
Current income tax assets		20	506
Deferred tax assets	16	31,334	88,373
Other assets	24	14,133	5,522
Total assets		18,327,009	7,890,287
Equity and liabilities			
Liabilities			
Financial liabilities at amortized cost	25	14,693,117	6,512,715
Financial liabilities at fair value through profit or loss	26	131,805	39,184
Current income tax liability		23,263	12,826
Other liabilities	27	48,014	38,345
Total liabilities		14,896,199	6,603,070
Equity			
Share capital	28	427,823	316,050
Treasury shares		—	(24,869)
Share premium	28	1,266,954	54,588
Revaluation reserve	28	4,250	8,448
Retained earnings	28	1,194,844	479,332
Other contributions by shareholders	28	142,924	142,214
Total equity attributable to equity holders of the parent		3,036,795	975,763
Non-controlling interests	29	394,015	311,454
Total equity and reserves		3,430,810	1,287,217
Total equity and liabilities		18,327,009	7,890,287

Authorized and signed on behalf of management of PJSC SPB Exchange:



 R.Y. Goryunov
 General Director
 PJSC SPB Exchange
 3 November 2021

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

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to equity holders of the parent						Non-controlling interests	Total equity and reserves
		Share capital	Treasury shares	Share premium	Revaluation reserve	Other contributions by shareholders	Retained earnings		
Balance at 1 January 2019		316,050	(64,220)	54,588	(13,077)	120,624	520,871	322,622	1,257,458
Income/(loss) for the period		-	-	-	-	-	(26,545)	20,610	(5,935)
Other comprehensive income (revaluation of financial assets at fair value through other comprehensive income)		-	-	-	21,525	-	-	7,668	29,193
Total comprehensive income/(loss) for the period		-	-	-	21,525	-	(26,545)	28,278	23,258
Other contributions by shareholders		-	-	-	-	21,620	-	-	21,620
Transactions with treasury shares		-	39,351	-	-	-	93,649	-	133,000
Transactions with shares of subsidiaries not resulting in loss of control		-	-	-	-	(30)	(1,663)	1,693	-
Dividends paid	27	-	-	-	-	-	(106,980)	(41,139)	(148,119)
Balance at 31 December 2019		316,050	(24,869)	54,588	8,448	142,214	479,332	311,454	1,287,217

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)

Authorized and signed on behalf of management of PJSC SPB Exchange:

3 November 2021



PJSC SPB Exchange

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	2020	2019
Cash flows from operating activities			
Profit/(loss) before income tax		1,595,893	975
<i>Adjustments:</i>			
Depreciation of property and equipment and amortization of intangible assets	21, 22	27,716	16,667
Loss from write-off of intangible assets and revaluation of fixed assets	14, 21, 22	29,429	–
Net change in ECL allowances	13	8,524	3,593
Interest income	8	(279,333)	(170,722)
Interest expense	12	53,960	50,390
Net (gains)/losses from revaluation of foreign currency-nominated assets and liabilities	10	(205,602)	52,644
Operating profit/(loss) before changes in working capital and provisions		1,230,587	(46,453)
Changes in working capital			
Decrease/(increase) in financial assets at amortized cost	18	1,270,782	(3,264,998)
Decrease in financial assets at fair value through profit or loss	20	129	2,839
Increase/(decrease) in financial liabilities at amortized cost	24	6,904,220	2,963,868
Increase in financial liabilities at fair value through profit or loss	25	92,621	36,642
Decrease/(increase) in other assets	23	(8,611)	(4,519)
Increase/(decrease) in other liabilities	26	9,669	24,180
Cash flows from / (used in) operating activities before income tax and interest paid		9,499,397	(288,441)
Interest paid		(56,387)	(55,283)
Interest received		283,217	169,513
Income tax paid	16	(252,163)	(19,451)
Net cash flows / (used in) from operating activities		9,474,064	(193,662)
Cash flows from investing activities			
Net (increase)/decrease in financial assets at fair value through other comprehensive income	19	(17,505)	893,901
Acquisition of property and equipment and intangible assets	21, 22	(287,152)	(8,325)
Loans issued	18	(216,000)	(48,200)
Repayment of loans issued		63,731	7,517
Purchase of shares of subsidiaries		(10,001)	–
Redemption of debt securities		–	20,051
Proceeds from dividends on securities		56	–
Other proceeds		1,000	–
Net cash flows (used in) / from investing activities		(465,871)	864,944

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

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
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CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	Note	2020	2019
Cash flows from financing activities			
Proceeds from issue of shares	28	817,001	–
Dividends paid	27	–	(148,119)
Acquisition of treasury shares		–	(87,945)
Disposal of treasury shares, including under option program		3,806	238,899
Shareholder contributions		850	21,775
Repayment of lease liabilities		(6,340)	(3,598)
Net cash flows from financing activities		815,317	21,012
Net increase in cash and cash equivalents		9,823,510	692,294
Effect of exchange rate changes on cash and cash equivalents		126,502	(69,578)
Cash and cash equivalents at the beginning of the period less allowance for impairment	17	1,142,457	519,786
Change in allowance for impairment		(3,048)	(45)
Cash and cash equivalents at the end of the period less allowance for impairment	17	11,089,421	1,142,457

Authorized and signed on behalf of management of PJSC SPB Exchange:



 R.Y. Goryunov
 General Director
 PJSC SPB Exchange
 3 November 2021

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

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Principal activities

Public Joint-Stock Company “SPB EXCHANGE” (formerly, “SAINT PETERSBURG EXCHANGE”) (hereinafter, “SPB Exchange”) was established on 21 January 2009 following the reorganization of Non-Profit Partnership Stock Exchange Saint-Petersburg established in 2002 into Open Joint-Stock Company Saint-Petersburg Exchange. In 2015, the charter documents were amended so that Open Joint-Stock Company Saint-Petersburg Exchange was renamed into Public Joint-Stock Company “SAINT PETERSBURG EXCHANGE”. As disclosed in Note 35 “Events after the reporting period” on 2 July 2021 a new legal name PJSC SPB Exchange had been registered.

PJSC SPB Exchange is located in the Russian Federation, Moscow, Dolgorukovskaya str., 38, building 1.

PJSC SPB Exchange together with its subsidiaries constitutes an integrated stock exchange structure (hereinafter, the “Group”).

The principal activities of the SPB Exchange are the stock market services and commodities market services.

As at the date of preparation of these consolidated financial statements, there are more than 1,700 Russian and foreign instruments (shares, depositary receipts and bonds) listed on PJSC SPB Exchange. The foreign instruments mainly include shares included in S&P 500 and securities of European issuers.

The shares of PJSC SPB Exchange are listed on PJSC SPB Exchange.

At 31 December 2020, the Group employed 200 employees (31 December 2019: 141).

All the Group companies are registered in the Russian Federation.

In 2020, the SPB Exchange acquired shares of PJSC Best Efforts Bank (hereinafter, the “Bank”) following a contribution by the Group’s major shareholder – Association of Financial Market Participants Nonprofit Partnership for the Development of the Financial Market RTS (hereinafter, “NP RTS Association”) of the Bank’s shares to pay for the additional issue of shares of PJSC SPB Exchange. This information is disclosed in Note 5 *Business combination under common control*.

In November 2020, Joint-Stock Company Best Stocks was incorporated. The founders of the company are PJSC SPB Exchange and PRYTEK INVESTMENT HOLDINGS PTE LTD. The SPB Exchange owns 50.1% of the share capital of JSC Best Stocks. The principal activities of JSC Best Stocks are the provision of analytical data.

The Group’s structure is presented below:

	Share of controlled capital, %		Activity
	31 December 2020	31 December 2019	
PJSC SPB Exchange			Parent
			Trading arrangements services in stock and commodity markets, repository activities
CC Clearing Center MFB (JSC)	96.71	84.09	Clearing and central counterparty services
PJSC Best Efforts Bank	73.73	73.73	Brokerage services, depository services, settlement depository services, banking transactions services
JSC Best Execution	70.44	69.61	Information and technical support services
JSC Voskhod	100.00	100.00	Computer and IT-related services
JSC Best Stocks	50.10	–	Provision of analytical data

Central Counterparty Clearing Center MFB (joint-stock company) (hereinafter, “CC Clearing Center MFB (JSC)”) is registered at the US tax authority (The Internal Revenue Service (IRS)) as a Participating Foreign Financial Institution under registration number (Global Intermediary Identification Number (GIIN)) V77P0L.99999.SL.643. PJSC Best Efforts Bank is also registered at the Internal Revenue Service as a Participating Foreign Financial Institution under registration number (Global Intermediary Identification Number (GIIN)) B57WNA.99999.SL.643. The Internal Revenue Service assigned PJSC Best Efforts Bank Qualified Intermediary – Employer Identification Number (QI-EIN) 98-0242949.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1. CORPORATE INFORMATION (continued)

As at 31 December 2020 and 31 December 2019, the voting shares of PJSC SPB Exchange were held by the following shareholders:

	31 December 2020	31 December 2019
NP RTS Association	54.12%	60.71%
Freedom Holding Corp.	12.82%	–
PJSCB DERZHAVA	5.77%	4.52%
Other shareholders with less than 5% votes	27.29%	34.77%
Total shares	100.00%	100.00%

As at 31 December 2020, 7.16% (31 December 2019: 11.25%) of the share capital of PJSC SPB Exchange were owned by individuals, including the Group's key management personnel. These shareholders concluded shareholders' agreements with the NP RTS Association, according to which the NP RTS Association may provide shareholders with mandatory instructions on voting during general shareholders' meetings. As at 31 December 2020, the total voting share of the NP RTS Association, the shareholders' agreements included, was 61.28% (31 December 2019: 71.97%).

On 30 April 2021, the Group has issued its consolidated financial statements for the year 2020 and 2019. The current financial statements are issued in addition to those financial statements to provide the readers with information on the subsequent events occurred between 30 April 2021 and the date of approval of these financial statements, as well as to provide certain additional disclosures on the Group's operations. The following changes were made in these consolidated financial statements compared to the Group's consolidated financial statements approved on 30 April 2021:

- These consolidated financial statements exclude comparative financial information as of and for the year ended 31 December 2018;
- Basic and diluted earnings per share were disclosed taking into account adjusting subsequent event – split of shares (see Note 27 and Note 35);
- The Group changed the approach to the management accounts' analysis and presented the segment analysis in Note 29 in different, more comprehensive way;
- The Group added disclosures on transactions with related parties-trading participants and on acquisition of intangible assets from related parties in Note 34;
- The Group updated disclosure on subsequent events in Note 35.

2. BASIS OF PRESENTATION

Basis of presentation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

PJSC SPB Exchange, CC Clearing Center MFB (JSC) and PJSC Best Efforts Bank maintain accounting records in accordance with Industry-Specific Accounting Standards (hereinafter, "ISAS") approved by the Bank of Russia for non-credit and credit financial institutions. Other companies of the Group maintain accounting records in accordance with Russian Accounting Standards (hereinafter, "RAS") developed by the Russian Ministry of Finance. The accompanying consolidated financial statements based on the accounting records have been appropriately adjusted to conform to IFRS requirements.

The consolidated financial statements have been prepared under the historical cost convention except for owned buildings and certain financial assets and liabilities measured at fair value in accordance with IFRS 9.

These consolidated financial statements have been presented as if PJSC Best Efforts Bank was under the Group's control since the date when the controlling shareholder of the Group acquired control over the Bank, and the SPB Exchange owned the same share as it owned as at 31 December 2020. Given these circumstances, it was possible to consolidate PJSC Best Efforts Bank retrospectively: 2019 comparative figures were restated to include the Bank's financial position and performance.

2. BASIS OF PREPARATION (continued)

The Bank's financial indicators were included in the consolidated financial statements based on the pooling of interests method; therefore, the Bank's assets and liabilities in each group were not measured at fair value for the purposes of business combinations except for certain assets of the Bank, such as financial assets and liabilities at fair value and the owned building that the Bank always measured at fair value. Other assets and liabilities were measured based on amounts included in the financial statements of PJSC Best Efforts Bank prepared in accordance with IFRS, which were initially included in the consolidated financial statements of the NP RTS Association.

Key estimates and assumptions

These consolidated financial statements have been prepared using the going concern basis of accounting. The Group has no intention or need to reduce operating activities.

Management and shareholders intend to keep developing the stock exchange business and accompanying services. Management assessed the Group's ability to continue as a going concern in the nearest future under external influence on the going concern. The going concern assumption of the Group is based on high capital adequacy ratios, a balanced structure of assets and liabilities and the ability to effectively manage processes both within the Group and when interacting with other financial market participants, as well as a high potential for the development of financial services in the Russian Federation. Based on previous experience, management believes that short-term liabilities will be easily refinanced in the normal course of business.

The preparation of financial statements requires making estimates and assumptions that may affect the reported amounts of assets and liabilities, including disclosed amounts of income and expenses generated during the reported period. The major part of the Group's accounting policies includes the most significant provisions reflecting its financial position and performance and requiring the Group's management to make the most complex, subjective and comprehensive assumptions.

Due to the uncertainty of factors related to accounting estimates and judgments used in the preparation of the Group's financial statements, actual results may vary from these estimates.

Sections of the financial statements deemed the most important by the management, which are affected by professional estimates and assumptions, are presented below.

Fair value measurement of financial instruments. In determining fair values of financial instruments, the Group uses observable market inputs to the extent that they are available. If there are no such inputs, the Group uses internal assessment models to determine the fair value of financial instruments.

Lease liabilities and right-of-use assets measurement. The Group determines the expected lease term based on management's plans rather than on contractual obligations. The present value of lease liabilities is calculated based on borrowing rates applicable to each lessee in accordance with IFRS 16.

Impairment of property and equipment and intangible assets. At each reporting date, management assesses the carrying amounts of tangible and intangible assets to identify possible indications that they may be impaired. Measurement of impairment loss is subjective.

Allowance for expected credit losses (ECL allowance) for financial assets at amortized cost and debt financial assets at fair value through other comprehensive income. At each reporting date, management assesses expected credit losses. Impairment for these assets are calculated as the difference between all the contractual cash flows and all the cash flows that the entity expects to receive. Expected credit losses are determined based on the probability of default of a counterparty (PD) applied to the exposure at default (EAD) of the asset, and loss given default of a counterparty (LGD) considering the time value of money. Estimation of probability of default, changes in credit risk and exposure at default requires the Group's management to apply professional judgment.

Useful lives of property and equipment. The estimation of the useful life of an item of property and equipment is subject to management's judgment, which is based on the experience of using other similar assets. In determining the useful life of assets, management considers such factors as the pace of technical obsolescence, physical wear and conditions of use. Changes in the factors may affect depreciation rates in the future.

Useful lives of intangible assets. The Group assesses initially the useful live of intangible assets and reconfirm it annually. In assessing the useful life of an asset, management considers such factors as the expected use of an asset, usual life cycle, technical obsolescence, etc.

2. BASIS OF PREPARATION (continued)

Taxation

The provisions of the Russian tax legislation may be interpreted ambiguously.

Management's interpretation of tax legislation as applied to the Group's transactions and activities may be challenged by the relevant regional or federal authorities. The tax authorities may take a more assertive position in their review of tax assessments, and it is possible that transactions and activities that have not been challenged in the past may be challenged. As a result, additional taxes, penalties and interest may be accrued.

Management believes that the Group's interpretation of the tax legislation is appropriate and that its tax positions will be sustained. Usually, tax authorities review taxpayers' tax returns for the last three calendar years preceding the year of review. However, completed tax reviews do not exclude the possibility of additional tax reviews by a higher-level tax authority.

The Group recognizes deferred tax assets and liabilities as a result of expected future tax consequences of differences between the amounts of assets and liabilities in the consolidated financial statements and their tax bases, and as a result of the use of prior year tax losses in future periods and provision of tax credits at tax rates that are expected to be effective at the time of reversal of these differences.

Functional and presentation currency

The monetary unit used as the functional currency and the presentation currency of these consolidated financial statements is the Russian ruble (RUB or ruble), which reflects the nature of the Group's business. The financial statements are presented in thousands of Russian rubles, unless otherwise indicated.

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES

Consolidated financial statements

Subsidiaries are all companies, in which the Group directly or indirectly owns more than half of the voting shares or controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the those companies. The existence and effect of potential voting rights that are presently exercisable or presently convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date when control is transferred to the Group (acquisition date) and are deconsolidated from the date when such control ceases.

The Group accounts for business combinations by applying the acquisition method except for business combination under common control. The consideration transferred in a business combination is measured at fair value, which is the sum of the acquisition-date fair values of the assets, the liabilities incurred and the equity interests issued. In case the business combination results from a single transaction, the acquisition date is the date of which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquire – the closing date. In case the business combination is performed in stages by gradually acquiring shares, the acquisition date is the date on which it obtains control over a subsidiary.

All intragroup transactions, balances and unrealized gains on those transactions are eliminated. Unrealized losses are also eliminated, unless the cost cannot be recovered. The SPB Exchange and all its subsidiaries use unified accounting policies, consistent with the Group's policies.

The non-controlling interest is the part of the net results and equity in a subsidiary not attributable, directly or indirectly, to the Group. The non-controlling interest forms a separate component of the Group's equity.

Business combinations under common control

The acquisition of subsidiaries from controlling shareholders by the Group is recognized as transactions under common control and accounted for using the pooling of interests method. The assets and liabilities of an acquired subsidiary are not necessarily measured at fair value for the purposes of business combinations. The assets and liabilities of an acquired subsidiary are included in the consolidated financial statements of the Group retrospectively since the date the controlling shareholder of the Group obtained control over this subsidiary. Comparatives as at previous reporting dates are restated including financial results and financial position of an acquired subsidiary.

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

The consideration transferred in a business combination is measured at fair value, which is the sum of the acquisition-date fair values of the assets, the liabilities incurred and the equity interests issued. In case the business combination results from a single transaction, the acquisition date is the date of which the acquirer legally transfers the consideration, acquires the assets and assumes the liabilities of the acquire – the closing date. In case the business combination is performed in stages by gradually acquiring shares, the acquisition date is the date on which it obtains control over a subsidiary. The financial result of business combinations under common control is directly taken to the Group's retained earnings.

Investment in associates

Associates are entities in which the Group generally has between 20% and 50% of the voting rights, or is otherwise able to exercise significant influence, but over which the Group does not obtain control or joint control. Investment in associates is accounted for under the equity method and is initially recognized at cost, including goodwill. Subsequent changes in the carrying amount reflect the post-acquisition changes in the share of net assets of the associate. The Group's share of its associates' profits or losses is recognized in the consolidated statement of comprehensive income, and its share of movements in provisions is recognized in other comprehensive income. However, when the Group's share of losses in an associate equals or exceeds the cost of investment in the associate, the Group does not recognize further losses, unless the Group is obliged to make further payments to, or on behalf of the associate.

Unrealized gains on transactions between PJSC SPB Exchange and its associates are eliminated in proportion of the Group's share in the associates; unrealized losses are also eliminated unless the evidence of an impairment of the asset is provided.

Cash and cash equivalents

Cash and cash equivalents comprise cash, cash on clearing accounts with credit institutions, and bank deposits maturing within less than 3 months from the origination date.

Financial instruments

Classification of financial assets

Financial assets are classified as subsequently measured at **amortized cost, at fair value through other comprehensive income or at fair value through profit or loss**, based on the following:

- (a) The Group's business model for managing financial assets.
- (b) The financial asset's contractual cash flow characteristics.

A financial asset is measured at **amortized cost** if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at **fair value through other comprehensive income** if both of the following conditions are met:

- (a) The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at **fair value through profit or loss** unless it is measured at amortized cost or fair value through other comprehensive income.

The Group may make an irrevocable election at initial recognition of certain investments in equity instruments that otherwise would be measured at fair value through profit or loss to present subsequent changes in their fair value in other comprehensive income.

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

At initial recognition, the Group may make an irrevocable election to designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise due to the use of different bases to measure assets or liabilities or the recognition of associated profit or loss.

Classification of financial liabilities

Financial liabilities are classified as measured subsequently at amortized cost, except:

- (a) Financial liabilities at fair value through profit or loss.
- (b) Financial liabilities arising when the transfer of a financial asset does not qualify for derecognition or the principle of accounting for continuing involvement is applied.
- (c) Financial guarantee contracts. After initial recognition, a party issuing such contract should subsequently measure such contract at the higher of the following:
 - (i) Amount of provision for losses, and
 - (ii) Initially recognized amount less, as applicable, total amount of income recognized in accordance with IFRS 15.
- (d) Loan commitments at below-market interest rates. A party assuming such commitment should subsequently measure it at the higher of the following:
 - (i) Amount of provision for losses, and
 - (ii) Initially recognized amount less, as applicable, total amount of income recognized in accordance with IFRS 15.
- (e) Contingent consideration recognized by the acquirer under the business combination regulated by IFRS 3. Such contingent consideration is measured subsequently at fair value through profit or loss.

Recognition of financial instruments

The Group recognizes financial assets or liabilities in the statement of financial position when it becomes a party to the contractual provisions of the instrument.

Measurement of financial instruments

Except for trade accounts receivable, initially, the Group measures a financial assets or financial liability at fair value which is increased or decreased, for financial assets or liabilities not measured at fair value through profit or loss, by transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

At initial recognition, the Group measures trade accounts receivable at cost that approximates fair value at origination date.

Subsequent to initial recognition, the Group measures financial assets at:

- (a) Amortized cost;
- (b) Fair value through other comprehensive income;
- (c) Fair value through profit or loss.

Subsequent to initial recognition, the Group measures financial liabilities at amortized cost and at fair value through profit or loss.

Amortized cost

Amortized cost is the amount at which a financial asset or liability is measured at initial recognition minus payments of principal, plus or minus the cumulative amortization calculated using the effective interest rate method (of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance).

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

Effective interest rate method

The effective interest rate method is a method of calculating the amortized cost of a financial asset and of allocating income or expense to the relevant period.

The effective interest rate is the rate that exactly discounts the estimated future cash inflows over the expected useful life of the debt instrument or a shorter period, where appropriate, to the net carrying amount at initial recognition.

The effective interest rate method is not used and the effective interest rate is not determined in the following cases:

- Financial instruments mature within less than one year at initial recognition.
- Financial instruments mature within more than one year at initial recognition, and the difference between the amortized cost of the financial instrument determined based on the effective interest rate method, and the amortized cost of the financial instrument determined on a straight-line basis is insignificant.
- Financial instruments mature on demand.

Fair values of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction on an organized market between two willing independent parties, other than in a forced sale or liquidation, and is best evidenced by the quoted market price of a financial instrument.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its *highest and best use* or by selling it to another market participant that would use the asset in its highest and best use. The Group uses valuation models that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The following methods and assumptions are used to measure fair value:

- Cash and cash equivalents, accounts receivable and payable approximate their carrying amounts mainly due to the short maturity of these instruments.
- The fair value of loans and borrowings is calculated by discounting future cash flows using market interest rates on debt liabilities issued on similar terms and having similar credit risk and remaining maturities.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques using inputs, which have a significant effect on the recorded fair value, that are not based on observable market data.

Recognition of expected credit losses

The Group recognizes an allowance for ECL for financial assets at amortized cost and debt financial assets at fair value through other comprehensive income.

The ECL allowance for financial assets at fair value through other comprehensive income is recognized in other comprehensive income and does not decrease the carrying amount of the financial asset in the statement of financial position.

The Group measures the ECL allowance for a financial instrument in the amount equal to expected credit losses over the entire life if there has been a significant increase in credit risk since the date of initial recognition. For accounts receivable, the Group measures the ECL allowance in an amount equal to lifetime expected credit losses.

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

If credit risk of a financial instrument has not increased significantly since its initial recognition, the Group measures the ECL allowance for this financial instrument in an amount equal to 12-month expected credit losses.

If in the previous reporting period the Group assessed the ECL allowance for a financial instrument in an amount of lifetime expected credit losses, and determines at the current reporting dates that the requirements have not been met, the Group assesses the allowance in an amount equal to 12-month expected credit losses at the current reporting dates.

The Group recognizes the amount of expected credit losses (or its reversal), required to adjust the allowance for losses at the reporting dates to the amount that should be recognized in accordance with IFRS 9, within profit or loss as impairment profit or loss.

Derecognition

The Group writes off financial assets only when the contractual rights to the cash flows from the assets expire, or when it transfers the financial asset and the respective risks and rewards to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize its interest in such asset and the associated liabilities. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, it continues to recognize the financial asset and recognizes the amounts received on such transfer as a secured loan. The Group also derecognizes assets received under reverse repurchase transactions when no obligations arise to pay ultimate buyers any amounts if the Group does not receive equivalent amounts on the initial asset.

Repurchase and reverse repurchase agreements

Securities sold under an obligation to repurchase on a specified date in the future (direct repo agreements) are not derecognized in the statement of financial position. The respective amount of cash received including interest accrued is recognized in the statement of financial position within financial liabilities at amortized cost. The difference between the sale price and the subsequent repurchase price is treated as interest expense within respective line item of consolidated statement of comprehensive income and accrued over the life of the agreement using the effective interest rate method.

Securities acquired with an obligation to sell at a specified date in the future (reverse repurchase agreements) are not recognized in the statement of financial position. The respective amount of cash paid including interest accrued is recognized in the statement of financial position within financial assets at amortized cost. The difference between the purchase price and the subsequent sale price is treated as interest income within respective line item of consolidated statement of comprehensive income and accrued over the life of the agreement using the effective interest rate method.

Acting as a central counterparty, CC Clearing Center MFB (JSC) becomes a party in each repo agreement between the clearing participants. Repo agreements of the central counterparty are recognized as financial assets and liabilities at amortized cost. Interest income and expense on repo transactions with the central counterparty are recognized on a net basis if they meet offsetting criteria in accordance with IAS 32 *Financial Instruments: Presentation*.

In cases stipulated by IFRS 9, CC Clearing Center MFB (JSC) derecognizes assets under reverse repurchase agreements when CC Clearing Center MFB (JSC) has no obligation to pay amounts to the ultimate recipients unless it collects equivalent amounts from the initial asset.

Assets and liabilities under repurchase agreements are partially set off in accordance with IAS 32. Offsetting of financial assets and financial liabilities in the consolidated statement of financial position is disclosed in Note 31.

Provisions – contingencies

Provisions are recognized when the Group has an obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

CONSOLIDATED FINANCIAL STATEMENTS FOR 2020 AND 2019
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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

The amount of the recorded provision is determined as the best estimate of the amount required to settle the liabilities at the reporting dates, taking into account the risks and uncertainties specific to such liabilities. When the provision is measured using the cash flows estimated to settle the liability, the provision for future expenses is determined as the discounted amount of such cash flows.

If payments required to settle the obligations are expected to be partially or fully reimbursed by a third party, the corresponding receivables are recognized as an asset if the Group is virtually certain that the reimbursement will be received and if the amount of such receivables can be reliably estimated.

Contingent assets and liabilities are not recognized in the financial statements but are disclosed if an inflow or outflow of economic benefits is possible.

Intangible assets

Intangible assets acquired separately

Intangible assets are initially measured at cost.

The cost of a separately acquired intangible asset comprises:

- (a) The purchase price of the intangible asset, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates; and
- (b) Any directly attributable cost of preparing the asset for its intended use.

Internally generated intangible assets

Development costs directly attributable to identifiable and unique software that is controlled by the Group are capitalized, and the internally generated intangible asset is recognized only if it is highly likely to generate future economic benefits exceeding costs beyond one year, and if the development costs can be reliably estimated. An internally generated intangible asset is recognized only if the Group has the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset. Direct cost includes personnel expenses, depreciation of equipment used to generate an intangible asset, and lease payments. Expenditure on research are recognized as an expense when incurred.

Subsequent measurement

Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Amortization is charged on a straight-line basis over the useful lives of intangible assets. The estimated useful live are reviewed at the end of each reporting period, with the effect of any changes in estimates being accounted for prospectively.

The estimated useful lives of intangible assets for the current and comparative periods are as follows:

Group	Useful life, years
Software	5-15
Licenses and other intangible assets	1-8

Derecognition of intangible assets

An intangible asset is derecognized upon sale or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Property and equipment

Property and equipment in the category *Buildings and constructions* owned by the Group, the fair value of which can be reliably measured, are carried at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Items of this category are remeasured at least once every three years.

Property and equipment of other groups are carried at acquisition cost less accumulated depreciation and any accumulated impairment loss.

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3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

The carrying amounts of property and equipment are reviewed by the Group at the end of each reporting year to assess whether they exceed recoverable amounts. If the carrying amount of property and equipment exceeds their recoverable amount, the carrying amount of property and equipment is reduced to their recoverable amount. Impairment is recognized in the respective period and is included in administrative expenses.

Depreciation is accrued to write off the cost of assets using the straight-line method over their expected useful lives. Expected useful lives and residual values of assets are reviewed at each year-end. Changes in these measurements are accounted for prospectively.

The table below presents the ranges of useful lives of property and equipment by group:

Group	Useful life, years
Buildings and constructions owned	10-50
Buildings and constructions leased	2-5
Office and other equipment	3-10
Furniture	3-10

Impairment of tangible assets and intangible assets

The carrying amount of assets, other than deferred tax assets, is reviewed annually for any indication of impairment. If any such impairment is identified, the recoverable amount of the corresponding assets is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, management estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is measured as the higher of fair value less costs to sell and value in use. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current assessments of the time value of money and the risks specific to the asset. For assets not generating cash flows independent of those from other assets, the recoverable amount is determined for all the cash-generating unit to which the asset belongs.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognized immediately in profit or loss.

After the recognition of an impairment loss the depreciation charge for property and equipment is adjusted in future periods to allocate the assets' revised carrying amount, less their residual value (if any), on a straight-line basis over their remaining useful lives.

Where an impairment loss reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. Reversal of impairment loss is recognized immediately in profit or loss.

Inventories are measured at the lower of cost and net realizable value.

Retirement obligations

In the course of its business, the Group makes mandatory contributions to the Pension Fund of the Russian Federation on behalf of its employees. Mandatory contributions to the governmental pension fund are recognized when incurred. Pension contributions are recognized within personnel expenses in the consolidated statement of comprehensive income.

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency transactions

Transactions in foreign currencies are recorded in the functional currency at the official foreign exchange rate of the Bank of Russia ruling at the date of the transaction. Monetary assets and liabilities nominated in foreign currencies at the reporting dates are translated to the functional currency at the exchange rate ruling at the reporting dates. Non-monetary assets and liabilities nominated in a foreign currency and recorded at historical cost are translated to the functional currency at the exchange rate effective at the date of the transaction. Non-monetary assets and liabilities nominated in foreign currencies that are recorded at fair value are translated to the functional currency at the exchange rate at the date the fair value was determined. Translation differences arising from changes in exchange rates are recognized within *Net income from foreign currencies transactions* in the consolidated statement of comprehensive income.

Exchange rates of the Russian ruble to key currencies, in which the Group operates, set by the Bank of Russia at the reporting dates are as follows:

	31 December 2020	31 December 2019
USD	73.8757	61.9057
EUR	90.6824	69.3406

Recognition of revenue

Revenue is recognized at the fair value of consideration received or receivable and represents the amount receivable for services provided in the normal course of business, net of VAT and discounts.

Fee and commission income

Fee and commission income and expense are recognized when services are rendered. Key types of fee and commission income are included in the following categories:

Clearing center services: CC Clearing Center MFB (JSC) collects payments for providing access to clearing services and a clearing fee comprising fixed and variable parts calculated based on tariff plans that apply to clearing participants, and other fees and commissions for providing services related to clearing.

Stock market services: SBP Exchange collects the following fees: a fixed fee for providing access to organized securities trading, a fee for issuing extracts from the register of applications and the register of contracts, and an exchange fee for concluding contracts to be paid by the trading participants of various categories.

Brokerage services: the Bank collects fees for providing services to professional financial market participants for granting access to the Russian (Saint-Petersburg and Moscow Exchanges) and international (CME Group, EBS currency market, American and European stock markets) platforms.

Information services: the Group generates revenue from providing summarized stock information on a subscription basis and data on risk rates that may be used to determine the amount of initial margin for brokers' customers. The amount comprises fixed and variable tariffs depending on the number of instruments for which the information is provided.

Servicing and maintaining bank accounts: the Bank collects fees from customers for opening and maintaining settlement and current accounts in rubles and foreign currencies, making payments in Russia and abroad, performing all types of cash transactions, acceptance and transfer of cash on accounts, online banking services using the "Client-Bank" system, purchase and sale of foreign currencies for rubles in cash and non-cash forms on stock and interbank markets, issue of statements of transactions and account status, issue of copies of payment documents, cash collection and forwarding of valuables, acting as a currency control agent, etc.

Repository services: as a repository, SPB Exchange collects fees for centralized post-trading collection and electronic storage of data on OTC transactions with financial instruments.

Listing services: SPB Exchange collects fees for performing preliminary document review, inclusion of securities in the List, listing of securities during placement (service rendered to issuers of securities) or during trading (service rendered to issuers of securities and other stakeholders), maintaining securities in the List, registration of exchange-traded bonds.

3. SUMMARY OF THE MOST SIGNIFICANT ACCOUNTING POLICIES (continued)

Commodity market services: SPB Exchange collects a fixed fee for providing access to trading and access of goods, as well as an exchange fee from participants trading in the commodity section of SPB Exchange for registration of exchange contracts. The amount of the exchange fee is calculated as a percentage of the amount of exchange contracts for a month and is limited by a minimal threshold.

Market maker services: the Bank as a market maker collects fees for services to maintain trading volumes in stock exchanges.

Depository transactions: the Bank collects fees for opening, maintaining of and issuing statements from depository accounts, issuing statements of transactions performed, performing inventory transactions with securities, registering securities in the shareholders' register and acting as a settlement depository.

Other operating income

The Group generates other income from brokerage activity, other than fee and commission income.

Recognition of interest income and expense

Interest income and expense are recognized on an accrual basis and calculated using the effective interest rate method, where applicable.

Income tax

Income tax expenses represent the sum of current and deferred taxes.

Current income tax

The amount of current tax is determined on the basis of taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expenses that are taxable or deductible in other periods, and does not include items that are never taxable or deductible. Current income tax liabilities are measured based on tax rates that have been enacted or substantively enacted at the reporting dates.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities as recognized in the consolidated financial statements and their tax base. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the temporary differences can be utilized. Tax assets and liabilities are not recognized in the financial statements if the temporary differences are related to goodwill or arise from the initial recognition of other assets and liabilities in transactions (other than business combinations) that affect neither the taxable profit nor the accounting profit.

Deferred income tax assets and liabilities are measured using tax rates and tax laws enacted or substantively enacted at the reporting dates and expected to apply in the period when the tax asset is realized or the liability is settled. The measurement of deferred tax liabilities and assets reflects tax consequences of management's intentions (as at the reporting dates) with respect to the methods used to recover or settle the carrying amount of assets and liabilities.

Deferred tax assets and liabilities are recorded on a net basis when there is a legally enforceable right to set off current tax assets against current tax liabilities related to income taxes levied by the same taxation authority and management intends to settle current tax assets and liabilities in such a way.

Current and deferred taxes for the reporting periods

Current and deferred taxes are recognized in profit or loss in the consolidated statement of comprehensive income, except when they relate to items directly credited or debited either in other comprehensive income or in equity (in that case the tax is also recognized directly in equity), or if they are recognized as a result of initial accounting for business combinations. The tax effect of business combinations is recorded when accounting for those transactions.

Earnings/loss per share

Earnings/loss per share are determined by dividing net profit or loss attributable to ordinary shareholders of the parent entity by the weighted average number of ordinary shares outstanding during the reporting year.

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4. NEW STANDARDS AND INTERPRETATIONS

The following amendments to the existing standards became effective on or after 1 January 2019:

IFRS 16 *Leases* became effective on 1 January 2019, and the Group changed its accounting policies amending the procedure for recognition, measurement, presentation and disclosure of leases in its financial statements.

The Group applied the standard using the modified retrospective method without restating comparative information. When adopting IFRS 16 *Leases*, the Group decided to use a practical expedient allowing not to revise the results of the previous assessment of transactions to identify leases. The Group applied IFRS 16 *Leases* only to those contracts that were previously identified as leases. Accordingly, the definition of a lease under IFRS 16 *Leases* was applied only to contracts concluded on or after 1 January 2019.

The Group recognizes right-of-use assets and lease liabilities at the lease commencement date. Right-of-use assets are initially measured at cost and subsequently at cost less accumulated depreciation and impairment losses, adjusted for the purposes of recognition of revalued lease liabilities.

Lease liabilities are initially measured at the present value of lease payments not yet made at the commencement date of the lease and discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. The Group uses the market borrowing rate as a discount rate.

Subsequently, the carrying amount of a lease liability is increased to reflect the accretion of interest and reduced for the lease payments made. It is remeasured where there is a change in future lease payments resulting from a change in an index or a rate, or where there is a change in the expected amounts payable under residual value guarantees, or a change in the assessment of whether the purchase or renewal options are reasonably certain to be exercised or the termination option is reasonably certain not to be exercised, where applicable.

The effect on the consolidated financial statements at the transition date:

	1 January 2019
Operating lease payments due (less than 1 year) recognized in the financial statements at 31 December 2018 within contingencies	7,474
Future lease payments under IFRS 16 considering the expected lease terms and renewal options	12,849
Effect of discounting	(2,453)
Lease liabilities	17,870
Right-of-use assets	17,870

At transition date, the Group recognized lease liabilities in the amount of RUB 17,870 thousand, and right-of-use assets in the equal amounts. The transfer to accounting for leases under IFRS 16 *Leases* had no impact on retained earnings for previous periods.

The following amendments to the existing standards became effective on 1 January 2020:

Amendments to IFRS 3: Definition of a Business

The amendments to IFRS 3 clarify that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, they clarify that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 7, IFRS 9 and IAS 39 *Financial Instruments: Recognition and Measurement* provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the consolidated financial statements of the Group as it does not have any hedging relationships that could be affected by the interest rate benchmark reform.

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4. NEW STANDARDS AND INTERPRETATIONS (continued)

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition which states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.”

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users of the financial statements. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

5. BUSINESS COMBINATION UNDER COMMON CONTROL

The report on the results of the additional issue of PJSC SPB Exchange’s securities was registered in March 2020. In the course of the issue, 745,154 ordinary shares at par value of RUB 150 per share were placed. The shares were purchased by both new investors and the existing shareholders of PJSC SPB Exchange. The shares were placed at RUB 1,777 per share. The total amount of cash contributed to pay for the placed securities was RUB 817,001 thousand. The NP RTS Association contributed ordinary shares of PJSC Best Efforts Bank of RUB 507,138 thousand to pay for the placed shares. As a result, PJSC SPB Exchange acquired control over PJSC Best Efforts Bank.

SPB Exchange and the NP RTS Association commonly owned the following interests in the share capital of PJSC Best Efforts Bank:

	31 December 2020	31 December 2019
NP RTS Association	25.36%	92.85%
PJSC SPB Exchange	73.73%	6.25%
Total ownership interest in the Bank	99.09%	99.10%

After acquiring 67.49% of shares of PJSC Best Efforts Bank from the NP RTS Association in January 2020, the ownership interest of SPB Exchange in the share capital of the Bank comprised 73.73%. As a result of the business combination under common control, the extent of control over PJSC Best Efforts Bank by SPB Exchange and its parent generally did not change. As the NP RTS Association is the controlling shareholder of SPB Exchange and was also the controlling shareholder of the Bank before the transfer of the Bank’s shares, the business combination is a common-control transaction. SPB Exchange’s 6.25% share in the share capital of the Bank acquired before January 2020 was remeasured at fair value as at the date of gaining control over the Bank.

The Group applied a retrospective approach to the recognition of the common-control transaction and the inclusion of performance indicators of PJSC Best Efforts Bank in these consolidated financial statements.

6. CHANGES IN COMPARATIVE INFORMATION

The items of the consolidated statement of comprehensive income and consolidated statement of financial position of these consolidated financial statements mainly differ from the indicators presented in the previous financial statements at the same reporting dates and for the same periods due to the application of a retrospective approach to the PJSC Best Efforts Bank consolidation. The Bank’s financial position and performance indicators less intragroup balances and turnovers comprise the difference.

The Group changed its accounting policies regarding the presentation of the consolidated statement of cash flows. Starting from the year ended 31 December 2020, the Group presents cash flows from operating activities using the indirect method instead of the direct method that had been applied in previous periods. The Group believes that the indirect method of presenting cash flows from operating activities shows more relevant and reliable information to users of the financial statements and investors since it corresponds to market practice and allows comparing indicators with those of industry peers. The consolidated statement of cash flows for the year ended 31 December 2019 is presented according to the new approach.

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6. CHANGES IN COMPARATIVE INFORMATION (continued)

In addition to the retrospective inclusion of the Bank in these consolidated financial statements and the amendment to accounting policies regarding the consolidated statement of cash flows, comparatives were adjusted as described below. These changes did not have any material effect on EPS for 2019.

Recognition of the option program under IFRS 2 *Share-based Payment*

The Group retrospectively revised the approach to the recognition of the option program. In 2018, the Group provided loans to employees to purchase PJSC SPB Exchange's shares with limited recourse on the following terms: loans were issued for five years at a below-market interest rate, the shares were pledged to the Group until a loans are repaid; and during the term of the loans, the employees should either repay the loan in cash (in which case shares become free from any encumbrances) or withdraw from the arrangement (in which case shares should be returned). During the term of the loans, employees were not required to achieve any performance conditions. According to IFRS 2 *Share-based Payment*, these arrangements are share-based payments that do not depend on subsequent achievement of a performance condition by the employees; therefore, these expenses are recognized in full at the grant date fair value of the remuneration. The terms of these arrangements are similar to the terms of options exercisable within five years. Accordingly, option fair value was measured based on the option valuation model. Earlier, these arrangements were recognized as disposal of treasury shares with deferred payment. Adjustments to the financial statements are presented below:

Item of the consolidated statement of financial position	Adjustments at 31 December 2019
Financial assets at amortized cost	(27,122)
Deferred tax assets	(677)
Effect of changes on assets	(27,799)
Treasury shares	(30,505)
Retained earnings	2,706
Effect of changes on equity and liabilities	(27,799)

Item of the consolidated statement of comprehensive income	Adjustments for 2019
Trade and investment income less expenses	264
Interest income	(2,390)
Administrative expenses	-
Income tax expense	425
Profit/(loss) for the period	(1,701)

Item of the consolidated statement of changes in equity	Adjustments for 2019			
	Treasury shares	Share premium	Retained earnings	Total
Disposal of treasury shares	(1,631)	(371)	-	(2,002)
Retained earnings	-	-	(1,701)	-

In 2020, loans payable by employees were transferred to the NP RTS Association.

Write-off of revaluation reserve for intangible assets

The Group revised retrospectively the approach to the recognition of a part of intangible assets earlier measured at fair value. The Group retrospectively excluded the revaluation reserve adjusting intangible assets to cost. Adjustments to the financial statements are presented below:

Item of the consolidated statement of financial position	Adjustments at 31 December 2019
Intangible assets	(75,204)
Deferred tax assets	4,236
Effect of changes on assets	(70,968)
Revaluation reserve	(70,146)
Uncovered loss	(822)
Effect of changes on equity and liabilities	(70,968)

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6. CHANGES IN COMPARATIVE INFORMATION (continued)

Item of the consolidated statement of comprehensive income	Adjustments for 2019
Administrative expenses	8,227
Income tax expense	(1,645)
Profit/(loss) for the period	6,582

Item of the consolidated statement of changes in equity	Adjustments for 2019		Total
	Revaluation reserve	Uncovered loss	
Amortization of revaluation reserve for intangible assets	4,765	(4,765)	-

Repurchase agreements concluded with the central counterparty Clearing Center MFB (JSC)

The Group recognizes repurchase agreements with certain counterparties on a net basis in accordance with IAS 32. Due to the clarification of criteria for offsetting counter claims, it became necessary to additionally recognize certain repurchase agreements in the consolidated statement of financial position without offsetting. Adjustments to the consolidated financial statements are presented below:

Item of the consolidated statement of financial position	Adjustments at 31 December 2019
Financial assets at amortized cost	41,158
Effect of changes on assets	41,158
Financial liabilities at amortized cost	(41,158)
Effect of changes on equity and liabilities	(41,158)

7. FEE AND COMMISSION INCOME

	2020	2019
Clearing center services	1,760,944	226,165
Stock market services	780,407	100,720
Brokerage services	134,237	122,677
Information services	24,916	20,862
Servicing and maintaining bank accounts	24,831	14,335
Repository services	9,790	7,777
Listing services	9,546	8,456
Commodity market services	6,442	8,784
Information and technical support services	6,353	5,197
Outsourcing	4,548	4,657
Market maker services	2,998	9,449
Depository operations	2,075	7,426
Other fee and commission income	2,339	3,063
Total	2,769,426	539,568

8. INTEREST INCOME

	2020	2019
Interest income on repurchase agreements	221,381	87,558
Interest income on financial assets at fair value through other comprehensive income	45,840	78,194
Interest income on loans issued	12,111	4,011
Interest income on amounts due from credit institutions	1	(75)
Interest income on financial assets at amortized cost	-	1,034
Total	279,333	170,722

Interest income of all categories is calculated based on the effective interest rate method.

9. NET TRADE AND INVESTMENT INCOME/(EXPENSES)

	2020	2019
Losses less gains from financial instruments mandatorily classified as at fair value through profit or loss	(5,066)	(21,287)
Gains less losses from derivative financial instruments with securities as an underlying asset	5,932	4,382
Gains less losses from financial instruments classified as at fair value through other comprehensive income	15,877	4,939
Losses less gains from recognition and derecognition of financial assets at amortized cost	-	(67)
Total	16,743	(12,033)

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10. NET INCOME FROM DEALING IN FOREIGN CURRENCIES

	2020	2019
Net losses from derivative financial instruments with foreign currency as an underlying asset, including	(77,646)	(4,149)
Swaps	(79,908)	(4,130)
Other derivative financial instruments	2,262	(19)
Net (losses)/gains from revaluation of foreign currency denominated assets and liabilities	205,602	(52,644)
Net gains/(losses) from purchase and sale of foreign currency	(52,940)	74,141
Total	75,016	17,348

11. DIRECT OPERATING EXPENSES

	2020	2019
Brokerage services	(602,167)	(146,154)
Market maker services	(120,217)	(11,143)
Clearing services	(76,844)	(24,401)
Depository services	(39,698)	(72,725)
Stock market services	(27,695)	(18,432)
Obtaining market data	(19,907)	(12,448)
Technical and software support services	(12,315)	(12,847)
Submitting applications	(3,942)	(2,091)
Other direct operating expenses	–	(381)
Total	(902,785)	(300,622)

12. INTEREST EXPENSE

	2020	2019
Interest expense on loans and borrowings	(28,336)	(39,906)
Interest expense on repurchase agreements	(22,167)	(8,416)
Interest expense on leases	(1,822)	(1,207)
Interest expense on current accounts and deposits from customers	(1,635)	(861)
Total	(53,960)	(50,390)

Interest expense of all categories is calculated based on the effective interest rate method.

13. ALLOWANCES FOR IMPAIRMENT OF FINANCIAL ASSETS

Information on changes in the allowance for impairment and expected credit losses (hereinafter, “ECL”) on the Group's financial assets is presented below:

	Financial assets at amortized cost						Total
	Cash and cash equivalents	Amounts due from financial institutions	Amounts transferred under repurchase agreements	Loans and borrowings issued	Debt securities	Accounts receivable	
Allowance at 31 December 2018	8	7,466	83	5,728	20	1,961	15,266
Net change in ECL allowance	45	(225)	80	4,201	(20)	(488)	3,593
Write-off against allowance	–	–	–	–	–	(422)	(422)
Allowance at 31 December 2019	53	7,241	163	9,929	–	1,051	18,437
Net change in ECL allowance	3,048	5,511	1,755	(4,474)	–	2,684	8,524
Write-off against allowance	–	–	–	–	–	(15)	(15)
Allowance at 31 December 2020	3,101	12,752	1,918	5,455	–	3,720	26,946

As at 31 December 2019, the Group charged 100% allowance on the investment in an associate for RUB 80 thousand. In 2020, the investment was written off against the allowance.

Allowances except for allowances for accounts receivable are charged for 12-month ECL. Allowances for accounts receivable are charged for lifetime ECL. There were no transfers of either assets or allowances between 12-month ECL and lifetime ECL categories during reporting periods.

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14. ADMINISTRATIVE EXPENSES

	2020	2019
Personnel expenses	(509,778)	(252,977)
Information and advisory services	(61,760)	(20,696)
Loss from write-off of intangible assets (Note 21) and revaluation of fixed assets (Note 22)	(29,429)	–
Maintenance and software support expenses	(16,698)	(8,524)
Amortization of intangible assets	(15,254)	(9,107)
License fees and intellectual property usage expenses	(14,066)	(8,981)
Taxes other than income tax	(12,884)	(9,032)
Depreciation of property and equipment	(12,462)	(7,560)
Communications	(11,878)	(11,916)
Office supplies	(8,193)	(3,184)
Current repair and maintenance	(6,193)	(5,874)
Banking	(4,193)	(6,585)
Representation expenses	(1,798)	(1,848)
Lease and maintenance of office premises and equipment	(1,020)	(1,176)
Advertising	(483)	(670)
Security	(230)	(306)
Insurance	(90)	(725)
Other	(6,989)	(5,978)
Total	(713,398)	(355,139)

15. OTHER EXPENSES

	2020	2019
Self-regulated organizations (SRO)	(7,000)	(5,000)
Other	(15,193)	–
Total other expenses	(22,193)	(5,000)

16. INCOME TAX

	2020	2019
Current tax	(268,641)	(8,755)
Deferred tax	(58,438)	1,845
Total	(327,079)	(6,910)

Reconciliation between the estimated and actual income tax is provided below:

	2020	2019
Profit (loss) before income tax	1,595,893	975
Tax at the statutory tax rate (20%)	(319,179)	(195)
Tax at tax rates other than the base rate	(995)	(3,262)
Adjustment on non-deductible expense	(6,905)	(3,453)
Total	(327,079)	(6,910)

The Group calculates income tax based on the tax accounts maintained in accordance with the Russian tax legislation, which may differ from International Financial Reporting Standards.

Deferred taxes reflect net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax base. Temporary differences are mainly related to the revaluation of buildings, revaluation of securities at fair value not included in the tax records, the ability to offset accumulated tax losses in future periods, and other differences in the tax value of certain assets and liabilities from that recorded in the financial statements.

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16. INCOME TAX (continued)

The main deferred tax assets and liabilities recognized by the Group and their movements during the reporting periods were as follows:

	Statement of financial position		Statement of comprehensive income, differences recorded within profit and loss for 2020	Statement of comprehensive income, differences recorded within equity for 2020
	At 31 December 2020	At 1 January 2020		
Tax effect of deductible temporary differences				
Cash and cash equivalents	620	11	609	–
Financial assets at fair value through profit or loss	66	32	34	–
Financial assets at amortized cost	1,528	3,564	(2,036)	–
Property and equipment	9,317	4,830	4,487	–
Intangible assets	2,317	351	1,966	–
Other liabilities	7,288	1,744	5,544	–
Tax losses carried forward	10,224	81,157	(70,933)	–
Other assets	738	–	738	–
Financial liabilities at amortized cost	3,757	444	3,313	–
Total tax effect of deductible temporary differences	35,855	92,133	(56,278)	–
Tax effect of taxable temporary differences				
Financial assets at fair value through other comprehensive income	(2,102)	(2,451)	(1,050)	1,399
Financial liabilities at amortized cost	(1,937)	–	(1,937)	–
Financial assets at fair value through profit or loss	–	(3)	3	–
Property and equipment	(443)	–	(443)	–
Intangible assets	(39)	(1,306)	1,267	–
Total tax effect of taxable temporary differences	(4,521)	(3,760)	(2,160)	1,399
Deferred tax assets	31,334	88,373	–	–
Deferred tax liabilities	–	–	–	–
Deferred tax expense/benefit	–	–	(58,438)	1,399

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16. INCOME TAX (continued)

	Statement of financial position		Statement of comprehensive income, differences recorded within profit and loss for 2019	Statement of comprehensive income, differences recorded within equity for 2019
	At 31 December 2019	At 1 January 2019		
Tax effect of deductible temporary differences				
Cash and cash equivalents	11	2	9	-
Financial assets at fair value through profit or loss	32	430	(398)	-
Financial assets at amortized cost	3,564	1,695	1,869	-
Investment in an associate	-	16	(16)	-
Property and equipment	4,830	5,098	(268)	-
Intangible assets	351	380	(29)	-
Other liabilities	1,744	574	1,170	-
Financial liabilities at amortized cost	444	340	104	-
Tax losses carried forward	81,157	87,263	(6,106)	-
Total tax effect of deductible temporary differences	92,133	95,798	(3,665)	-
Tax effect of taxable temporary differences				
Financial assets at fair value through other comprehensive income	(2,451)	(2,119)	5,015	(5,347)
Financial assets at fair value through profit or loss	(3)	-	(3)	-
Financial assets at amortized cost	-	(428)	428	-
Intangible assets	(1,306)	(1,376)	70	-
Total tax effect of taxable temporary differences	(3,760)	(3,923)	5,510	(5,347)
Deferred tax assets	88,373	91,875	-	-
Deferred tax liabilities	-	-	-	-
Deferred tax expense/benefit	-	-	1,845	(5,347)

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17. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash on clearing accounts	9,339,341	782,236
Cash on correspondent accounts	1,376,672	276,147
Cash on accounts with the Bank of Russia (other than obligatory reserves)	337,505	46,479
Cash on hand	36,808	37,572
Cash on settlement accounts	2,196	76
Allowance for ECL	(3,101)	(53)
Total	11,089,421	1,142,457

The Group consistently determines the composition and measurement of cash and cash equivalents in the consolidated statement of financial position and the consolidated statement of cash flows.

The Group has no restricted cash.

As at 31 December 2020, cash and cash equivalents in the amount of RUB 9,336,686 thousand or 82.20% were placed with one credit institution (31 December 2019: RUB 782,215 thousand or 68.47%).

18. FINANCIAL ASSETS AT AMORTIZED COST

	31 December 2020	31 December 2019
Amounts transferred under reverse repurchase agreements	4,801,750	5,068,518
Amounts due from financial institutions	606,363	638,355
Loans and borrowings receivable	228,548	61,969
Financial receivables	84,737	–
Accounts receivable	28,578	24,797
Total	5,749,976	5,793,639

Each type of financial assets at amortized cost is presented below:

Amounts transferred under repurchase agreements

	Currency	31 December 2020	31 December 2019
Amounts transferred under repurchase agreements and collateralized by securities	US dollars	1,016,452	2,876,928
<i>Effective rate, %</i>		(1.25)-6%	0.02-6%
Amounts transferred under repurchase agreements and collateralized by securities	Russian Rubles	3,787,216	2,151,190
<i>Effective rate, %</i>		0.3-9%	0.5-7%
Amounts transferred under repurchase agreements and collateralized by securities	Euros	–	40,563
<i>Effective rate, %</i>		–	0-6%
Allowance for ECL		(1,918)	(163)
Total		4,801,750	5,068,518

Amounts transferred under reverse repurchase agreements and secured by securities comprise cash paid by the Group when purchasing securities under the first part of reverse repurchase agreements with the seller's obligation to repurchase the securities at a fixed future date.

Fair value of these securities received as collateral under reverse repurchase agreements and not recorded in the consolidated statement of financial position is presented below. These securities were received under reverse repurchase agreements concluded at a Russian stock exchange and over-the counter to generate investment income.

	Issuer's rating group	31 December 2020	31 December 2019
Securities			
Corporate shares	Investment rating	1,139,179	2,015,505
Bonds	Investment rating	3,201,654	3,626,597
Eurobonds of foreign governments and municipal Eurobonds		56,807	–
Depository receipts	Investment rating	–	1,728
Investment units	Investment rating	–	259
Total		4,397,640	5,644,089

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18. FINANCIAL ASSETS AT AMORTIZED COST (continued)

Amounts due from financial institutions

	31 December 2020	31 December 2019
Cash on brokerage accounts	502,924	621,172
Obligatory reserves with the CBR	116,191	24,424
Allowance for ECL	(12,752)	(7,241)
Total	606,363	638,355

Loans and borrowings receivable

	Currency	Nominal rate, %	Effective rate, %	31 December 2020	31 December 2019
Loans to legal entities	Russian rubles	6.5-9.3%	6.5-9.3%	228,648	66,074
Loans to customers	Russian rubles	13%	13%	5,355	5,824
Allowance for ECL				(5,455)	(9,929)
Total				228,548	61,969

Financial receivables

Financial receivables comprise settlements on foreign exchange operations under conversion transactions, derivative financial instruments, operations with securities and receivables from counterparties under agreements, under which securities are delivered on the next day after the day of entering into an agreement. The respective payment liabilities of the Group are recognized in the consolidated statement of financial position as financial liabilities at amortized cost as disclosed in Note 24.

Accounts receivable

In most cases, the age of accounts receivable under services rendered and other operations does not exceed one month.

Analysis of credit quality of financial assets at amortized cost

31 December 2020	Current	Past due	Impaired	Total
Amounts transferred under repurchase agreements	4,803,668	-	-	4,803,668
Amounts due from financial institutions	619,115	-	-	619,115
Loans and borrowings receivable	234,003	-	-	234,003
Financial receivables	84,737	-	-	84,737
Fees and commissions receivable	17,764	124	-	17,888
Other accounts receivable	13,470	-	940	14,410
Allowance for ECL	(22,781)	(124)	(940)	(23,845)
Total other financial assets at amortized cost	5,749,976	-	-	5,749,976

31 December 2019	Current	Past due	Impaired	Total
Amounts transferred under repurchase agreements	5,068,681	-	-	5,068,681
Amounts due from financial institutions	645,596	-	-	645,596
Loans and borrowings receivable	71,898	-	-	71,898
Fees and commissions receivable	12,779	2,571	-	15,350
Other accounts receivable	9,899	-	599	10,498
Allowance for ECL	(17,663)	(122)	(599)	(18,384)
Total financial assets at amortized cost	5,791,190	2,449	-	5,793,639

The analysis of changes in the gross carrying amount of financial assets and respective allowances for ECL demonstrates additions and repayments of financial assets at amortized cost and revaluation of financial assets nominated in foreign currencies. In the periods presented in the financial statements, no transfers of assets took place between categories where risks are measured for 12-month ECL or lifetime ECL; no transfers occurred to/from credit-impaired financial assets, either. Therefore, there were no movements in ECL allowances between these categories.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Classes of financial assets at fair value through other comprehensive income

	Issuer's rating group	31 December 2020	31 December 2019
Debt instruments			
Corporate bonds and Eurobonds		401,170	393,200
	-BBB- to BBB rated	287,971	318,981
	-BB- to BB+ rated	84,959	66,899
	-B- to B+ rated	28,240	7,320
Bonds and Eurobonds of credit institutions		184,701	188,523
	-BBB- to BBB rated	45,670	76,592
	-BB- to BB+ rated	135,050	98,892
	-B- to B+ rated	3,981	13,039
Eurobonds of foreign governments and municipal Eurobonds		58,968	-
	-BB- to BB+ rated	22,574	-
	-B- to B+ rated	36,394	-
Bonds and Eurobonds of the Russian Federation	-BBB- to BBB rated	106,009	115,271
Total		750,848	696,994

For financial assets at fair value through other comprehensive income, the Group applies the impairment requirements to recognize and measure the allowance for credit losses. The allowance is recognized in other comprehensive income and does not decrease the carrying amount of a financial asset in the consolidated statement of financial position. Based on the analysis of expected credit losses as at 31 December 2020, the amount of the allowance is nil (31 December 2019: nil).

20. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

This category includes financial assets that are mandatorily classified as at fair value through profit or loss and represented by corporate shares of foreign issuers with high credit ratings.

21. INTANGIBLE ASSETS

	Software	Licenses and other intangible assets	Total
Cost			
At 1 January 2019	109,176	3,628	112,804
Additions	7,174	660	7,834
Disposals	(230)	(2,196)	(2,426)
At 31 December 2019	116,120	2,092	118,212
At 1 January 2020	116,120	2,092	118,212
Additions	537,800	3,631	541,431
Disposals	(10,164)	-	(10,164)
At 31 December 2020	643,756	5,723	649,479
Amortization			
At 1 January 2019	(44,085)	(2,644)	(46,729)
Charges	(8,864)	(243)	(9,107)
Disposals	223	2,196	2,419
At 31 December 2019	(52,726)	(691)	(53,417)
At 1 January 2020	(52,726)	(691)	(53,417)
Charges	(14,823)	(431)	(15,254)
Disposals	4,179	-	4,179
At 31 December 2020	(63,370)	(1,122)	(64,492)
Net book value			
At 31 December 2018	65,091	984	66,075
At 31 December 2019	63,394	1,401	64,795
At 31 December 2020	580,386	4,601	584,987

As at 31 December 2020, the gross carrying amount of fully amortized intangible assets in use is RUB 22,861 thousand (31 December 2019: RUB 19,111 thousand).

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22. PROPERTY AND EQUIPMENT

	Buildings		Office and other equipment	Furniture	Construction in progress	Total
	Owned by the Group	RUA				
Cost / revalued amount						
At 1 January 2019	85,737	17,870	11,480	807	–	115,894
Additions	–	–	498	–	–	498
Disposals	–	–	(1,040)	(426)	–	(1,466)
At 31 December 2019	85,737	17,870	10,938	381	–	114,926
At 1 January 2020	85,737	17,870	10,938	381	–	114,926
Additions (for RUA: entering into new agreements)	–	17,683	18,305	–	9,766	45,754
Disposals (for RUA: modification, revision of lease terms)	–	(4,106)	–	–	–	(4,106)
Revaluation	(26,874)	–	–	–	–	(26,874)
At 31 December 2020	58,863	31,447	29,243	381	9,766	129,700
Depreciation						
At 1 January 2019	–	–	(10,822)	(755)	–	(11,577)
Charge for the period	(1,714)	(5,454)	(379)	(13)	–	(7,560)
Disposals	–	–	1,040	426	–	1,466
At 31 December 2019	(1,714)	(5,454)	(10,161)	(342)	–	(17,671)
At 1 January 2020	(1,714)	(5,454)	(10,161)	(342)	–	(17,671)
Charge for the period	(1,716)	(8,562)	(2,182)	(2)	–	(12,462)
Disposals (for RUA: modification, revision of lease terms)	–	2,732	–	–	–	2,732
Revaluation	3,430	–	–	–	–	3,430
At 31 December 2020	–	(11,284)	(12,343)	(344)	–	(23,971)
Net book value						
At 31 December 2018	85,737	–	658	52	–	86,447
At 31 December 2019	84,023	12,416	777	39	–	97,255
At 31 December 2020	58,863	20,163	16,900	37	9,766	105,729

Right-of-use assets (RUA) represent rights under leases for office premises recognized in accordance with IFRS 16 *Leases*.

As at 31 December 2020 and 31 December 2019, the Group had no pledged items of property and equipment.

As at 31 December 2020, the gross carrying amount of fully depreciated property and equipment in use was RUB 10,841 thousand (31 December 2019: RUB 7,555 thousand).

23. OTHER ASSETS

As at 31 December 2020 and 31 December 2019, the Group had the following non-financial assets:

	31 December 2020	31 December 2019
Advances issued	6,807	3,235
Value added tax	6,647	465
Other taxes	491	1,799
Inventories	188	23
Total	14,133	5,521

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24. FINANCIAL LIABILITIES AT AMORTIZED COST

Amounts due to customers are represented by amounts payable to legal entities, the vast majority of which are professional participants in the securities market:

	31 December 2020	31 December 2019
Amounts of clearing participants	8,042,073	2,552,918
Amounts received under repurchase agreements	2,678,673	2,137,570
Brokerage accounts of the Bank's customers and amounts borrowed from higher-ranking brokers	2,293,741	1,184,123
Loans payable	505,342	502,705
Current accounts of the Bank's customers	472,213	76,525
Accounts payable	435,469	28,477
Deposits of the Bank's customers	162,315	17,492
Settlements on foreign exchange operations, derivative financial instruments and operations with securities	82,158	–
Finance lease liabilities	21,133	12,905
Total	14,693,117	6,512,715

Amounts of clearing participants

Amounts of clearing participants represent contributions made by participants to ensure that they discharge their obligations under concluded transactions and to pay the commission fee (individual or other collateral). As at 31 December 2020, amounts due to five major clearing participants are RUB 7,504,316 thousand or 77% (31 December 2019: RUB 2,283,247 thousand or 89%) of the total amounts of clearing participants.

Brokerage accounts of the Bank's customers and amounts borrowed from higher-ranking brokers

Brokerage accounts represent the amounts due to customers of PJSC Best Efforts Bank. As at 31 December 2020, amounts of five customers on brokerage accounts with PJSC Best Efforts Bank total RUB 829,531 thousand or 66% (31 December 2019: RUB 744,428 thousand or 63%). The currency and maturity analysis of amounts due to customers is disclosed in Note 32.

Amounts received under repurchase agreements

Amounts received under repurchase agreements are nominated in US dollars, rubles and euros, maturing in 1-2 days. As at 31 December 2020, the effective interest rates under the transactions were 0-9% (31 December 2019: 0-5.9%). As at 31 December 2020, amounts received under repurchase agreements totaled RUB 75,899 thousand (31 December 2019: RUB 2,096,413 thousand). The Group pledged securities received as collateral under reverse repurchase agreements to secure the discharge of liabilities under repurchase agreements. Liabilities under repurchase agreements were paid at maturity dates after the reporting date.

Information on the Group's exposure to financial risks with respect to amounts transferred and received under repurchase agreements is disclosed in Note 32 *"Capital and financial risk management"*.

Loans payable

As at 31 December 2020 and 2019, loans received represent the amortized cost of one subordinated RUB-nominated deposit from the Group's shareholder, the NP RTS Association, received by PJSC Best Efforts Bank on the following terms: the deposit matures in 2027, the interest rate equals the key rate of the Bank of Russia.

Accounts payable

	31 December 2020	31 December 2019
Settlements with suppliers and contractors	366,892	11,719
Other liabilities	57,783	12,612
Taxes payable other than income tax	10,792	2,828
Remuneration to employees	2	11
Dividends payable	–	1,307
Total	435,469	28,477

Finance lease liabilities

As at 31 December 2020 and 2019, finance lease liabilities represent the present value of lease payments under leases of office premises accounted for pursuant to IFRS 16 *Leases* from 1 January 2019. The discount rates applied in the calculation of lease liabilities by the Group's companies ranged from 6.86% to 9.88% p.a. Lease terms stipulated by agreements or meeting management's expectations range from two to five years.

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25. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

The table below presents the fair value of contracts for delivery of securities concluded by the Bank as at 31 December 2020 and 2019.

	31 December 2020	31 December 2019
Obligations to deliver securities and foreign currency, including:	131,805	38,512
<i>Obligations to deliver securities</i>	131,553	38,512
<i>Forwards and swaps</i>	252	672
Total financial liabilities at fair value through profit or loss	131,805	39,184

26. OTHER LIABILITIES

As at 31 December 2020 and 2019, the following classes of the Group's non-financial liabilities are presented in the consolidated statement of financial position.

	31 December 2020	31 December 2019
Provisions for unused vacations	41,243	17,703
Advances received	6,771	20,496
Other non-financial liabilities	–	146
Total	48,014	38,345

27. EQUITY

Share capital and share premium

As at 31 December 2020, the share capital of SPB Exchange is represented by 2,852,154 ordinary registered uncertified shares, amounting to RUB 427,823,100 (31 December 2019: by 2,107,000 ordinary registered uncertified shares, amounting to RUB 316,050,000). The report on the results of PJSC SPB Exchange's additional issue of securities was registered in March 2020. In the course of the issue, 745,154 ordinary shares at par value of RUB 150 per share were placed. The shares were purchased by new investors as well as existing shareholders of PJSC SPB Exchange. The shares were placed at RUB 1,777 per share. The total amount of cash contributed to pay for all placed securities was RUB 817,000,628. The NP RTS Association contributed ordinary shares of PJSC Best Efforts Bank in the amount of RUB 507,138,030 to pay for the acquired PJSC SPB Exchange's shares. As a result, PJSC SPB Exchange gain the control over PJSC Best Efforts Bank as described in Note 5 to these consolidated financial statements.

As presented in Note 35, on 14 May 2021 the extraordinary General Meeting of shareholders of PJSC SPB Exchange approved decision to split the issued ordinary shares of PJSC SPB Exchange into new ordinary shares with split ratio 40. New issue was registered in June 2021 and exercised in July 2021. As a result of the share split of the share capital of PJSC SPB Exchange consists of 114,086,160 ordinary shares with par value of 3.75 ruble each as of the date of issue of these consolidated financial statements.

Earnings per share

Earnings per share were calculated for 2020 and 2019 retrospectively taking into consideration share split described above. The calculation of basic and diluted earnings per share was as follows:

	2020	2019
Profit for the year attributable to SPB shareholders	1,197,635	(26,545)
Weighted average number of ordinary shares	105,000,327	75,320,057
Dilutive effect of option program (shares)	4,488,193	–
Weighted average number of ordinary shares, assuming dilution (shares)	109,488,520	75,320,057
Profit per share of ordinary stock attributable to SPB shareholders (in Russian rubles):		
Basic earnings per ordinary share, RUB	11.41	(0.35)
Diluted earnings per ordinary share, RUB	10.94	(0.35)

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27. EQUITY AND RESERVES (continued)

Revaluation reserve

	Financial assets at fair value through other comprehensive income
Revaluation reserve at 1 January 2019	(13,077)
Change in revaluation reserve for the reporting period	26,906
Deferred tax accrued through revaluation reserve for the reporting period	(5,381)
Revaluation reserve at 31 December 2019	8,448
Revaluation reserve at 1 January 2020	8,448
Change in revaluation reserve for the reporting period	(5,247)
Deferred tax accrued through revaluation reserve for the reporting period	1,049
Revaluation reserve at 31 December 2020	4,250

Other contributions by shareholders

	Other contributions by shareholders
Proceeds from shareholders	21,620
Changes in ownership interest without loss of control	(30)
At 31 December 2019	142,214
Proceeds from shareholders	680
Changes in ownership interest without loss of control	30
At 31 December 2020	142,924

Retained earnings / accumulated loss

No dividends were declared in 2020; in 2019, PJSC Best Efforts Bank accrued and paid dividends in the amount of RUB 148,119 thousand. Dividends in the amount of RUB 145,949 thousand in 2019 were paid to the Group parent, the NP RTS Association, which was a shareholder of PJSC Best Efforts Bank as at the dates when the dividends were declared. The retrospective inclusion of the Bank's financial statements in the consolidated financial statements of the Group resulted in the incomparability of information on payments of dividends calculated in the effective ownership interests and the actually paid dividends recorded in the consolidated statement of cash flows.

28. NON-CONTROLLING INTERESTS

Financial information on subsidiaries in which significant non-controlling interests are held is provided below.

Effective ownership interests in the share capitals of subsidiaries of PJSC SPB Exchange held by non-controlling shareholders:

	31 December 2020	31 December 2019
CC Clearing Center MFB (JSC)	3.29%	15.91%
PJSC Best Efforts Bank	26.27%	26.27%
JSC Best Execution	29.56%	30.39%
JSC Best Stocks	49.90%	-

After the transfer of the controlling interest in PJSC Best Efforts Bank to SPB Exchange as described in Note 5 to these consolidated financial statements, the NP RTS Association retained 25.36% of the above 26.27% of the Bank's shares that are beyond the control of SPB Exchange.

The cumulative shares of equity of subsidiaries of PJSC SPB Exchange attributable to non-controlling interests comprise the following:

	31 December 2020	31 December 2019
CC Clearing Center MFB (JSC)	51,002	26,485
PJSC Best Efforts Bank	299,084	278,260
JSC Best Execution	34,888	6,709
JSC Best Stocks	9,041	-
Total	394,015	311,454

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28. NON-CONTROLLING INTERESTS (continued)

The profit for the reporting periods received by subsidiaries of PJSC SPB Exchange and attributable to the non-controlling interests is as follows:

	2020	2019
CC Clearing Center MFB (JSC)	50,536	2,895
PJSC Best Efforts Bank	22,320	17,317
JSC Best Execution	2,534	398
JSC Best Stocks	(4,211)	–
Total	71,179	20,610

The summarized financial information on these subsidiaries is provided below. This information is based on amounts before the elimination of intragroup transactions:

Summarized statement of financial position as at 31 December 2020

	CC Clearing Center MFB (JSC)	PJSC Best Efforts Bank	JSC Best Execution	JSC Best Stocks
Assets	13,916,941	6,822,615	31,905	70,736
Liabilities	(12,368,935)	(5,683,945)	(1,318)	(820)
Total equity	1,548,006	1,138,670	30,587	69,916
Attributable to:				
Equity holders of the parent	1,497,004	839,586	21,546	35,028
Non-controlling interest	51,002	299,084	9,041	34,888

Summarized statement of financial position as at 31 December 2019

	CC Clearing Center MFB (JSC)	PJSC Best Efforts Bank	JSC Best Execution
Assets	3,048,424	5,275,455	23,490
Liabilities	(2,881,966)	(4,216,067)	(1,413)
Total equity	166,458	1,059,388	22,077
Attributable to:			
Equity holders of the parent		139,973	781,128
Non-controlling interest		26,485	278,260

Summarized statement of profit or loss and other comprehensive income for 2020

	CC Clearing Center MFB (JSC)	PJSC Best Efforts Bank	JSC Best Execution	JSC Best Stocks
Fee and commission income	2,564,368	1,169,910	7,806	591
Operating expenses	(1,323,521)	(841,965)	4,696	(4)
Administrative expenses	(136,504)	(361,990)	(1,862)	(10,645)
Other income/(expenses)	1	141,042	–	–
Profit/(loss) before tax	1,104,344	106,997	10,640	(10,058)
Income tax benefit/(expense)	(222,789)	(22,204)	(2,129)	1,620
Net profit/(loss) for the period	881,555	84,793	8,511	(8,438)
Profit/(loss) attributable to:				
Equity holders of the parent	831,019	62,473	5,977	(4,227)
Non-controlling interest	50,536	22,320	2,534	(4,211)
Other comprehensive income, including:	–	(5,694)	–	–
Revaluation of financial assets at fair value through other comprehensive income	–	(5,694)	–	–
Total comprehensive income	881,555	79,099	8,511	(8,438)
Attributable to:				
Equity holders of the parent	831,019	58,275	5,977	(4,227)
Non-controlling interest	50,536	20,824	2,534	(4,211)

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28. NON-CONTROLLING INTERESTS (continued)

Summarized statement of profit or loss and other comprehensive income for 2019

	CC Clearing Center MFB (JSC)	PJSC Best Efforts Bank	JSC Best Execution
Fee and commission income	344,024	265,202	5,562
Operating (expenses)/income	(268,624)	54,299	(2,568)
Administrative expenses	(45,789)	(243,069)	(1,357)
Other income/(expenses)	(1,254)	24	–
Profit before tax	28,357	76,456	1,637
Income tax expense	(9,839)	(10,345)	(328)
Net profit for the period	18,518	66,111	1,309
Profit attributable to:			
Equity holders of the parent	15,623	48,794	911
Non-controlling interest	2,895	17,317	398
Other comprehensive (loss)/income, including:	(321)	29,193	–
Revaluation of financial assets at fair value through other comprehensive income	(321)	29,193	–
Total comprehensive income	18,197	95,304	1,309
Attributable to:			
Equity holders of the parent	15,302	70,319	911
Non-controlling interest	2,895	24,985	398

29. SEGMENT ANALYSIS

For the purpose of segment analysis and management, the Group identifies four operating segments, which are the Group's strategic business units. These strategic business units offer different services and are managed separately because they require different strategies. In general, activities of each of the reporting segments can be described as follows:

- Clearing and central counterparty services;
- Trade organizer services;
- Depository services, settlement depository services, brokerage services, banking services;
- Information and technical support services.

The Group identifies reporting segments that correspond to operating segments.

In 2nd quarter 2021 the Group changed the approach to the management accounts' analysis and presented the segment analysis in more comprehensive way compared to the segment analysis presented in the Group's financial statements approved by the Group's management on 30 April 2021.

The allocation of assets and liabilities to segments can be presented as follows:

	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking, and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
31 December 2020						
Assets	13,916,941	2,278,335	6,822,615	103,041	(4,793,923)	18,327,009
Liabilities	(12,368,935)	(293,598)	(5,683,945)	(2,367)	3,452,646	(14,896,199)
Intersegment settlements	387,471	13,697	(436,410)	35,242	–	–
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking, and settlement depository activities	Information and technical support	Elimination of intragroup transactions	Total
31 December 2019						
Assets	3,048,424	482,445	5,275,455	23,731	(939,768)	7,890,287
Liabilities	(2,881,966)	(32,279)	(4,216,067)	(1,582)	528,824	(6,603,070)
Intersegment settlements	120,286	18,447	(139,876)	1,143	–	–

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29. SEGMENT ANALYSIS (continued)

Information on profit/(losses) of reporting segments for 2020 and 2019 can be presented as follows:

	Year ended 31 December 2020					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
Fee and commission income from external customers	1,785,023	807,663	169,796	6,944	–	2,769,426
Intersegment fee and commission income	3,274	3,625	166,413	1,454	(174,766)	–
Interest income	122,739	14,149	150,258	1,593	(9,406)	279,333
Net trade and investment income/ (expenses)	5,320	221	15,716	–	(4,514)	16,743
Net income from dealing in foreign currencies	61,764	(24)	13,276	–	–	75,016
Other operating income	–	–	154,287	–	–	154,287
Total operating revenue	1,978,120	825,634	669,746	9,991	(188,686)	3,294,805
Direct operating expenses, including <i>Intersegment direct operating expenses</i>	(711,901)	(245,448)	(122,082)	(2,853)	179,499	(902,785)
Interest expense	(71,906)	(98,766)	(51)	(464)	171,187	–
(Provision for impairment) / Reversal of provision for impairment of financial assets	(4,004)	(783)	(47,891)	(97)	(1,185)	(53,960)
	(21,370)	(6,212)	(17,542)	6,024	30,576	(8,524)
Gross operating result	1,240,845	573,191	482,231	13,065	20,204	2,329,536
Administrative expenses	(136,504)	(203,701)	(361,076)	(13,206)	1,089	(713,398)
Other income	102	–	1,846	–	–	1,948
Other expenses	(101)	(7,000)	(15,092)	–	–	(22,193)
Profit/(loss) before tax	1,104,342	362,490	107,909	(141)	21,293	1,595,893
Income tax expense	(222,789)	(75,655)	(22,204)	(369)	(6,062)	(327,079)
Profit/(loss) for the period	881,553	286,835	85,705	(510)	15,231	1,268,814

	Year ended 31 December 2019					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
Fee and commission income from external customers	246,304	126,885	161,183	5,196	–	539,568
Intersegment fee and commission income	3,227	849	42,571	366	(47,013)	–
Interest income	23,770	920	152,442	1,567	(7,977)	170,722
Net trade and investment income/ (expenses)	(8,270)	8,505	83,390	–	(95,658)	(12,033)
Net income from dealing in foreign currencies	(5,877)	373	22,852	–	–	17,348
Other operating income	–	–	–	–	–	–
Total operating revenue	259,154	137,532	462,438	7,129	(150,648)	715,605
Direct operating expenses, incl <i>Intersegment direct operating expenses</i>	(182,739)	(71,076)	(95,143)	(2,896)	51,232	(300,622)
Interest expense	(3,227)	(849)	(42,571)	(366)	47,013	–
(Provision for impairment) / Reversal of provision for impairment of financial assets	(554)	(645)	(48,093)	(108)	(990)	(50,390)
	(461)	(6,038)	299	(1,179)	3,786	(3,593)
Gross operating result	75,400	59,773	319,501	2,946	(96,620)	361,000
Administrative expenses	(45,789)	(67,694)	(243,069)	(2,078)	3,491	(355,139)
Other income	126	37	24	–	(73)	114
Other expenses	(1,380)	(5,000)	–	–	1,380	(5,000)
Profit/(loss) before tax	28,357	(12,884)	76,456	868	(91,822)	975
Income tax expense	(9,839)	(1,481)	(10,345)	(184)	14,939	(6,910)
Profit/(loss) for the period	18,518	(14,365)	66,111	684	(76,883)	(5,935)

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29. SEGMENT ANALYSIS (continued)

Fee and commission income, broken down by operating segments, for the year for 2020 and 2019 is as follows:

	Year ended 31 December 2020					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
Clearing center services	1,761,474	–	–	–	(530)	1,760,944
Stock market services	–	780,413	–	–	(6)	780,407
Brokerage services	–	–	137,996	–	(3,759)	134,237
Information services	23,757	1,747	288	–	(875)	24,917
Servicing and maintaining bank accounts	–	–	25,313	–	(482)	24,831
Repository services	–	10,780	–	–	(990)	9,790
Listing services	–	9,591	–	–	(45)	9,546
Commodity market services	–	6,442	–	–	–	6,442
Information and technical support services	–	–	–	7,807	(1,454)	6,353
Outsourcing	–	–	4,548	–	–	4,548
Market maker services	–	–	98,532	–	(95,534)	2,998
Depository operations	–	–	68,319	–	(66,244)	2,075
Other fee and commission income	3,067	2,315	1,213	591	(4,847)	2,339
Total fee and commission income	1,788,297	811,288	336,209	8,398	(174,766)	2,769,426
Intersegment income	(3,274)	(3,625)	(166,413)	(1,454)	174,766	–
Total fee and commission income excluding intersegmental operations	1,785,023	807,663	169,796	6,944	–	2,769,426

	Year ended 31 December 2019					Total
	Clearing and central counterparty activity	Trade organizer activity	Brokerage, depository, banking and settlement depository activities	Information and technical support	Elimination of intragroup transactions	
Clearing center services	226,186	–	–	–	(21)	226,165
Stock market services	–	100,726	–	–	(6)	100,720
Brokerage services	–	–	123,984	–	(1,307)	122,677
Information services	19,715	1,327	–	–	(180)	20,862
Servicing and maintaining bank accounts	–	–	14,675	–	(340)	14,335
Repository services	–	8,437	–	–	(660)	7,777
Listing services	–	8,460	–	–	(4)	8,456
Commodity market services	–	8,784	–	–	–	8,784
Information and technical support services	–	–	–	5,562	(365)	5,197
Outsourcing	–	–	4,657	–	–	4,657
Market maker services	–	–	47,209	–	(37,760)	9,449
Depository operations	–	–	8,948	–	(1,522)	7,426
Other fee and commission income	3,630	–	4,281	–	(4,848)	3,063
Total fee and commission income	249,531	127,734	203,754	5,562	(47,013)	539,568
Intersegment income	(3,227)	(849)	(42,571)	(366)	47,013	–
Total fee and commission income excluding intersegmental operations	246,304	126,885	161,183	5,196	–	539,568

In 2020, the Group derived operating income from three main customers amounting to RUB 1,095,107 thousand in such segments as “Clearing and central counterparty activity”, “Trade organizer activity” and “Brokerage, depository, banking and settlement depository activities” (2019: amounting RUB 273,378 thousand).

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30. FAIR VALUE

The fair value of assets and liabilities is measured as follows:

- The fair value of assets and liabilities that are traded in active liquid markets is measured using the quoted price.
- The fair value of other assets and liabilities is assessed in accordance with generally accepted models and is based on the discounted cash flow analysis that relies on prices used for existing transactions in the current market.

The Group's assets which are measured at fair value on a recurring basis are presented in accordance with the fair value hierarchy in the table below.

31 December 2020	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	–	561	–	561
Financial assets at fair value through other comprehensive income	750,848	–	–	750,848
Total	750,848	561	–	751,409

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	237	509	–	746
Financial assets at fair value through other comprehensive income	696,671	–	323	696,994
Total	696,908	509	323	697,740

As at 31 December 2020 and 2019, all financial liabilities measured at fair value through profit or loss and recorded on the balance sheet of the Group are classified at Level 1 of the hierarchy.

The fair value of cash and cash equivalents not included in the table belongs to Level 1 of the fair value hierarchy. The fair value of financial assets and liabilities carried at amortized cost is included in Level 3 of the fair value hierarchy. The Group's management believes that fair values of cash, financial assets and liabilities carried at amortized cost, as well as other assets and liabilities recorded in the consolidated statement of financial position approximate their carrying amounts recorded in these consolidated financial statements.

31. OFFSET OF FINANCIAL ASSETS AND LIABILITIES

The Group offsets a financial asset and a financial liability under repurchase and reverse repurchase transactions effected between the Group, acting as central counterparty and other clearing participants, and the net amount is presented in the consolidated statement of financial position when the criteria of IAS 32 with respect to the legal right and an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously are met. The offsetting is performed when it reflects the Group's estimated future cash flows from settlements on two or more separate financial instruments.

The tables below show the amounts of repurchase transactions outstanding as at the reporting dates, which were offset and the claims on which were derecognized in the statement of financial position:

	31 December 2020		
	Gross amount	Amount to be offset	Net amount
Financial assets under Repurchase agreements with the central counterparty CC MFB (JSC)	35,763,432	(34,821,136)	942,296
Financial assets Repurchase agreements with central counterparty CC MFB (JSC)	35,763,432	(34,821,136)	942,296
Financial liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(35,763,432)	34,821,136	(942,296)
Financial liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(35,763,432)	34,821,136	(942,296)

	31 December 2019		
	Gross amount	Amount to be offset	Net amount
Financial assets under Repurchase agreements with central counterparty CC MFB (JSC)	2,660,782	(2,521,515)	139,267
Financial assets Repurchase agreements with central counterparty CC MFB (JSC)	2,660,782	(2,521,515)	139,267
Financial liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(2,660,782)	2,521,515	(139,267)
Financial liabilities under Repurchase agreements with central counterparty CC MFB (JSC)	(2,660,782)	2,521,515	(139,267)

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32. CAPITAL AND RISK MANAGEMENT

Capital management

The core companies of the Group are:

- PJSC SPB Exchange;
- PJSC Best Efforts Bank;
- CC Clearing Center MFB (JSC).

All the above entities operate under the various licenses issued by the Bank of Russia.

The Group pursues a conservative capital management policy with a focus on ensuring that it will be able to continue as a going concern and sustain its financial stability in any business environment, keep the required balance of risks and profitability of effected transactions while ensuring the return on investments and minimizing losses from realization of risks of various categories.

The primary objective of the capital management process is to maintain sufficient capital levels based on business development objectives, the capital adequacy requirements imposed by the Bank of Russia, the results of a comprehensive risk assessment and stress-testing of the entity's sustainability.

Management seeks to maintain a strong capital base of each company of the Group to retain confidence of investors, creditors and market participants, and to sustain future development of the business.

The Group's capital structure comprises its share capital, which includes the placed charter capital, share premium, other contributions by shareholders and the accumulated results of the Group's financial performance.

The following regulations are stipulated for each of the Group's main companies:

- Minimum equity (capital) requirements;
- Equity (capital) adequacy ratios.

Management takes appropriate measures to maintain sufficient capital base to meet operational and strategic needs and to retain investor confidence, as well as to minimize potential negative consequences for the financial position of the companies of the Group.

As at 31 December 2020 and 2019, equity of each company of the Group is in compliance with the current legislation with respect to capital adequacy.

Ratios are calculated based on the Russian statutory financial statements. Equity (capital) adequacy ratios of the Group's companies are presented in the table below:

	Equity		Mandatory equity		Equity (capital) adequacy ratio of the Group's companies	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
PJSC SPB Exchange	1,987,671	450,166	100%	100%	153.30%	286.50%
CC Clearing Center MFB (JSC)	1,471,017	238,055	100%	–	398.20%	–
PJSC BEB	1,549,305	1,435,584	8%	8%	42.488	50.746

Equity allocation among the respective activities is largely determined by the improvement of the income received to placements ratio. The Group also considers synergies arising from joint operations, availability of management and other resources and whether operations fit its long-term strategic goals. The capital is used to support those lines of business, which ensure the Group's effective operation and market capitalization growth.

Risk management framework

Risk management is fundamental to the Group's activities and is an essential element of its operations.

Risks are managed by all companies of the Group in accordance with the size and nature of their business in compliance with the current legislation and recommendations of the Bank of Russia and the Basel Committee on Banking Supervision, where applicable. PJSC SPB Exchange, PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) have established separate risk management units and have drafted and adopted documents regulating risk management rules and procedures. Such documents are regularly updated to reflect changes in regulations, market conditions, products and services offered and emerging best practices.

32. CAPITAL AND RISK MANAGEMENT (continued)

Under the corporate governance framework, each of the companies of the Group above has established collegial managing bodies (the Board of Directors and the Management Board).

The Board of Directors carries out strategic management, establishes general risk management and internal control principles and approaches, controls the executive bodies, assesses efficiency of the risk management system and performs other key functions.

The Board of Directors is responsible for development and approval of the strategy and policy, determination of general long-term goals, tasks and priorities of the entity, as well as risk management principles, and for approving major transactions.

The Management Board is responsible for implementing the risk management strategy and policies approved by the Board of Directors, developing the management structure of the entity that meets the key risk management principles, establishing procedures whereby employees are motivated to identify risks arising from transactions. The Management Board regularly reviews analytical materials on risk assessment during its meetings.

The risk management process and principles at two entities (PJSC Best Efforts Bank and CC Clearing Center MFB (JSC)) are implemented through the functioning of collegial bodies which form the part of the risk management system:

- The following committees were formed at PJSC Best Efforts Bank:
 - Credit Committee;
 - Assets and Liabilities Committee (ALCO).
- The following committees were formed at CC Clearing Center MFB (JSC):
 - Risk Committee;

Assets and Liabilities Committee (ALCO). The independent risk management divisions of PJSC SPB Exchange, PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) are responsible for the following:

- Identification of risk areas by determining business activities exposed to risk;
- Risk identification through determining risk types and sources;
- Risk analysis that is aimed at determining risk assessment methods, the probability of these risks and the extent of their impact on the activities;
- Risk assessment by comparing the exposure with the maximum acceptable risk level established by the entity to determine risk response;
- Response to risks, including deciding on risk avoidance, risk mitigation, risk acceptance or increase;
- Risk monitoring and review by assessing changes in risks and the results of risk response.

In order to facilitate efficient decision-making, risk management roles and responsibilities are segregated between different divisions of the entities.

The companies of the Group identify and manage both external and internal risk factors throughout their organizational structure. Efforts are made to identify the full range of risk factors and determine the level of assurance over the current risk control and mitigation procedures.

Financial risk management

In the course of their activities, PJSC SPB Exchange, PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) are exposed to financial risks, including credit, market and liquidity risks.

The risk management activities are intended to minimize the potential adverse effect on the Group's financial performance. Each company within the Group independently decides whether to hedge its financial risks.

Market risk management

Market risk is a risk of financial loss as a result of unfavorable changes in current (fair) value of financial instruments and in foreign exchange rates and/or official prices for precious metals.

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32. CAPITAL AND RISK MANAGEMENT (continued)

Additional market risk related to the activities of CC Clearing Center MFB (JSC) as a central counterparty is manifested only in case of a credit risk event. Volatility of prices for market instruments within exchange and over-the-counter transactions may result in losses caused by unfavorable market fluctuations should the positions be closed (contracts substituted) at market prices. Market risk may arise due to the necessity to close large positions/sell the collateral of a clearing participant who failed to fulfill its liabilities that, given the low market liquidity, might negatively affect the price at which the position is closed/collateral is sold.

PJSC SPB Exchange, PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) are exposed to market risks and manage them by determining limits which are monitored for compliance on a regular basis and reviewed and approved by the management of the Group.

Risk management of changes in financial market prices on fair value of financial assets

Fluctuations in market prices for quoted financial assets may affect the Group's financial result, as investments in financial assets at fair value through other comprehensive income comprise a substantial portion of the Group's assets. A conservative approach based on the fundamental analysis is used to determine fair value of such instruments given the high market volatility.

Currency risk management

The companies of the Group have assets and liabilities nominated in Rubles and various foreign currencies.

As a result, currency risk exposure arises in relation to the effects of fluctuations in foreign exchange rates on the Group's financial position and cash flows.

Currency risk	Market risk exposure related to open positions in foreign currencies and gold.
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PJSC SPB Exchange, PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) set limits on the level of exposure in total for all currencies in accordance with regulatory requirements and monitor compliance.

The Group's exposure to currency risk as at 31 December 2020 is presented below:

	RUB	USD	EUR	Other	Total
Financial assets	5,084,133	12,201,680	301,931	3,062	17,590,806
Financial liabilities	(2,056,677)	(12,463,623)	(304,622)	–	(14,824,922)
Net position	3,027,456	(261,943)	(2,691)	3,062	2,765,884

As at 31 December 2019:

	RUB	USD	EUR	Other	Total
Financial assets	3,175,436	4,019,678	438,600	121	7,636,836
Financial liabilities	(3,148,830)	(3,325,475)	(77,594)	–	(6,551,899)
Net position	26,606	694,204	361,006	121	1,081,937

The following table details the sensitivity to a 25% increase or decrease in the RUB exchange rate against the US dollar and the euro. The sensitivity analysis includes only outstanding foreign currency nominated monetary items and adjusts their translation at the end of the period for a 25% change in foreign currency rates. The table below presents the effect of changes in the RUB exchange rate on the Group's financial results before tax:

	31 December 2020		31 December 2019	
	USD	EUR	USD	EUR
25% appreciation	(65,486)	(673)	173,551	90,252
25% depreciation	65,486	673	(173,551)	(90,252)

This risk is mainly attributable to balances of cash, amounts of clearing participants as at the reporting dates and to balances under repurchase transactions nominated in US dollars and euros. Management of the companies of the Group, when possible, balance financial assets and financial liabilities nominated in respective currencies on a daily basis to mitigate currency risk.

Risk management of interest rate changes on cash flows and fair value

Fluctuations of market interest rates affect the financial position and cash flows of the Group. The companies of the Group, when possible, balance their interest-bearing assets and liabilities in order to reduce the effect of changes in interest rates on the financial performance.

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32. CAPITAL AND RISK MANAGEMENT (continued)

The risk of losses related to changes in interest rates is assessed as remote due to the following:

- The main component of income received by the Group is fee and commission income. The share of interest income in the total income of the Group's companies is insignificant and amounts to maximum 10%.
- The Group is independent of borrowings, and the total liabilities affected by changes in interest rates also form an insignificant part of the Group's total liabilities.
- Companies of the Group aim to balance their interest-bearing assets and liabilities in order to reduce the effect of changes in interest rates on financial performance.

Therefore, whether in a stable financial market or in the event of shocks, fluctuations in market interest rates have an insignificant effect on the Group's financial position and cash flows.

The analysis of sensitivity of profit or loss to changes in interest rates which is based on a simplified scenario of a 100 basis point parallel fall or rise in interest rates in the yield curves and revised positions on interest-bearing assets and liabilities effective as at 31 December 2020 and 2019 may be presented as follows:

	31 December 2020	31 December 2019
100 bp parallel fall	26,259	16,829
100 bp parallel rise	(26,259)	(16,829)

Risk management of market price changes on fair value of financial assets

The risk of the effect of market price changes in financial markets on the fair value of financial assets is assessed as remote due to the following:

- The share of the Group's financial assets at fair value in the total amount of assets is insignificant.
- The Group's portfolio of financial instruments consists of highly liquid securities with credit ratings assigned by foreign and/or national rating agencies.
- The Group's portfolio of financial assets is rather diversified and consists mainly of debt obligations of issuers that are residents of the Russian Federation and foreign issuers operating in various industries, and debt obligations of the Russian Federation.
- The fair value is determined on an ongoing basis in accordance with requirements of the Russian legislation and international standards.

Therefore, whether in a stable financial market or in the event of shocks, due to the insignificant amount of investments in financial instruments at fair value, fluctuations in market prices in financial markets have an insignificant effect on the Group's financial position and cash flows.

Credit risk management

Credit risk	<p>Risk of losses arising when the debtor (customer, counterparty, borrower) fails to discharge its contractual financial obligations to the Group's companies or discharges them in an untimely manner or not in full.</p> <p>The specific nature of credit risk with respect to CC Clearing Center MFB (JSC) as a central counterparty consists primarily of the risk of the non-performance (improper performance) of obligations by a clearing participant.</p>
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The Group manages credit risk in accordance with the approved policies, regulations and procedures and aims at the improvement of quality and profitability of the credit portfolio and other assets of the Group, mitigation and diversification of credit risks.

The Group manages credit risk based on the monitoring of the counterparties' financial position.

The Risk Management Department is responsible for credit risk management at PJSC SPB Exchange and CC Clearing Center MFB (JSC).

PJSC SPB Exchange manages its credit risk through regular analysis of whether the existing and potential counterparties are able to meet interest and principal repayment obligations and through changing credit limits where appropriate.

32. CAPITAL AND RISK MANAGEMENT (continued)

CC Clearing Center MFB (JSC) manages its credit risk by applying the approved policies and procedures including the requirements to control the compliance with internal limits and ratios.

Credit risk is one of the key risks assumed by CC Clearing Center MFB (JSC) in the centralized clearing process and, with respect to CC Clearing Center MFB (JSC) as a central counterparty, consists primarily in the non-performance (improper performance) of obligations by the clearing participant. Credit risk, as applied to this company acting as a credit institution, arises as a result of investing activities. In the event of default of one or several clearing participants, the central counterparty takes appropriate measures to fulfill obligations to bona fide clearing participants.

Credit risk management is mainly aimed at maintaining the optimal structure of assets and the risk return ratio by setting credit risk limits, controlling the assumed credit risk and maintaining the aggregate credit risk exposure at the appropriate level.

The following procedures are established to achieve additional objectives in the process of credit risk management:

- Identifying, assessing, aggregating credit risk as a risk relevant to CC Clearing Center MFB (JSC);
- Ensuring the capital adequacy required for the successful implementation of tasks set by the development strategy (business plan) and the risk and capital management strategy;
- Using all methods available to CC Clearing Center MFB (JSC) to obtain up-to-date and unbiased information on the status and size of credit risk, as well as to project and mitigate credit risk;
- Complying with the credit risk management requirements of the Bank of Russia.

Credit risk management objectives are achieved through the systemic comprehensive approach that focuses on the following:

- Obtaining up-to-date and unbiased information on the status and size of credit risk;
- Providing both qualitative and quantitative assessment (measurement) of credit risk;
- Establishing a credit risk monitoring system to identify negative trends and a system of prompt and adequate response aimed at preventing credit risk from reaching critical levels (risk mitigation);
- Maintaining sustainability in the process of developing and implementing new and more complex products and services;
- Assessing the adequacy of capital available to cover credit risk.

CC Clearing Center MFB (JSC) controls credit risk exposure by setting limits on counterparties and groups of related counterparties, which are determined taking into account the comprehensive assessment of the counterparties' financial position, reputation and other qualitative and quantitative factors.

Limits are approved by the authorized bodies of CC Clearing Center MFB (JSC) and monitored and revised on an ongoing basis. CC Clearing Center MFB (JSC) has developed and constantly improves the internal rating system, which ensures the weighted assessment of the financial position of counterparties and the level of related credit risks.

To decrease credit risk exposure related to the central counterparty activities, CC Clearing Center MFB (JSC) introduced a multi-tiered structure of protection of the central counterparty applicable in case of non-performance or improper performance of obligations by the clearing participant, which includes:

- Requirements to collateral. CC Clearing Center MFB (JSC) set requirements to individual and collective clearing collateral.
- Allocated capital. In accordance with Article 13.3 of Federal Law No. 7, CC Clearing Center MFB (JSC) exercises the right to limit the responsibility of the central counterparty in case of non-performance by clearing participants of their obligations to the amount of allocated capital. The amount of allocated capital is determined in accordance with the central counterparty's methodology for determining allocated capital approved by the Board of Directors and is set forth in the rules for clearing activities in the securities market and the market of derivative financial instruments. Therefore, maximum possible losses of CC Clearing Center MFB (JSC) arising from the realization of risks specific to the activities of the central counterparty are limited by the amount of allocated capital. As at 31 December 2020, allocated capital amounted to RUB 100,000 thousand.
- Contributions of bona fide participants to the guarantee fund.

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32. CAPITAL AND RISK MANAGEMENT (continued)

In the event of default of one or several clearing participants, CC Clearing Center MFB (JSC) takes appropriate measures to fulfill obligations to bona fide clearing participants.

PJSC Best Efforts Bank manages credit risk by applying the approved policies and procedures including the requirements to set and comply with limits of credit risk concentration, as well as the monitoring of compliance with internal limits and ratios. Key elements of effective credit risk management are the credit policy, portfolio management procedures and efficient loan administration.

The Bank's credit policy with amendments and additions thereto is reviewed by the Credit Committee and the Management Board and approved by the Bank's Board of Directors.

The credit policy governs the Bank's credit and other transactions exposed to credit risk, which are effected with retail and corporate customers, including various types of short-term and long-term loans, providing guarantees, issuing letters of credit, assuming guarantees as collateral for obligations of corporate customers, and confirming letters of credit.

The credit policy covers transactions exposed to credit risk with financial institutions (credit institutions, payment/settlement systems, depositories, clearing centers, financial companies), including interbank lending, foreign exchange transactions, limitation of risks of transactions on nostro accounts, issue/receipt of guarantees, confirmation of letters of credit, sale/purchase transactions with financial assets with deferred payments (delivery of financial assets), etc.

The internal documents of the Bank set forth the procedures for review of applications, the methodology to assess the creditworthiness of borrowers and counterparties and requirements to credit documentation. The Bank continuously monitors the status of certain loans and regularly reassesses the solvency of its borrowers. The reassessment procedures are based on the analysis of financial statements of the borrowers as at the latest reporting date or other information provided by the borrower or otherwise obtained by the Bank.

The assessment of credit risk in the form of expected credit losses is subject to estimates and assumptions in preparing these consolidated financial statements. Based on the assessment, credit risk (expected credit losses) is recorded by adjusting the carrying amount of financial assets in the consolidated statement of financial position. The impact of netting of assets and liabilities to reduce potential credit exposure is not significant. The carrying amount of financial assets represents the maximum credit risk exposure. The maximum exposure to credit risk is as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	11,089,421	1,142,457
Financial assets at amortized cost	5,749,976	5,793,639
Financial assets at fair value through other comprehensive income	750,848	696,994
Financial assets at fair value through profit or loss	561	746
Total	17,590,806	7,633,836

Liquidity risk management

Liquidity risk	The risk that a company of the Group will be unable to finance its activities, i.e., discharge its obligations when they fall due without incurring losses that can impact its financial stability.
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As applied to CC Clearing Center MFB (JSC) as a central counterparty, liquidity risk may arise if a clearing participant/counterparty fails to discharge or inadequately discharges its liabilities in the face of the obligation assumed by CC Clearing Center MFB (JSC) to take appropriate measures to fulfill obligations to bona fide clearing participants or counterparties.

Liquidity risk results from a mismatch of maturities of assets and liabilities (an improper balance of financial assets and financial liabilities), including due to untimely discharge of financial obligations by one or several counterparties of the Group and (or) an unforeseen need of immediate and simultaneous discharge of financial obligations by any company of the Group.

The Group's companies most exposed to liquidity risk are CC Clearing Center MFB (JSC) and PJSC Best Efforts Bank.

CC Clearing Center MFB (JSC) as a clearing entity maintains a certain liquidity level in order to ensure availability of cash required to discharge its obligations to clearing participants. The Risk Management Department constantly monitors the balance of assets and liabilities of the company and communicates the liquidity status to the company's management.

32. CAPITAL AND RISK MANAGEMENT (continued)

PJSC Best Efforts Bank maintains a certain liquidity level in order to ensure availability of cash required to discharge its obligations as they fall due by supporting a diversified and stable funding base comprising debt securities, long-term and short-term loans from other banks, core corporate and retail customer deposits, accompanied by diversified portfolios of highly liquid assets, in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

Liquidity of the Bank and CC Clearing Center MFB (JSC) is measured constantly. Liquidity ratios are calculated for each maturity as the amount of assets that may be settled during a given maturity to liabilities that will be claimed during this term (assets and liabilities are allocated by maturity and the ratios are calculated in accordance with the reporting framework).

Liquidity risk factors, segregation of liquidity management duties, liquidity valuation and management methods, reporting and communication principles related to liquidity management are detailed in internal documents of PJSC Best Efforts Bank and CC Clearing Center MFB (JSC). The liquidity management and control system of the Bank and CC Clearing Center MFB (JSC) includes the following:

- The Management Board responsible for the general implementation of efficient liquidity management and control;
- ALCO responsible for making decisions related to liquidity management aimed at efficient liquidity management and control, and implementing the respective decisions;
- The Risk Management Function of the Bank and the Risk Management Department of CC Clearing Center MFB (JSC) responsible for the analysis of the liquidity position;
- The Assets and Liabilities Department responsible for maintaining the established ratios and limits when performing asset transactions;
- Units providing data on proceeds and payments of customers;
- Certain internal documents regulating the liquidity level and establishing measures to maintain it, determining the procedure to analyze the liquidity position, decisions of management bodies to mobilize assets, introduce bank products, raise additional resources, etc.;
- A system for regular and timely communication and reporting of the liquidity position to authorized bodies;
- The Internal Audit Function of the Bank and the Internal Audit Department of CC Clearing Center MFB (JSC) maintaining control over compliance with procedures and mechanisms of liquidity management;
- The Bank and CC Clearing Center MFB (JSC) calculate mandatory liquidity ratios on a daily basis in accordance with the requirements of the Bank of Russia.

The Bank calculates the following liquidity ratios:

- Instant liquidity ratio (N2), which is calculated as the ratio of highly liquid assets to liabilities payable on demand;
- Current liquidity ratio (N3), which is calculated as the ratio of liquid assets to liabilities maturing within 30 calendar days;
- Long-term liquidity ratio (N4), which is calculated as the ratio of assets maturing after 1 year to capital and liabilities maturing after 1 year.

		31 December 2020, %	31 December 2019, %
	Requirement		
Instant liquidity ratio (N2)	At least 15%	53.4	46.8
Current liquidity ratio (N3)	At least 50%	120.5	136.2
Long-term liquidity ratio (N4)	No more than 120%	0.2	0.2

CC Clearing Center MFB (JSC) calculates the following liquidity ratio:

- Central counterparty's liquidity ratio (N4cc), which is determined as potential losses of the central counterparty in the event of default of two largest (in terms of net liabilities) clearing participants and/or individual customers in markets serviced by the central counterparty divided by the amount of highly liquid resources of the central counterparty.

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32. CAPITAL AND RISK MANAGEMENT (continued)

Liquidity risk management at PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) includes the following:

- Forecasting payment flows, by main currency, and determining the necessary level of liquid assets;
- Monitoring liquidity ratios for compliance with regulatory requirements and internal policies;
- Maintaining diversified sources of funds and an optimal structure of the balance sheet, by maturity of assets and liabilities;
- Planning the issuance and repayment of loans, investments in debt and other financial instruments;
- Conducting stress testing and developing action plans to recover required liquidity in adverse market conditions or in the time of crisis.

A regular review of liquidity that is based on comparison of short-term liquidity forecasts and financial reporting data is an obligatory element of liquidity management.

To estimate future liquidity, the Group prepares a short-term liquidity forecast.

Liquidity is forecast by extrapolating the current liquidity adjusted for planned changes in the structure of assets and liabilities based on data received from the structural units of the Group responsible for providing such information.

The table below shows the allocation of cash flows from the Group's financial assets and liabilities, by period of expected changes in cash flows for these financial assets and liabilities, as at 31 December 2020:

Financial assets	On demand and less than 1 month	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	11,089,421	–	–	11,089,421
Financial assets at fair value through profit or loss	561	–	–	561
Financial assets at fair value through other comprehensive income	–	62,298	688,550	750,848
Financial assets at amortized cost	5,546,890	88,748	114,338	5,749,976
Total financial assets	16,636,872	151,046	802,888	17,590,806
Financial liabilities				
Financial liabilities at fair value through profit or loss	(131,805)	–	–	(131,805)
Financial liabilities at amortized cost	(13,763,122)	(416,817)	(513,178)	(14,693,117)
Total financial liabilities	(13,894,927)	(416,817)	(513,178)	(14,824,922)
Liquidity cushion at 31 December 2020	2,741,945	(265,771)	289,710	2,765,884
Cumulative liquidity gap	2,741,945	2,476,174	2,765,884	–

As at 31 December 2019:

Financial assets	On demand and less than 1 month	Less than 1 year	More than 1 year	Total
Cash and cash equivalents	1,142,457	–	–	1,142,457
Financial assets at fair value through profit or loss	509	237	–	746
Financial assets at fair value through other comprehensive income	69,747	95,315	531,932	696,994
Financial assets at amortized cost	5,723,989	7,040	62,610	5,793,639
Total financial assets	6,936,702	102,592	594,542	7,633,836
Financial liabilities				
Financial liabilities at fair value through profit or loss	(39,184)	–	–	(39,184)
Financial liabilities at amortized cost	(5,968,766)	(33,901)	(510,048)	(6,512,715)
Total financial liabilities	(6,007,950)	(33,901)	(510,048)	(6,551,899)
Liquidity cushion at 31 December 2019	928,752	68,691	84,494	1,081,937
Cumulative liquidity gap	928,752	997,443	1,081,937	–

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32. CAPITAL AND RISK MANAGEMENT (continued)

Amounts of clearing participants comprising a significant portion of financial liabilities at amortized cost recorded in the “On demand” category changed insignificantly during the reporting periods. Management does not expect that these financial liabilities will be repaid within one month after the reporting dates, as disclosed in the table above.

The Group’s management also does not expect that customers will withdraw cash from settlement and current accounts within less than one month, although they are recorded in the “On demand” category.

The table below summarizes the maturity profile of the Group’s financial liabilities recorded in the consolidated financial statements at present value based on contractual undiscounted repayment obligations as at 31 December 2020:

Financial liabilities	On demand and less than 1 month	Less than 1 year	More than 1 year	Total
Financial liabilities at fair value through profit or loss	(131,805)	–	–	(131,805)
Financial liabilities at amortized cost	(13,763,122)	(464,502)	(631,234)	(14,858,858)
Total financial liabilities	(13,894,927)	(464,502)	(631,234)	(14,990,663)

As at 31 December 2019:

Financial liabilities	On demand and less than 1 month	Less than 1 year	More than 1 year	Total
Financial liabilities at fair value through profit or loss	(39,184)	–	–	(39,184)
Financial liabilities at amortized cost	(6,011,086)	(63,302)	(707,255)	(6,781,643)
Total financial liabilities	(6,050,270)	(63,302)	(707,255)	(6,820,827)

Other financial liabilities based on undiscounted cash flows approximate their carrying amounts as at the specified dates.

Operational and strategic risk management

The Group operates in the market for securities and other financial instruments and provides services that directly result in entering into civil transactions.

The Group is mainly involved in stock market services in the securities and commodity markets and provision of related services. Thus, operations of the Group may be affected by such factors as price volatility and changes in the securities market conditions that may result in a decrease in trading volumes, delisting of securities by PJSC SPB Exchange and lower economic motivation of trading participants to enter into transactions on the stock market. These factors may be minimized by expansion of the list of services for trading participants, increased reliability of trading tools and setting thresholds for intraday fluctuations for instruments to ensure evening-up of volatility peaks. Based on the above, the Group sets and revises tariffs bringing them in line with changing market conditions. Risks related to tariff regulation are assessed as minimal. As for competing products, there is a risk of dumping by competitors, to which the Group may also respond using lower tariffs.

PJSC SPB Exchange, PJSC Best Efforts Bank and CC Clearing Center MFB (JSC) arrange an operational risk management system in order to:

- Minimize operational risk and maintain it at the appropriate level ensuring flawless operations, resilience to unexpected losses and equity protection;
- Ensure achievement of strategic objectives in full and in a timely and effective manner in accordance with the nature and scale of operations;
- Streamline technology processes;
- Improve safety, reliability and competitiveness.

32. CAPITAL AND RISK MANAGEMENT (continued)

Operational risk management is based on the following:

- Providing complete and relevant information on main operational risks to the Management Board and the Board of Directors;
- Awareness of the heads of structural subdivisions of main operational risks inherent to their divisions and understanding of their responsibility for managing these risks;
- Identifying and assessing operational risks for all types of operations, processes and systems;
- Mandatory review of all new operations and processes for exposure to operational risk;
- Regular operational risk monitoring;
- Availability of procedures to control and manage operational risk that are reviewed on a regular basis to reflect changes in the nature and level of operational risk;
- The operational risk management process is part of a unified risk management system.

In order to conduct organized trading of foreign issuers' securities, the Group regularly updates its trading tools.

In case of occurrence of operational risk, PJSC SPB Exchange will take all necessary measures to immediately restore trading facilities, notify the Bank of Russia and trading participants, and, if necessary, suspend the organized trading of foreign issuers' securities.

One of the factors affecting operational risk arising due to the organized trading of securities of foreign issuers is the influence the corporate events of such foreign issuers have on market quotes. In order to mitigate this factor, PJSC SPB Exchange continuously monitors Internet sites that disclose corporate events, including sites of foreign issuers, regulators, stock exchanges and information agencies, as well as news available for RSS streams subscribers. In order to mitigate this operational risk factor, the Group has employees responsible for monitoring corporate events of foreign issuers.

The main aim of the strategic risk management is to build up a system that supports proper managerial decision-making in respect of the company's activity to reduce any effect of strategic risk on companies of the Group. The priority is to ensure, to a maximum extent, the safeguarding of assets and equity by mitigation (avoidance) of potential losses.

Sources of strategic risk include:

- Management decisions on the organization, structure and development of the business;
- Strategic planning process;
- Changes in the Group's external operating environment.

Key methods of strategic risk management include:

- Creating an adequate scale and operation of the strategic planning and management process;
- Preventing decisions, including strategic decisions, being made by a management body of an inappropriate level;
- Maintaining general control over the performance of the risk management system;
- Provide instructions how to conduct major transactions, as well as to develop and implement promising projects;
- Monitoring alignment of risk management parameters with the issuer's current position and development strategy.

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32. CAPITAL AND RISK MANAGEMENT (continued)

Measures to minimize strategic risks include:

- Documenting in internal regulations, including in the charter, the segregation of duties of the decision-making bodies;
- Monitoring that the decisions taken by senior bodies are duly implemented by lower-level units;
- Determining the internal procedure for approving changes in documents and procedures related to decision-making;
- Analyzing the impact of strategic risk factors on performance;
- Monitoring resources, including financial, material and human, required to achieve strategic objectives.

To achieve strategic objectives and ensure the efficient allocation of resources to optimize the risk return ratio, PJSC SPB Exchange seeks to meet the needs of counterparties and diversify the list of publicly traded securities using the securities of issuers from different regions and sectors. When deciding whether to include a security in the list of publicly traded securities of foreign issuers, PJSC SPB Exchange pursues a conservative policy and takes into account the needs of counterparties (brokers and investors) for any securities, the liquidity of the securities in their main market, and the solvency of issuers.

Considering that the majority of instruments traded in organized trading facilities of PJSC SPB Exchange comprise securities of foreign issuers, the Group is exposed to country risk that cannot be completely ruled out, as it largely depends on political decisions.

PJSC SPB Exchange may be exposed to reputational risk primarily in case of negative feedback on organized trading of foreign issuers' securities. In order to mitigate this risk, PJSC SPB Exchange ensures the transparency of the listing of foreign issuers' securities and organized trading of these securities, interacts with trading participants in terms of granting access to trading facilities, and clarifies the procedure for organized trading of foreign issuers' securities.

In case of occurrence of reputational risk, the Group will clarify its position to trading participants, foreign issuers, potential investors and other parties. The Group will arrange meetings, arrange and act as member of working groups and, if necessary, involve self-regulatory organizations and work closely with the Bank of Russia.

Legal and regulatory risk management

The Group's companies regulated by the Bank of Russia may be exposed to regulatory risk that relates to changes in federal laws and related regulations. In order to mitigate this risk, management continuously monitors regulations covering the activities of the Group's companies and works closely with the Bank of Russia.

		31 December 2020, %	31 December 2019, %
	Requirement		
Instant liquidity ratio (N2)	At least 15%	53.4	46.8
Current liquidity ratio (N3)	At least 50%	120.5	136.2
Long-term liquidity ratio (N4)	No more than 120%	0.2	0.2

CC Clearing Center MFB (JSC) may be exposed to regulatory risk that relates to changes to Federal Law *On Clearing and Clearing Activities* and related regulations. CC Clearing Center MFB (JSC) calculates mandatory ratios on a daily basis in accordance with the requirements of Instruction No. 175-I of the Bank of Russia dated 14 November 2016 *On Banking Operations of Non-bank Credit Institutions, Central Counterparties, on the Required Ratios of Non-bank Credit Institutions, Central Counterparties, and the Specifics of Exercising Supervision over Their Compliance by the Bank of Russia*.

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THOUSANDS OF RUSSIAN RUBLES (UNLESS OTHERWISE INDICATED)
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. CAPITAL AND RISK MANAGEMENT (continued)

These ratios include:

- Central counterparty's equity (capital) adequacy ratio (hereinafter, the "N1cc ratio") that reflects capital adequacy to cover risks associated with the activities and banking operations of a central counterparty;
- Central counterparty's total resources adequacy ratio (hereinafter, the "N2cc ratio") that reflects the central counterparty's ability to fulfill obligations to bona fide clearing participants in the event of default of two largest clearing participants in terms of potential losses (not covered by collateral) caused by the revaluation of their open positions (hereinafter, the "largest clearing participants in terms of losses");
- Central counterparty's individual clearing collateral adequacy ratio (hereinafter, the "N3cc ratio") that reflects the adequacy of the central counterparty's individual clearing collateral to cover 99% of market crisis scenarios;
- Central counterparty's liquidity ratio (hereinafter, the "N4cc ratio") that reflects the ability of the central counterparty to cover potential losses through its highly liquid resources in the event of default of two largest clearing participants and/or their customers in terms of net liabilities;
- Maximum concentration risk ratio (hereinafter, the "N5cc ratio") that reflects the degree of concentration of assets provided as collateral by clearing participants, by the i-th issuer (group of related issuers).

As at 31 December 2020, the ratios and the requirements thereto were as follows:

	Requirement	31 December 2020, %
Central counterparty's equity (capital) adequacy ratio (N1cc)	At least 100%	398.2
Central counterparty's total resources adequacy ratio (N2cc)	No more than 100%	0
Central counterparty's individual clearing collateral adequacy ratio (N3cc)	No more than 1%	0.1
Central counterparty's liquidity ratio (N4cc)	No more than 100%	4.1
Maximum concentration risk ratio (N5cc)	No more than 25%	9.5

In case of occurrence of the risk related to changes in the regulatory framework, the Group will implement its standard procedures.

33. CONTINGENCIES

Litigations

From time to time and in the ordinary course of business, the Group may become a party to legal proceedings, regulatory matters and claims from customers and counterparties. Management believes that all currently outstanding matters, when resolved, will not have a material effect on financing and operating activities of the Group. Further, management believes that it is not probable that an outflow of economic benefits will be required with respect to these matters for which a reliable estimate can be made; therefore, no provisions were made in the consolidated financial statements.

Operating environment

The Group operates mainly in the Russian Federation. The Russian economy displays certain characteristics of an emerging market. It is particularly sensitive to oil and gas prices. In 2020, Brent oil prices were quoted at USD 19.3 – USD 69.46 per barrel. The average price was USD 44.4 per barrel. The Group is exposed to the effects of changes in foreign currency exchange rates. In 2020, the average exchange rate was RUB 69.37 per USD 1. In 2020, the CBR key interest rate decreased from 6.25% to 4.25%.

Effect of the COVID-19 pandemic

Due to the rapid spread of the COVID-19 pandemic in 2020, many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as the overall scale of business activity. It is expected that the pandemic itself as well as the related public health and social measures may influence the business of entities in a wide range of industries.

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33. CONTINGENCIES (continued)

Support measures were introduced by the Government and the Central Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

In general, the pandemic had no negative effect on the Group's business. In 2020, financial markets were more active and the Group's turnover increased significantly. All business units of the Group operate as normal and no changes were introduced to standard procedures. In order to protect health of the Group's employees, management shifted most of its employees to remote work during the deterioration of the epidemiological situation. It takes regular protective measures with insignificant costs for personal protective equipment, disinfecting equipment for office premises, additional disinfection, and laboratory COVID-19 diagnostic and antibody tests. None of the Group's operation or business development plans were cancelled or suspended.

The Group continues to assess the effect of the pandemic and changing economic conditions on its activities, financial position and financial results.

34. RELATED PARTY TRANSACTIONS

For the purposes of these consolidated financial statements, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, as defined by IAS 24 *Related Party Disclosures*. In considering related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

During reporting periods, in the ordinary course of business, the Group entered into a number of transactions with related parties. As at the end of the period, the balances were as follows:

	31 December 2020		
	Controlling shareholder	Key management personnel	Group companies of the controlling shareholder
Financial assets at amortized cost	194,212	–	29,203
Property and equipment	18,647	–	–
Other assets	23	–	–
Financial liabilities at amortized cost	(871,759)	–	(15,507)
Other liabilities			
- Provisions for unused vacations	–	(8,418)	–
	31 December 2019		
	Controlling shareholder	Key management personnel	Group companies of the controlling shareholder
Financial assets at amortized cost	28,294	1,734	28,110
Property and equipment	11,023	–	–
Other assets	19	–	–
Financial liabilities at amortized cost	(511,303)	–	(240)
Other liabilities			
- Provisions for unused vacations	–	(1,357)	–

As at 31 December 2020, 2019, property and equipment comprised right-of-use assets related to leased office premises owned by the shareholder.

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34. RELATED PARTY TRANSACTIONS (continued)

The financial results of transactions with related parties during reporting periods were as follows:

	2020		
	Controlling shareholder	Key management personnel	Group companies of the controlling shareholder
Fee and commission income	7,334	–	10
Interest income	9,275	532	2,071
Interest expense	(29,776)	(19)	–
Direct operating expenses	(9,280)	–	(1,800)
(Provision for impairment)/ Reversal of provision for impairment of financial assets	5,524	–	(1,018)
Administrative expenses	(17,027)	(96,487)	(600)
Short-term employee benefits	–	(96,487)	–

	2019		
	Controlling shareholder	Key management personnel	Group companies of the controlling shareholder
Fee and commission income	1,516	–	–
Interest income	1,665	1,363	535
Interest expense	(38,171)	–	–
Direct operating expenses	(8,312)	–	(2,032)
Other operating income less expenses	–	–	–
Provision for impairment of financial assets	(4,365)	–	(164)
Administrative expenses	(2,060)	(43,188)	–
Short-term employee benefits	–	(43,188)	–

Key management personnel of the Group comprises sole executive bodies of each company, members of the Boards of Directors and Management Boards, and (in case of credit institutions) members of the Asset and Liability Committee and the Credit Committee.

As described in Note 6, in 2018, the Group provided loans to employees to purchase PJSC SPB Exchange's shares with limited recourse on the following terms: loans were issued for five years at a below-market interest rate, the shares were pledged to the Group until a loan was repaid; and during the term of the loan, an employee should either repay the loan in cash (in which case shares become free from any encumbrances) or withdraw from the arrangement (in which case shares should be returned). During the term of the loan, the employees were not required to achieve any performance conditions. According to IFRS 2 *Share-based Payment*, these arrangements are share-based payments that do not depend on subsequent achievement of a performance condition by the employees; therefore, these expenses are recognized in full at the grant date fair value of the remuneration. The terms of these arrangements are similar to the terms of options exercisable within five years. In 2020, loans payable by employees were transferred to the NP RTS Association.

In December 2020 the Group entered into a purchase agreement with the parent company NP RTS Association for the purchase of a multifunctional software complex for stock trading, clearing, stock data storage, reports generation and other functions. The purchase price was RUB 400,000 thousand of which RUB 200,000 thousand was paid by the Group in December 2020.

In the fourth quarter of 2020 the Group acquired intangible assets from a subsidiary of the controlling shareholder. The purchase price was RUB 73,000 thousand (2019 – RUB 4,000 thousand).

Part of the Company's trading participants are controlled by persons who, beginning in 2019-2020, became regularly elected to the Company's and its subsidiaries boards of directors. In addition, according to the policy of the Company, some of these companies became shareholders of the Company in 2020.

For the years ended 31 December 2020 and 2019 the Group earned income of RUB 417,352 thousand (2019: RUB 85,993 thousand) and incurred expenses of RUB 585,223 thousand (2019: RUB 67,232 thousand) in relation to such trading participants. As at 31 December 2020 assets with such related parties were RUB 132,762 thousand (2019: RUB 1,074,932 thousand) and liabilities with such related parties were RUB 880,971 thousand (2019: RUB 72,944 thousand).

35. EVENTS AFTER THE REPORTING PERIOD

In April 2021, PJSC SPB Exchange's shareholders with total ownership interest of 87.77% of PJSC SPB Exchange's share capital as of 15 April 2021 entered into a shareholders' agreement that provides for, among other things, the veto right of the NP RTS Association on certain issues within the competence of the general meeting of PJSC SPB Exchange's shareholders.

As a result of event mentioned above and as a result of other transactions performed by the NP RTS Association to transfer PJSC SPB Exchange's shares, other parties joining the above mentioned shareholders' agreement, and taking into account shareholder agreements with employees of the Group described in Note 1 who own 6.72% of PJSC SPB Exchange's shares as of the date of issue of these consolidated financial statements, the number of votes of NP RTS Association at the general meeting of PJSC SPB Exchange is 93.36% as of 30 April 2021.

On 14 May 2021 the extraordinary General Meeting of shareholders of PJSC SPB Exchange approved decision to split the issued ordinary shares of PJSC SPB Exchange into new ordinary shares with split ratio 40. New issue was registered in June 2021. Share capital of PJSC SPB Exchange now consists of 114,086,160 ordinary shares with par value of 3.75 ruble each. The split was executed on July 6, 2021.

During May-October 2021 there was a further decrease in the share of the NP RTS Association in PJSC SPB Exchange due to the sale of shares to third parties. As of the date of issue of these consolidated financial statements, NP RTS Association owns 16.5% shares of PJSC SPB Exchange.

Due to subsequent events described above NP RTS lost control over the Group. As NP RTS Association is non-for-profit partnership of participants not eligible for any share in NP RTS Association net assets, the Group has no ultimate beneficiary as of 31 December 2020, 31 December 2019 and as of the date of issue of these consolidated financial statements.

During May-July 2021 all loans issued to the NP RTS Association were repaid in amount of RUB 165,500 thousand.

Starting on 1 June 2021, PJSC SPB Exchange ceased to provide services for commodity trading.

On 4 June 2021, the Qatar Stock Exchange and the PJSC SPB Exchange signed a memorandum of partnership relations and cooperation between the exchanges.

On 4 June 2021 PJSC "Sovcombank" and PJSC SPB Exchange signed an agreement of cooperation on the formation of a green segment and social bonds at PJSC SPB Exchange, for trading of low-carbon energy certificates, quotas for greenhouse gas emissions, as well as certificates confirming the neutralization of greenhouse gas emissions.

On 2 July 2021 a new name PJSC SPB Exchange had been registered. The new name is Public Joint-Stock Company "SPB Exchange".

On 20 July 2021 the extraordinary General Meeting of shareholders of PJSC "SPB Exchange" approved additional issue of 114,086,160 ordinary shares with par value RUB 3.75 each. The way of placing is an open subscription. The offering price will be set by the Board of Directors of PJSC "SPB Exchange". Existing shareholders will be able to exercise their preemptive right to acquire additional shares.

In September 2021, the Board of Directors of PJSC SPB Exchange approved acquisition of software in the amount of RUB 43,800 thousand from a group company of the shareholder having significant influence. Acquisition took place on 6 September 2021.

In September 2021, a new board of directors of PJSC SPB Exchange was elected. The new board of directors consist of 15 members, including representatives of key financial market participants, shareholders of SPB Exchange and independent directors.

Authorized and signed on behalf of management of PJSC SPB Exchange:

3 November 2021

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