

Registered Number: 04783112

**SBERBANK CIB (UK) LIMITED**  
**ANNUAL REPORT AND**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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**SBERBANK CIB (UK) LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	Marthinus John Botha Adam Paul Jesney Andrei Mazo Neil Jonathan Holden Harmeet Singh Marwaha
<b>Company secretary</b>	Cornhill Secretaries Limited
<b>Company number</b>	04783112
<b>Registered Office</b>	85 Fleet Street 4th Floor London EC4Y 1AE
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

# **SBERBANK CIB (UK) LIMITED**

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**SBERBANK CIB (UK) LIMITED**  
**STRATEGIC REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Strategy**

As an international operation of Sberbank of Russia (or, when including its subsidiaries, Sberbank Group), a major Russian financial institution, Sberbank CIB (UK) Limited's (the "Company") principal activity is to support Sberbank Group's franchise operation internationally by providing brokerage, financing and advisory services across a range of securities-related products but with a particular focus on Russian and CIS markets.

**Business model**

After two years of significant change and development for the Company, the core business model has remained consistent in 2020. The Company's primary source of income continues to be from its Global Markets business, which comprises primarily brokerage services in Equity and Fixed Income products, together with a growing trading business that utilises its unique market position to generate revenue in both cash and derivatives products. The Company is also active in the primary markets and assists clients in accessing its international investor base.

The Company maintains its own employee base in terms of both client-facing sales and trading staff as well as infrastructure personnel and also utilises the trading and operational infrastructure that exists in Moscow.

The Company has maintained its product offering during the year and has four primary sources of revenue. For its Fixed Income trading, revenue is generated either by way of a fixed mark-up on each transaction between the Company's client and the Company's market counterparty, CJSC Sberbank CIB, or by way of a basis point spread in the Structured Notes business. In the case of Equities, the Company retains a commission fee in relation to each executed and cleared agency trade from its client business but also adopts trading positions where it is advantageous to do so and utilises both cash and derivatives products to enter into and hedge its positions. The Company also produces and distributes a variety of research material, for which it is remunerated by its clients according to individual, tailored pricing agreements or occasionally as part of a bundled execution commission. The Company is also active in the Capital Markets business and generates fee revenue by helping clients to access an international investor base for their primary equity and debt issuances.

**Principal activity and review of the business**

The Company, an authorised institution under the Financial Services and Markets Act 2000, carries on the business of dealing in investments both as agent and principal. The Company is authorised and regulated by the Financial Conduct Authority ("FCA"). Since mid-2019, by virtue of its increasing balance sheet size and growth in its product offering, the Company has been a 'significant' IFPRU firm.

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**Review of the business (continued)**

The key financial performance indicators during the year were as follows:

	2020	2019	Change
	£	£	
<i>Revenue</i>			
Brokerage and financing services (Equities and Fixed Income)	34,457,886	31,001,390	11%
Research income	1,204,613	1,126,289	7%
Capital markets advisory	5,177,010	3,811,875	36%
Operating profit	7,428,962	6,651,774	12%
Profit before tax	7,518,362	6,704,993	12%
Shareholders' funds	108,263,336	101,697,659	6%

There are no non-financial key performance indicators.

In 2018, the directors reported that the majority of the expected new products to be made available through the Company as part of the restructuring of the Global Markets international strategy had been successfully implemented. In 2019, full implementation of the new strategy continued and was largely complete by the end of the year. In 2020, the Company's strategy was to develop its new product offerings to a broader client base and look to expand its partnership with other group companies by offering access to global exchanges for a growing underlying investor base in Russia.

The appearance of the COVID-19 virus in the United Kingdom and globally in the first quarter of 2020 created unexpected turbulence in the markets and gave rise to a series of restrictions and fundamental changes in the way in which businesses were able to operate. Despite the Company having plans in place to manage an enforced absence from its primary office location in a Disaster Recovery scenario, the lockdown restrictions from mid-March 2020 that had been unforeseen at the start of the year resulted in all staff working from home. This had obvious consequences for the way in which the Company was able to manage its business, from an inability to meet clients in the usual way, which led to additional protocols being required from a Compliance Monitoring perspective, through to technology and connectivity issues with staff working remotely and, at the most elementary level, staff being unable to meet and interact with each other as they had previously been able to.

In September, the Company was able to re-open the office subject to strict "COVID-safe" regulations. Throughout the tightening of restrictions and the nationwide implementation of the regional tiering system in Q4, the office remained available to certain staff until the end of the year.

Throughout the year, despite the many and sizable structural problems facing the Company and its employee base, its operation continued to function well: trading systems and functionality were uninterrupted, all staff were fully supported in developing a home-working environment that was safe and fit for purpose and both client and supplier relationships were maintained at pre-2020 levels.

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**Review of the business (continued)**

Despite the unexpected scale of the pandemic in its severity and duration and its potential to affect business continuity, both in the UK and in Russia, the operational capabilities of the Company and the wider Group have remained resilient throughout the year. Outsourced services have remained viable at all times and any reduction in capability has been neither noticeable nor detrimental to the Company's operations.

Company performance

Despite the unprecedented circumstances created by the coronavirus pandemic, the Company's performance has been steady throughout the year.

In general, Russian financial markets underperformed in 2020 after a very positive 2019. The USD-denominated RTS index fell 10% year on year despite the S&P and MSCI Emerging Markets index increasing by 16% and 15% respectively. The weak oil price, precipitated by the global pandemic in February 2020, fell 20% year on year and was the primary cause of weaker Russian markets. In February, with fears of an oil price war involving Saudi Arabia and Russia, the Equities desk exited many of its trading positions. While this gave rise to comparatively poor revenues in Q1, it nonetheless ensured that the Company was protected from the worst of the market volatility in March as global fears of the negative economic impact of the coronavirus pandemic intensified. Q2 saw steadier markets and the Company's performance in Equities improved. Throughout the year, investor positioning, while remaining overall neutral towards Russia, was skewed to being overweight in Financial and Technology sectors and underweight in the Oil and Gas, Mining and Metals sectors.

Although external factors significantly affected the Russian equity market's performance in 2020, falling interest rates in Russia contributed to a surge in growth in Russian retail investor activity, with the MICEX exchange reporting the number of active brokerage accounts reaching 1.44m from under 500,000 at the start of 2020. This increased demand from Russian domestic investors for global equities exposure has been reflected in the Company's markedly increased transaction volumes during the year in its 'low-touch' business, launched in 2019 and reaching new record levels of volume and revenue throughout the year.

In Fixed Income markets, foreign investors reduced their exposure to local bonds, their share decreasing to 23% from 34% at the start of 2020. As the Central Bank of Russia delivered interest rate cuts of 175bps during the year from 6% to 4.25%, local bond yields moved wider by around 40bps. Having started the year at 6.4%, yields on some of the longer-dated government bonds grew to as much as 8.7% during the peak of market volatility in March. Much of the reason for decreased investor demand can be attributed to the weakening Russian Rouble, which lost 22% of its value against the US Dollar during the year. The year saw mixed fortunes for trading volumes, with a very strong first half to the year as volatility increased, particularly in March as volumes were at three times their normal level, followed by a deterioration in the second half of the year.

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**Review of the business (continued)**

The Structured Notes broking business, introduced in 2018, supplies newly-originated notes from European banks to the Company's parent company, Sberbank of Russia. This revenue stream showed no sign of deteriorating throughout the year, buoyed by continued investor demand in Russia, particularly for exposure to US technology stocks. Although the year had begun with some concerns about the product's ability to continue contributing such strong revenues as had been seen in 2019, the desk exceeded its prior year results and accounted for a sizable share of the Company's overall revenues in 2020.

In the Capital Markets business, the first half of the year was heavily affected by the pandemic and the majority of issuers postponed any plans to raise funds. The Company lead-managed only three new Eurobond issues and one equity deal during this period. As market volatility began to abate, Russian companies returned to international capital markets to raise equity and debt with the Company involved in some of the first major deals of the year.

Due primarily to US Dollar interest rate cuts, Russian companies were able to fix record low coupon rates and the favourable environment for senior debt paved the way for a new instrument in the Russian corporate space in the form of corporate perpetuals. In October the Company acted as Joint Lead Manager and Bookrunner of the dual tranche perpetual Eurobond issue for Gazprom amounting to EUR 1,000m and USD 1,400m, making it the largest-ever placement of perpetual bonds by a Russian issuer.

Later in the year, the Company also acted as Joint Global Coordinator and Joint Bookrunner in the IPO of Sovcomflot. This deal became the first-ever Russian IPO in the shipping sector and the largest Russian IPO on the Moscow Stock Exchange since 2013.

**Principal risks and uncertainties**

In general, the Company's business activities give rise to Market Risk, Credit Risk, Liquidity Risk and Operational Risk. The maximum tolerable levels of these risks are stipulated in the Company's Risk Management Framework and analysed in the Internal Capital Adequacy Assessment Process (ICAAP). A detailed description of the management of these risks is defined in the Company's Board-approved Risk Management policies.

The Company monitors and evaluates all material risks in its Risk Management Framework and per the controls as set out in its ICAAP and various other regulator-mandated documentation, which is updated and reviewed by the Board periodically and at least on an annual basis.

A more detailed analysis of the principal risks faced by the Company can be found in Note 19 of the financial statements.

**SBERBANK CIB (UK) LIMITED**  
**STRATEGIC REPORT**  
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**Principal risks and uncertainties (continued)**

It has become clear that a pandemic of the nature experienced during the year has great potential to cause disruption to the business. Although the Company has not suffered any financial loss directly from the impact of the virus, the amount of management time taken and the impact on employee wellbeing has been significant. Any continued extension of restrictions or delays in the vaccine rollout programme will only lead to increased uncertainty and increased risk to the business.

The uncertainty created by Brexit negotiations was present throughout 2020 and although a trade deal was reached at the end of the year, the outlook for the financial services sector remains unclear. The Company remains optimistic that its business model will be largely unaffected by the loss of passporting rights into the EU bloc and is of the view that any negative impact on client relationships will not be material to its revenue base regardless of the longer-term consequences of the UK's withdrawal from the EU.

Although Sberbank Group's reliance on the Company to source Structured Notes from European issuers was expected to reduce over the course of 2020 yet did not materialise, it is now expected to occur in 2021. As noted previously, the primary issuance market enjoyed a rebound in the second half of the year but 2020 demonstrated how sensitive such markets are to external events and the macroeconomic situation. Although sentiment remained strong until the end of the year, the Company remains cautious on expectations of similar levels of activity in 2021.

**Financial instrument risks**

It is the case that the risk profile of the Company has increased considerably over the last two years with the changes brought about by the Global Markets international strategy, particularly with the introduction of derivatives and the increase of on-balance sheet trading risk. Nonetheless, the Directors remain satisfied that the established risk and financial management framework, the primary objectives of which are to protect the Company from events that may have a negative impact on the ability to achieve the Company's performance targets, remains adequate to protect the Company from any undue loss or error.

In order to meet these objectives, risk appetites have been reviewed and, where appropriate to do so, continue to be recalibrated in the context of the evolving business model and the Company's capital base.



**SBERBANK CIB (UK) LIMITED**  
**STRATEGIC REPORT**  
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**Section 172 reporting**

During the year, the Board of Directors have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of all its stakeholders. The board believes that it has discharged its responsibilities in this area by:

- having in place a robust risk management framework and utilising detailed risk management information, particularly increasing the focus on continuity of operations in the event of a crisis;
- managing its relationships with regulators and tax authorities in a transparent manner;
- encouraging and ensuring that staff conduct themselves responsibly in a highly regulated environment; and
- having in place a suite of employment policies that include scope for staff well-being and life events, engaging with staff on corporate culture and governance and increasing staff training budgets to ensure knowledge and skills remain relevant.

In managing its response to the pandemic during the year, particular focus has been placed on the wellbeing of the Company's employees. From September the office premises were available for staff to use should they choose to do so and the Company's management team have conducted regular surveys to assess, *inter alia*, the mental and physical wellbeing of staff, their appetite to return to the office and the impact of many competing priorities that staff have experienced at throughout the year.

It is clear that the way in which people choose to work has diversified greatly during the year and many of these approaches may become more permanent in the future as 'flexible working' becomes more embedded into corporate culture. Currently, the Company has decided not to amend its existing Flexible Working Policy while the pandemic-related restrictions are ongoing but it is the Directors' intention to review this at a suitable time when the feasibility of the available long-term options and employees' requirements are clearer.

This strategic report and the financial statements on pages 14 to 38 were approved by the Board of Directors on 16<sup>th</sup> February 2021 and signed on its behalf on 17<sup>th</sup> February by:



Adam Jesney  
Director

**SBERBANK CIB (UK) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors submit their report and the financial statements for the year ended 31 December 2020.

**Results and dividends**

Sberbank CIB (UK) Limited's (the "Company") results for the year are shown in the statutory profit and loss account on page 14. The profit for the financial year was £6,405,958 (2019: £9,019,789).

No interim dividend on ordinary shares was declared and no final dividend is proposed (2019: £Nil).

Information on the principal activities, risks, uncertainties and future developments of the business are provided in the Strategic Report on pages 1 to 5.

**Going concern**

The Company's directors have made a forward-looking assessment (of at least 12 months) of the Company's ability to continue as a going concern and are satisfied that the Company has the resources to continue in business for the foreseeable future.

Furthermore, the directors are not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

**Directors and their interests**

The directors of the Company who were in office during the year and up to the date of the signing of the financial statements were:

Marthinus John Botha	Chair and Independent Non-Executive Director
Neil Jonathan Holden	Independent Non-Executive Director
Andrei Mazo	Non-Executive Director
Adam Paul Jesney	Executive Director
Harmeet Singh Marwaha	Executive Director

According to the register of directors, no director has any interests in the share capital of the Company or of Sberbank Group.

**Events since the balance sheet date**

On 1<sup>st</sup> January 2021, the Company changed its functional currency from Pounds Sterling (GBP) to US Dollars (USD) to more accurately reflect the Company's primary currency of activity.

**Financial instruments**

Details of financial instruments are provided in the Strategic Report on page 5.

**SBERBANK CIB (UK) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Streamlined Energy and Carbon Reporting**

By virtue of its classification as a large, unquoted company, the Company is required to make certain disclosures relating to its energy consumption and greenhouse gas (GHG) emissions.

During the year, the Company has estimated that it consumed the following amounts of energy in its gas and electricity usage and in its consumption of third party services as well as energy consumption and GHG emissions in the course of business-related travel. All amounts represent emissions in the UK.

GHG emissions and energy use data for year 1 January to 31 December

Energy Type	2020					2019				
	Units	kg CO <sub>2</sub> e	kg CO <sub>2</sub>	kg CH <sub>4</sub>	kg N <sub>2</sub> O	Units	kg CO <sub>2</sub> e	kg CO <sub>2</sub>	kg CH <sub>4</sub>	kg N <sub>2</sub> O
<u>Scope 1 emissions</u>										
Gas (m <sup>3</sup> )	87,786	177,561	177,229	238	94	184,230	374,085	373,398	492	197
<u>Scope 2 emissions</u>										
Electricity (kWh)	161,012	37,538	37,200	116	222	261,929	66,949	66,420	170	359
<u>Scope 3 emissions</u>										
Business Travel (km)	88,623	13,053	12,988	1	65	587,454	89,846	89,396	6	444
<b>Totals</b>		<b>228,152</b>	<b>227,417</b>	<b>355</b>	<b>381</b>		<b>530,880</b>	<b>529,214</b>	<b>668</b>	<b>1,000</b>

CO<sub>2</sub>e or carbon dioxide equivalent is a standard common unit for measuring different emissions and to express the impact of each greenhouse gas in terms of the amount of CO<sub>2</sub> that would create the same amount of warming.

The definition for each scope of emissions is as set out in the Greenhouse Gas protocols and can be found at <https://ghgprotocol.org/corporate-standard>. The methodology used in the calculation for each of the above categories is as follows:

Electricity	Kilowatt hours (kWh) multiplied by the relevant factor as set out on the UK government website
Gas	Gas consumption in cubic metres (m <sup>3</sup> ) multiplied by the relevant factor for Natural Gas as set out on the UK government website
Business Travel	Kilometres travelled multiplied by the relevant factor for various types of travel as set out on the UK government website

Due to the location of the Company's premises in central London, the amount of energy consumed by employees travelling to and from their place of work is considered to be negligible and has not been included in the calculations. Consumption for courier and waste disposal services have been calculated as immaterial for the purposes of this disclosure.

The Company's premises comprise one floor of a shared office building making it difficult to implement meaningful changes to energy consumption related to utilities. During the year, the Company took no measures for the purposes of increasing its energy efficiency.

**SBERBANK CIB (UK) LIMITED**  
**DIRECTORS' REPORT**  
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**Streamlined Energy and Carbon Reporting (continued)**

During the year, the Company's energy consumption decreased significantly across all emissions sectors. This reduction was due entirely to the effect of the coronavirus pandemic and the UK government's associated 'lockdown' restrictions, which included measures that significantly curtailed employees' ability both to attend the Company's premises and to make business-related travel.

The Company considers 'Tonnes of CO<sub>2</sub>e per square metre of floor space' to be the most suitable intensity ratio to use to normalise year-on-year results and provide meaningful comparative data. The Company's Intensity Ratio for 2020 was 19.73 tonnes of CO<sub>2</sub>e per square metre of floor space (2019: 45.91).

**Future developments**

The Company expects to continue to expand its business and grow its balance sheet in 2021 through an anticipated increase in client activity, further growth in new product areas and additional utilisation of risk limits.

The Directors will continue to commit the considerable resources required to meet the various ongoing regulatory requirements that a presence in the UK financial services market demands. The Company is considering the impact on capital and liquidity requirements that are expected to be brought about by the introduction of the Investment Firms Directive and the new rules thereunder, the Investment Firms Regulation. Although there are many details yet to be published, it is currently anticipated that the new rules will result in small decreases to the Company's capital and liquidity requirements.

**Directors' insurance**

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision as defined by Section 234 of the Companies Act 2006. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

**Provision of information to the auditors**

Each director at the time when this Directors' report is approved has confirmed that:

- a) so far as that director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- b) that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

**Independent auditors**

In accordance with section 485 of the Companies Act 2006, a resolution is to be proposed for reappointment of PricewaterhouseCoopers LLP as auditors of the Company.

**SBERBANK CIB (UK) LIMITED**  
**DIRECTORS' REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing the financial statements, the directors are required to:

select suitable accounting policies and then apply them consistently;

- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

**Directors' confirmation**

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This directors' report and the financial statements on pages 14 to 38 were approved by the Board of Directors on 16<sup>th</sup> February 2021 and signed on 17<sup>th</sup> February on its behalf by:



Adam Jesney  
Director

# Independent auditors' report to the members of Sberbank CIB (UK) Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Sberbank CIB (UK) Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2020; the profit and loss account, statement of comprehensive income and statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements

does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) 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 financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to securities markets, trading and other financial products and services, and corporation tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to manual elements of the control environment, including journal entries, accounting estimates, significant or unusual transactions and suspense and intercompany accounts. Audit procedures performed included:

- enquiry of management, those charged with governance and the company's in-house legal team around actual and potential litigation and claims;
- enquiry of the company's staff in finance and compliance functions to identify any instances of non-compliance with laws and regulations;
- reviewing minutes of meetings of those charged with governance;
- reviewing internal audit reports;
- reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness, testing accounting estimates (because of the risk of management bias), and evaluating the business rationale of significant transactions outside the normal course of business.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### **Use of this report**

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



John Wei (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

18 February 2021



**SBERBANK CIB (UK) LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £	2019 £
<b>REVENUE</b>	4	<b>41,483,387</b>	<b>36,641,614</b>
Cost of sales		(8,582,725)	(6,456,592)
<b>GROSS PROFIT</b>		<b>32,900,662</b>	<b>30,185,022</b>
Administrative expenses		(25,471,700)	(23,533,248)
<b>OPERATING PROFIT</b>	5	<b>7,428,962</b>	<b>6,651,774</b>
Interest receivable and similar income	6	4,859,616	5,234,728
Interest payable and similar expenses	6	(4,770,216)	(5,181,509)
<b>PROFIT BEFORE TAXATION</b>		<b>7,518,362</b>	<b>6,704,993</b>
Tax on profit	10	(1,112,404)	2,314,796
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>6,405,958</b>	<b>9,019,789</b>

The above results derive solely from continuing operations.

The notes on pages 18 to 38 form part of these financial statements.

**SBERBANK CIB (UK) LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	<b>2020</b>	<b>2019</b>
	<b>£</b>	<b>£</b>
Profit for the financial year	6,405,958	9,019,789
Other comprehensive income/(expense):		
Changes in fair value of financial assets	<u>159,719</u>	<u>(359,680)</u>
Other comprehensive income/(expense) for the year, net of tax	<u>159,719</u>	<u>(359,680)</u>
Total comprehensive income for the year	<u><u>6,565,677</u></u>	<u><u>8,660,109</u></u>

The notes on pages 18 to 38 form part of these financial statements.

**SBERBANK CIB (UK) LIMITED**

**BALANCE SHEET  
AS AT 31 DECEMBER 2020**

Registered Number: 04783112

	Note	2020 £	2019 £
<b>Fixed Assets</b>			
Intangible assets	11	2,050,721	2,163,986
Tangible assets	12	402,780	870,559
<b>Non-current assets</b>			
Deferred tax asset	14	1,899,238	2,660,434
<b>Current assets</b>			
Cash at bank and in hand		142,939,215	107,618,621
Investment securities	13	43,296,270	85,544,071
Debtors	14	413,281,498	438,154,237
		<u>599,516,983</u>	<u>631,316,929</u>
Financial liabilities securities held for trading	13	(24,665,723)	(57,954,494)
Creditors: amounts falling due within one year	15	(470,540,434)	(476,967,374)
<b>Net current assets</b>		<u>104,310,826</u>	<u>96,395,061</u>
<b>Total assets less current liabilities</b>		108,663,565	102,090,040
Provisions for liabilities	16	(400,229)	(392,381)
<b>Net assets</b>		<u><u>108,263,336</u></u>	<u><u>101,697,659</u></u>
<b>Equity</b>			
Called up share capital	17	109,262,570	109,262,570
Share premium account		17,795,250	17,795,250
Other reserves		(199,961)	(359,680)
Profit and loss account		(18,594,523)	(25,000,481)
<b>Total Equity</b>		<u><u>108,263,336</u></u>	<u><u>101,697,659</u></u>

The financial statements on pages 14 to 38 were approved by the Board of Directors on 16<sup>th</sup> February 2021 and signed on 17<sup>th</sup> February on its behalf by:



Adam Jesney

Director

The notes on pages 18 to 38 form part of these financial statements

**SBERBANK CIB (UK) LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

	Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	£	£	£	£	£
<b>At 1 January 2020</b>	109,262,570	17,795,250	(359,680)	(25,000,481)	101,697,659
Profit for the financial year	-	-	-	6,405,958	6,405,958
Other comprehensive income	-	-	159,719	-	159,719
Total comprehensive income	-	-	159,719	6,405,958	6,565,677
<b>At 31 December 2020</b>	<u>109,262,570</u>	<u>17,795,250</u>	<u>(199,961)</u>	<u>(18,594,523)</u>	<u>108,263,336</u>

  

	Called-up share capital	Share premium account	Other reserves	Profit and loss account	Total
	£	£	£	£	£
<b>At 1 January 2019</b>	109,262,570	17,795,250	-	(34,020,270)	93,037,550
Profit for the financial year	-	-	-	9,019,789	9,019,789
Other comprehensive income	-	-	(359,680)	-	(359,680)
Total comprehensive income	-	-	(359,680)	9,019,789	8,660,109
<b>At 31 December 2019</b>	<u>109,262,570</u>	<u>17,795,250</u>	<u>(359,680)</u>	<u>(25,000,481)</u>	<u>101,697,659</u>

The notes on pages 18 to 38 form part of these financial statements.

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**1. Basis of preparation**

The Company is a private company limited by shares. It is incorporated and domiciled in the United Kingdom and registered in England and Wales. The registered office is 85 Fleet Street, 4<sup>th</sup> Floor, London, EC4Y 1AE.

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 - 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102') and with the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain financial assets and financial liabilities measured at fair value through profit or loss, or through other comprehensive income.

The Company has availed itself of the exemption from the requirement to present a statement of cash flows and related notes, on the basis that it is a qualifying entity and the consolidated statement of cash flows is included in the parent company's financial statements.

A summary of the accounting policies of the Company is set out below. Accounting policies have been applied consistently throughout the year other than when explicitly stated otherwise or where new policies have been adopted.

**2. Significant judgements and estimates**

Preparation of the financial statements requires management to make significant judgements and estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The items in the financial statements where these judgments and estimates have been made include:

i) Deferred tax (Note 10)

Recognition of deferred tax balances are reliant on certain estimates relating to the future profitability of the Company. Long-term estimates of profitability have been assessed and it has been concluded that future profits will be sufficient to ensure, with an acceptable degree of certainty, that historical brought forward tax losses will be utilised within the foreseeable future.

ii) Provisions for liabilities (Note 16)

Provision is made for asset retirement obligations, dilapidations and contingencies. These provisions require management's best estimate of the costs that will be incurred based on legislative and contractual requirements. In addition, the timing of the cash flows and the discount rates used to establish net present value of the obligations require management's judgement.

iii) Measurement of financial assets and financial liabilities measured at fair value (Note 20)

The Company has classified all its listed securities that are held for trading as Level 1 due to their quoted prices. Repurchase and reverse repurchase transactions are classified as Level 2. Derivative transactions are classified as either Level 1 or Level 2 depending on whether the derivative is exchange-traded (Level 1) or traded over-the-counter (Level 2).

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. Accounting policies**

**3.1 Revenue recognition**

Revenue includes commission and net income arising from agency trading and brokerage operations. Both forms of revenue are recognised on the dates on which the trades are executed.

Income from trading activities includes the margins which are achieved through market making and customer business, gains and losses arising from changes in the value of trading positions that are held at fair value and interest and dividends arising from long and short trading positions and income from the Company's financing operations is recognised according to the Financial Instruments accounting policy (see Note 3.7).

Income from the sale of investment research and from the capital markets advisory business is recognised on an accruals basis. In the case of research income, fees are accrued evenly over the term of the contractual arrangements in place. Capital markets and advisory fees are accrued in full when the related deal is formally closed.

Transfer pricing income is recognised over the period in which the related business activity is conducted.

**3.2 Tangible assets**

Tangible fixed assets are initially measured at cost. Costs that are directly attributable to bringing the asset into working condition for its intended use are included in its measurement. A clear distinction is made between capital expenditure and any maintenance cost of the assets. Only capital expenditure is capitalised as part of the original cost of the assets.

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is charged from the relevant month in the year in which use commences and is provided at rates calculated to write off the cost of the fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

	<u>2020</u>	<u>2019</u>
Leasehold Improvements	12.5 years straight line (or until the date the lease expires, if shorter)	12.5 years straight line
Computer equipment	3 to 6 years straight line	3 to 6 years straight line
Fixtures & fittings	7 years straight line	7 years straight line

**3.3 Intangible assets**

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 20 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

	<u>2020</u>	<u>2019</u>
Software licenses	3 to 20 years straight line	3 to 20 years straight line

Amortisation is charged from the relevant month in the year in which use commences.

**3.4 Leases**

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the term of the lease.

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. Accounting policies (continued)**

**3.5 Taxation**

Current tax liabilities (assets) for the current and prior periods shall be measured at the expected amounts to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more tax in the future or a right to pay less tax in the future.

Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted as at the balance sheet date.

**3.6 Foreign currencies**

Transactions denominated in currencies other than Pounds Sterling are translated into Pounds Sterling at the spot rates of exchange prevailing at the date of the transaction.

For reporting purposes, monetary assets and liabilities denominated in currencies other than Pounds Sterling are translated into Pounds Sterling at spot rates of exchange prevailing at the balance sheet date. All foreign exchange differences are taken to the profit and loss account as cost of sales.

**3.7 Financial Instruments**

The Company applies the recognition and measurement provisions of IAS 39 'Financial Instruments: Recognition and Measurement' and the disclosure and presentation requirements of FRS 102

Financial assets are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Attributable transaction costs and changes in fair value are recognised in the profit and loss account in the period in which they arise.

Financial liabilities are classified at fair value through profit or loss if they are either held for trading or they are otherwise designated within this classification. Gains and losses on such financial liabilities are recognised within other gains and losses in the profit and loss account in the period in which they arise.

Included in this category are securities held for trading (long and short positions in equities), which are valued at market bid and offer prices respectively at the close of business on the balance sheet date with gains or losses recognised in the profit and loss account.

To provide an indication about the reliability of the inputs used in determining fair value of financial assets and liabilities, the Company has classified its financial instruments into the three levels prescribed under the accounting standards, known as the fair value hierarchy.

Level 1	Quoted market prices in active markets for identical assets and liabilities.
Level 2	Valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. All significant inputs required to fair value an instrument must be observable.
Level 3	Valuation techniques where one or more of the significant inputs is not based on observable market data.

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. Accounting policies (continued)**

**3.7 Financial Instruments (continued)**

Financial assets measured at fair value through other comprehensive income are debt instruments that are not held for trading or held to maturity.

All of the Company's financial assets and liabilities, except those classified as fair value through the P&L or fair value through other comprehensive income, are recorded on an amortised cost basis.

Securities purchased under resale agreements ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are treated as secured financing transactions and are recognised initially at fair value, being the amount of cash disbursed and received, respectively and are subsequently measured at fair value through profit or loss. The fair value of reverse repurchase agreements and repurchase agreements approximates carrying amounts as these transactions are generally short dated.

It is the policy of the Company to obtain possession of collateral in the form of qualifying securities with a market value in excess of the principal amount loaned under reverse repurchase agreements. In most cases, to ensure the collateral value will cover the exposure, discounts are applied to the market value of the securities, which reflect the inherent risks of those securities, such as liquidity and price volatility. Exposures and collateral values are closely monitored and margin calls or close-out procedures are enforced when necessary.

Interest earned on reverse repurchase agreements and interest incurred on repurchase agreements is reported as interest receivable and interest payable, respectively.

**3.8 Functional currency and presentation currency**

The functional and presentation currency of the Company is Pounds Sterling.

**3.9 Impairment**

At each reporting date, the Company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

**3.10 Provisions for liabilities**

A provision shall be recognised when:

- (a) An entity has a present obligation (legal or constructive) as a result of a past event;
- (b) It is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- (c) A reasonably reliable estimate can be made of the amount of the obligation.

**3.11 Related party transactions**

Under Section 33 of FRS 102, the Company has availed itself of the exemption under 33.1A, whereby disclosures need not be given of transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member (see Note 22).



**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**3. Accounting policies (continued)**

**3.12 Pension**

An external pension provider operates a defined contribution scheme on behalf of the Company and payments made by the Company are charged directly to the profit and loss account in the period to which they relate. The Company has no legal or constructive obligation to pay further contributions in the event that these plans do not hold sufficient assets to provide an expected level of retirement benefits.

**3.13 Deferred bonus**

The Company operates a deferred bonus scheme for certain employees of the Company. Under this scheme, a certain proportion of the employee's annual bonus is deferred and paid in equal instalments over subsequent years such that the entire bonus award has an effective vesting period of four years. A liability is accrued by the Company in relation to the deferred portion of the bonus award and a deferred bonus compensation expense is recognised in the profit and loss account in the period in which the bonus is awarded. If material, any change in the discounted value of the liability is recorded in the profit and loss account.

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**4. Revenue**

	2020	2019
	£	£
Analysis of turnover by category:		
Brokerage and financing services	34,457,886	31,001,390
Research income	1,204,613	1,126,289
Capital markets and advisory	5,177,010	3,811,875
Other income	643,878	702,060
	<u>41,483,387</u>	<u>36,641,614</u>

**5. Operating profit**

	2020	2019
	£	£
The operating profit is stated after charging:		
Amortisation (Note 12)	716,595	339,908
Operating leases - Land and building	679,224	683,803
Depreciation (Note 11)	449,857	595,197
Auditors' remuneration (Note 7)	344,306	405,499
Difference on foreign exchange	1,241,064	1,787,074

**6. Interest receivable similar income and interest payable and similar expenses**

	2020	2019
	£	£
<i>Interest receivable and similar income</i>		
Reverse repurchase agreements	4,330,176	4,032,116
Debt securities	414,414	635,224
Due from banks and other financial institutions	115,026	567,388
Total interest receivable	<u>4,859,616</u>	<u>5,234,728</u>
<i>Interest payable and similar expenses</i>		
Sale and repurchase deals	4,683,706	4,950,299
Borrowings from banks and other financial institutions	86,510	231,210
Total interest payable	<u>4,770,216</u>	<u>5,181,509</u>

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**7. Auditors' remuneration**

The remuneration of the auditors is further analysed as follows:

	2020	2019
	£	£
Audit of the financial statements	232,388	221,058
Total audit	<u>232,388</u>	<u>221,058</u>
 Audit related assurance services	 53,918	 24,000
Regulatory advisory services	35,000	148,691
Taxation advisory services	23,000	11,750
Total non-audit services	<u>111,918</u>	<u>184,441</u>
	<u><u>344,306</u></u>	<u><u>405,499</u></u>

**8. Staff Costs**

	2020	2019
	£	£
Staff costs, including directors' remuneration, were as follows:		
Wages and salaries	8,623,598	7,319,362
Social security costs	669,207	574,536
Other pension costs	212,492	208,683
	<u><u>9,505,297</u></u>	<u><u>8,102,581</u></u>

The average monthly number of employees, including the directors, during the year was as follows:

	2020	2019
Brokerage	15	11
Client Management	-	1
Administration	23	20
	<u><u>38</u></u>	<u><u>32</u></u>

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**9. Directors' remuneration**

	2020	2019
	£	£
Emoluments	1,457,109	1,354,834
Benefits in kind	2,066	3,006
Other pension costs	11,172	14,739
	<u>1,470,347</u>	<u>1,372,579</u>

The highest paid director received remuneration of £708,983 (2019: £645,265).

**10. Tax on profit**

The tax charge is made up as follows:

	2020	2019
	£	£
<i>Current tax:</i>		
UK corporation tax on profits for the year	351,208	345,638
Total current tax charge	<u>351,208</u>	<u>345,638</u>
<i>Deferred tax charge / (credit):</i>		
Origination and reversal of temporary differences	1,052,120	(2,660,434)
Change in UK tax rate	(290,924)	-
Deferred tax charge / (credit)	<u>761,196</u>	<u>(2,660,434)</u>
Current tax charge	351,208	345,638
Deferred tax charge / (credit)	761,196	(2,660,434)
Tax on profit	<u>1,112,404</u>	<u>(2,314,796)</u>

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**10. Tax on profit (continued)**

**Tax reconciliation:**

**Factors that may affect future tax charges**

The total current tax assessed for the year is lower (2019: lower) than the rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020	2019
	£	£
Profit before taxation	<u>7,518,362</u>	<u>6,704,993</u>
Profit before taxation multiplied by rate of corporation tax in the UK of 19% (2019: 19%)	1,428,489	1,273,949
Effects of:		
Expenses not deductible for tax purposes	152,625	196,095
Losses previously not recognised	(177,785)	(3,784,840)
Change in UK tax rate on deferred tax	(290,924)	-
Total tax charge / (credit) for the year	<u><u>1,112,404</u></u>	<u><u>(2,314,796)</u></u>

**Factors that may affect future tax charges**

The Company has £9,572,847 (2019: £15,221,200) in respect of recognised trading losses that will be carried forward for set-off against future profits from the same trade. The deferred tax asset is recognised as it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

In March 2020, it was announced that the corporation tax rate for the years starting 1 April 2020 and 2021 would remain at 19% - rather than decrease to the previously enacted rate of 17%. The deferred tax balances had previously been calculated with reference to the rate of 17%.

Tax balances are recognised at the amount at which they are expected to unwind.

**Deferred tax**

The deferred tax included in the balance sheet is as follows:

	2020	2019
	£	£
Deferred tax asset at 1 January	2,660,434	-
Effect of change in UK tax rate	290,924	-
Tax losses previously not recognised	177,785	2,641,348
Current year movement	(1,229,905)	19,086
Deferred tax asset at 31 December (Note 14)	<u><u>1,899,238</u></u>	<u><u>2,660,434</u></u>

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**11. Intangible assets**

	<i>Software Licenses</i> £
<b>Cost</b>	
At 1 January 2020	3,082,499
Additions	603,330
At 31 December 2020	<u>3,685,829</u>
<b>Accumulated Amortisation</b>	
At 1 January 2020	918,513
Charge for the year	716,595
At 31 December 2020	<u>1,635,108</u>
<b>Net Book Value</b>	
At 31 December 2020	<u>2,050,721</u>
At 31 December 2019	<u>2,163,986</u>

**12. Tangible assets**

	<i>Leasehold Improvement</i> £	<i>Computer Equipment</i> £	<i>Fixtures &amp; Fittings</i> £	<i>Total</i> £
<b>Cost</b>				
At 1 January 2020	4,560,637	662,547	259,779	5,482,963
Additions	-	(17,922)	-	(17,922)
At 31 December 2020	<u>4,560,637</u>	<u>644,625</u>	<u>259,779</u>	<u>5,465,041</u>
<b>Accumulated Depreciation</b>				
At 1 January 2020	3,896,799	533,791	181,814	4,612,404
Charge in the year	357,677	58,568	33,612	449,857
At 31 December 2020	<u>4,254,476</u>	<u>592,359</u>	<u>215,426</u>	<u>5,062,261</u>
<b>Net Book Value</b>				
At 31 December 2020	<u>306,161</u>	<u>52,266</u>	<u>44,353</u>	<u>402,780</u>
At 31 December 2019	<u>663,838</u>	<u>128,756</u>	<u>77,965</u>	<u>870,559</u>

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**13. Investment securities**

	2020	2019
	£	£
<b>Financial assets</b>		
<i>Financial assets at fair value through profit or loss:</i>		
Securities	22,935,010	64,157,765
<i>Financial assets at fair value through other comprehensive income:</i>		
Government debt	20,361,260	21,386,306
	<u>43,296,270</u>	<u>85,544,071</u>
<b>Financial liabilities</b>		
<i>Financial liabilities at fair value through profit or loss:</i>		
Securities	24,665,723	57,954,494
	<u>24,665,723</u>	<u>57,954,494</u>

**14. Debtors**

	2020	2019
	£	£
<i>Non - current</i>		
Deferred tax asset	1,899,238	2,660,434
<i>Current</i>		
Reverse repurchase agreements	175,374,827	235,861,792
Receivables relating to trading activities	100,443,425	42,364,009
Derivative financial assets	18,353,945	21,211,678
Cash collateral and margin calls placed	5,545,133	15,784,384
Other debtors	1,353,676	1,415,472
Prepayments and accrued income	678,672	656,323
Other amounts owed by group undertakings	111,531,820	120,860,578
	<u>415,180,736</u>	<u>440,814,670</u>

Included in other debtors is an amount of £1,181,620 (2019: £1,177,032) relating to a rent deposit on the Company's premises. This amount is interest bearing and due in more than one year. Westminster Property Ventures Limited, acting on behalf of the landlord, have a legal charge over these monies due or to become due to the Company, including any interest.

Other amounts owed by group undertakings include settlement balances, which are non-interest bearing and payable according to the terms of the underlying contracts (see Note 21). Remaining amounts owed by group undertakings bear no interest and are repayable on demand at the request of the Company.

**SBERBANK CIB (UK) LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**

**15. Creditors amounts falling due within one year**

	2020	2019
	£	£
Payables relating to trading activities	54,407,535	25,084,109
Derivative financial liabilities	15,272,186	19,983,616
Repurchase agreements	14,319,721	153,095,797
Accruals and deferred income	6,588,203	5,583,386
Margin call payable	2,828,120	20,937,506
Taxation and social security	182,549	491,566
Other payables	2,331	9,310
Other amounts owed to group undertakings	376,939,789	251,782,084
	<u>470,540,434</u>	<u>476,967,374</u>

Citibank, N.A and Euroclear Bank NV have a fixed legal charge securing all monies due to them or to become due to them from the Company.

Accruals and deferred income includes an accrual for staff bonuses. The Company considers it appropriate to accrue the discretionary element of compensation and associated social security charge during the service period to which they relate as this is consistent with the accounting policy for the fixed element of compensation.

Other amounts owed to group undertakings include:

- settlement balances, which are non-interest bearing and repayable according to the terms of the underlying contracts (see Note 21); and
- interest-bearing money market deposits, which are repayable on their contractual due date (see Note 21). Interest is calculated according to the industry risk-free rate +/- a spread between 35bps and 85bps depending on both the tenor and the currency of the deposit and is fixed at the point of entering into the transaction.

All other amounts owed to group undertakings are non-interest bearing and repayable on demand.

**16. Provisions for liabilities**

	<i>Asset retirement obligation</i>	<i>Total</i>
	£	£
At 1 January 2020	392,381	392,381
Additions	7,848	7,848
At 31 December 2020	<u>400,229</u>	<u>400,229</u>

The Company has an asset retirement obligation that recognises, in accordance with the terms of the lease, the future cost of returning the leased premises to their pre-leased condition at the end of the lease term in 2022.



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**17. Called up Share Capital**

	2020	2019
	£	£
<b>Allotted, called up and fully paid</b>		
109,262,570 (2019: 109,262,570) ordinary shares of £1 each	<u>109,262,570</u>	<u>109,262,570</u>

**18. Operating lease commitments**

At 31 December, the Company had annual commitments under a non-cancellable operating lease as follows:

	Land and Buildings	
	2020	2019
	£	£
Expiry date:		
Not later than 1 year	681,513	681,513
later than 1 year and not later than 5 years	<u>476,126</u>	<u>1,157,639</u>

**19. Financial instruments and risk management**

**(a) Management of capital**

The Company maintains sufficient capital that enables it to comply with the regulatory requirements of the FCA. The Company met its regulatory capital requirements and maintained its capital adequacy ratios throughout the year.

	2020	2019
	£	£
Share capital (see Note 17)	109,262,570	109,262,570
Share premium account	17,795,250	17,795,250
Other reserves	(199,961)	(359,680)
Profit and loss account	<u>(18,594,523)</u>	<u>(25,000,481)</u>
Shareholders' Equity	<u>108,263,336</u>	<u>101,697,659</u>

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**19. Financial instruments and risk management (continued)**

**(b) Financial risk factors**

The activities of the Company create financial related risks across a broad spectrum including market risk, credit risk, liquidity risk and operational risk. The Company's financial risk management program focuses on these four major areas through monitoring of their interactions and inter-dependencies.

The senior management of the Company continually assess the risks faced by the Company and the potential impact of these exposures on the level of operating capital required by the Company.

**(i) Market Risk**

Market risk exposures during the year arose from normal business activities that give rise to risk from foreign currency movements, equity price movements and interest rate movements. The Company has may experience volatile market conditions and pursues strategies which ensure that all trading exposures are maintained within approved guidelines.

Foreign currency risk

The Company's exposure to foreign currency risk occurs where assets and liabilities are denominated in currencies other than Pounds Sterling. Management monitor the foreign exchange risk incurred in its operations to ensure that risk remains within overall guidelines set by the parent company so as not to incur losses due to foreign exchange movements which are outside of the established risk appetite.

Exposures to foreign currencies at 31 December 2020 were:

	USD £	EUR £	RUR £	Other £
<b><u>ASSETS</u></b>				
Financial assets held for trading	15,519,250	-	5,713,166	1,702,529
Derivative financial assets	17,504,062	663,296	186,587	-
Reverse repurchase agreements	108,421,347	-	66,953,481	-
Government debt	20,361,260	-	-	-
Receivables relating to trading activities	100,706,533	1,730,819	1,855,400	178
Other amounts owed by group undertakings	69,349,109	792,875	41,396,856	59,643
Other debtors	1,567	-	-	-
Prepayments and accrued income	554,909	539,038	-	-
Cash at bank and in hand	117,064,754	5,549,637	16,250,928	260,828
	<u>449,482,791</u>	<u>9,275,665</u>	<u>132,356,418</u>	<u>2,023,178</u>
<b><u>LIABILITIES</u></b>				
Financial liabilities held for trading	8,257,705	174,310	16,233,709	-
Derivative financial liabilities	14,603,135	669,052	-	-
Repurchase agreements	9,412,604	-	4,907,117	-
Payables relating to trading activities	53,365,074	460,272	2,551,253	95,203
Other amounts owed to group undertakings	201,429,697	5,771,296	138,766,731	540,817
Accruals and deferred income	1,552,191	13,011	233	43
	<u>288,620,406</u>	<u>7,087,941</u>	<u>162,459,043</u>	<u>636,063</u>

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**19. Financial instruments and risk management (continued)**

Exposures to foreign currencies at 31 December 2019 were:

	USD £	EUR £	RUR £	Other £
<b><u>ASSETS</u></b>				
Financial assets held for trading	60,560,759	3,351	3,447,757	-
Derivative financial assets	19,424,663	602,731	1,184,284	-
Reverse repurchase agreements	176,054,578	-	59,807,214	-
Government debt	14,066,656	-	-	-
Receivables relating to trading activities	57,552,361	280,039	81,623	28,088
Other amounts owed by group undertakings	103,092,651	239,226	17,236,880	135
Other debtors	1,567	-	-	-
Cash at bank and in hand	40,800,185	21,745,689	4,596,980	178,247
	<u>471,553,420</u>	<u>22,871,036</u>	<u>86,354,738</u>	<u>206,470</u>
<b><u>LIABILITIES</u></b>				
Financial liabilities held for trading	197,688	-	57,756,805	-
Derivative financial liabilities	18,191,334	607,998	1,184,284	-
Repurchase agreements	153,094,280	-	1,517	-
Payables relating to trading activities	41,725,238	2,461,050	905,024	-
Other amounts owed to group undertakings	154,102,551	(95,609)	97,440,869	190,370
Accruals and deferred income	1,276,846	4,270	277	-
	<u>368,587,937</u>	<u>2,977,709</u>	<u>157,288,777</u>	<u>190,370</u>

A 10% movement in the Pounds Sterling foreign exchange rate against all other currencies would have resulted in a profit and loss movement as follows:

As at 31 December 2020:

	USD £	EUR £	RUR £	Other £
Net foreign currency assets / (liabilities)	160,862,386	2,187,725	(30,102,626)	1,387,115
FX spot and swap transactions	(130,229,721)	-	10,774,819	-
Net foreign currency exposure	30,632,665	2,187,725	(19,327,807)	1,387,115
Profit and loss movement	<u>3,063,267</u>	<u>218,772</u>	<u>1,932,781</u>	<u>138,711</u>

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**19. Financial instruments and risk management (continued)**

As at 31 December 2019:

	USD £	EUR £	RUR £	Other £
Net foreign currency assets / (liabilities)	102,965,483	19,893,327	(70,934,039)	16,100
FX spot and swap transactions	(38,687,229)	(19,131,840)	7,862,953	-
Net foreign currency exposure	64,278,254	761,487	(63,071,086)	16,100
Profit and loss movement	6,427,825	76,149	6,307,109	1,610

Equity price risk

The Company incurs equity market price risk arising from the positions it holds in traded equities. Management monitor the equity market risk incurred in its operations to ensure that it is within overall guidelines set both by the parent company and at a local Company level so as not to incur losses outside established parameters that may arise due to equity price movements.

At 31 December 2020 the Company's risk weighted assets in equity-related exposures were £63,257,191 (2019: £153,844,281).

Interest rate risk

The Company's interest rate risk relates primarily from funding requirements to meet margin calls and fund trade settlement as well as interest rate risk arising from repurchase and reverse repurchase agreements and the portfolio of debt securities held as part of its regulatory liquid assets buffer.

At 31 December 2020 the Company's risk weighted assets in interest rate exposures were £57,525,100 (2019: £51,007,900).

**(ii) Credit Risk**

Credit risk represents the risk that the Company will suffer a financial loss arising from a counterparty failing to meet its contractual obligations. Credit risk is defined as the risk of loss associated with an obligor's inability to fulfil its payment obligations, which includes counterparty exposure risk and counterparty default risk.

Concentration risk is the risk of loss arising from large individual credit exposures and significant credit exposures to groups of counterparties whose likelihood of default is driven by common underlying factors such as sector, economy, geographical location or instrument type.

Counterparty default risk is the potential loss arising from counterparties' failure to meet the terms of any contract or otherwise failing to perform as agreed.

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**19. Financial instruments and risk management (continued)**

**(ii) Credit Risk (continued)**

Counterparty credit exposures are calculated using a mark-to-market method, which comprises the current replacement cost and potential future credit exposure. Credit risk exposure is monitored to ensure that it is within the limits set by both the ultimate parent company and local management.

The credit quality of the Company's portfolio is regularly assessed to ensure that it meets the requirements set out within the Company's Risk Management Framework. Credit quality is assessed at the point of on-boarding a new client, is regularly reviewed thereafter and is directly related to the credit risk limits applied to all counterparties.

The following table analyses the credit quality of the Company's exposures:

	2020 £		2019 £	
	Investment Grade	Non- investment Grade	Investment Grade	Non- investment Grade
<i>Financial assets</i>				
Government debt	20,361,260	-	21,386,306	-
Derivative financial assets	18,141,592	212,353	17,936,312	3,275,366
Reverse repurchase agreements	157,236,990	18,137,837	134,216,772	101,645,020
Cash at bank and in hand	142,939,215	-	107,618,621	-
	<u>338,679,057</u>	<u>18,350,190</u>	<u>281,158,011</u>	<u>104,920,386</u>
<i>Financial liabilities</i>				
Derivative financial liabilities	11,464,286	3,807,900	6,169,709	13,813,908
Repurchase agreements	14,310,540	9,181	153,095,061	736
	<u>25,774,826</u>	<u>3,817,081</u>	<u>159,264,770</u>	<u>13,814,644</u>

In certain cases, particularly in the case of repurchase and derivative transactions (collectively, Counterparty Credit Risk), the Company requires collateral to mitigate any credit risk arising in the holding of such trading positions. At the balance sheet date, in all cases where collateral is required to be held by the Company, it is the Company's policy to hold collateral that either meets or exceeds the Company's exposure in respect of such transactions.

The majority of the Company's credit risk is covered by the capital that it is required to hold under Pillar 1 per the FCA rules. The Company's exposure to credit risk is equal to the carrying amount of its financial assets at 31 December 2020 and 2019.

**(iii) Liquidity Risk**

Liquidity risk is the risk that the Company will have insufficient cash to settle its liabilities as they fall due. Liquidity risk is managed by the Company holding the majority of its assets in highly marketable short term deposits, usually of 30 days or less to maturity, with highly-rated banks.

The maturity profile of the Company's assets and liabilities, based on contractual maturity date or earliest available date on which repayment can be demanded, is set out in Note 21.

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**19. Financial instruments and risk management (continued)**

**(iv) Operational Risk**

Operational risk is the risk of loss incurred from inadequate or failed internal processes, people and systems, or from external events, including legal risk. The Company uses the Basic Indicator Approach (BIA) to calculate its operational risk capital charge for regulatory purposes.

The main operational risks faced by the Company are in its people and in its systems. To mitigate much of the risk this presents, the Company has in place a number of Service Level Agreements (SLAs) between itself and other Sberbank Group entities, under which the Company receives various support services including Finance, Operations and Technology, each subject to detailed procedures with the principal objective being to minimise operational risk through well-managed and well-executed processes.

Cybersecurity remains a priority for both Sberbank Group and the Company and, in a heavily regulated industry, considerable time is devoted to reviewing and strengthening Compliance-related areas, particularly those relating to Conduct Risk.

**20. Categories of financial assets and financial liabilities**

	2020	2019
	£	£
<b>Financial assets</b>		
<i>Cash at bank and in hand</i>	142,939,215	107,618,621
<i>Financial assets at fair value through profit or loss:</i>		
Securities	22,935,010	64,157,765
Derivative financial assets	18,353,945	21,211,678
Reverse repurchase agreements	175,374,827	235,861,792
<i>Financial assets at fair value through other comprehensive income:</i>		
Government debt	20,361,260	21,386,306
<i>Financial assets that are debt instruments measured at amortised cost:</i>		
Receivables relating to trading activities	105,988,558	58,148,393
Other amounts owed by group undertakings	111,531,820	120,860,578
	<u>597,484,635</u>	<u>629,245,133</u>
	2020	2019
	£	£
<b>Financial liabilities</b>		
<i>Financial liabilities at fair value through profit or loss:</i>		
Securities	24,665,723	57,954,494
Derivative financial liabilities	15,272,186	19,983,616
Repurchase agreements	14,319,721	153,095,797
<i>Financial liabilities measured at amortised cost:</i>		
Payables relating to trading activities	57,235,655	46,021,614
Other amounts owed to group undertakings	376,939,789	251,782,084
	<u>488,433,074</u>	<u>528,837,605</u>

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**20. Categories of financial assets and financial liabilities (continued)**

Where a readily available market value exists for any assets or liabilities, the carrying value of said asset or liability has been reported in the table above using this market value.

Per the significant accounting estimates (Note 2), fair value is attributed to all financial assets and financial liabilities using the fair value hierarchy (Note 3).

**21. Maturity analysis of financial assets and financial liabilities**

The table below summarises the maturity profile of the Company's financial assets and financial liabilities as at 31 December. The amounts disclosed in the table are classified according to when the amounts are contractually due to be recovered or settled.

	Less than 1 month £	From 1 to 3 months £	From 3 to 6 months £	From 6 to 12 months £	More than 12 months £	Total £
<i>Financial assets</i>						
Securities	22,935,010	-	-	-	-	22,935,010
Derivative financial assets	4,184,619	3,004,962	523,333	7,072,729	3,568,302	18,353,945
Reverse repurchase agreements	175,374,827	-	-	-	-	175,374,827
Government debt	-	7,853,895	-	12,507,365	-	20,361,260
Receivables relating to trading activities	105,988,558	-	-	-	-	105,988,558
Other amounts owed by group undertakings	111,531,820	-	-	-	-	111,531,820
Cash at bank and in hand	142,939,215	-	-	-	-	142,939,215
As at 31 December 2020	<u>562,954,049</u>	<u>10,858,857</u>	<u>523,333</u>	<u>19,580,094</u>	<u>3,568,302</u>	<u>597,484,635</u>
<i>Financial liabilities</i>						
Securities	24,665,723	-	-	-	-	24,665,723
Derivative financial liabilities	3,607,594	3,973,241	254,798	3,845,749	3,590,804	15,272,186
Repurchase agreements	14,319,721	-	-	-	-	14,319,721
Payables relating to trading activities	57,235,655	-	-	-	-	57,235,655
Other amounts owed to group undertakings	376,939,789	-	-	-	-	376,939,789
As at 31 December 2020	<u>476,768,482</u>	<u>3,973,241</u>	<u>254,798</u>	<u>3,845,749</u>	<u>3,590,804</u>	<u>488,433,074</u>

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**21. Maturity analysis of financial assets and financial liabilities (continued)**

	Less than 1 month £	From 1 to 3 months £	From 3 to 6 months £	From 6 to 12 months £	More than 12 months £	Total £
<i>Financial assets</i>						
Securities	64,157,765	-	-	-	-	64,157,765
Derivative financial assets	18,956,186	705,228	-	1,550,264	-	21,211,678
Reverse repurchase agreements	235,861,792	-	-	-	-	235,861,792
Government debt	-	7,319,650	-	14,066,656	-	21,386,306
Receivables relating to trading activities	58,148,393	-	-	-	-	58,148,393
Other amounts owed by group undertakings	120,860,578	-	-	-	-	120,860,578
Cash at bank and in hand	107,618,621	-	-	-	-	107,618,621
As at 31 December 2019	<u>605,603,335</u>	<u>8,024,878</u>	<u>-</u>	<u>15,616,920</u>	<u>-</u>	<u>629,245,133</u>
<i>Financial liabilities</i>						
Securities	57,954,494	-	-	-	-	57,954,494
Derivative financial liabilities	19,811,896	11,148	-	160,572	-	19,983,616
Repurchase agreements	153,095,797	-	-	-	-	153,095,797
Payables relating to trading activities	46,021,615	-	-	-	-	46,021,615
Other amounts owed to group undertakings	251,782,084	-	-	-	-	251,782,084
As at 31 December 2019	<u>528,665,886</u>	<u>11,148</u>	<u>-</u>	<u>160,572</u>	<u>-</u>	<u>528,837,606</u>

**22. Related party**

Transactions entered into with key management personnel are disclosed in Note 9. During the year the Company entered into no transactions with other members of the Sberbank Group, where the party to the transaction was not a wholly owned subsidiary of the group.

**23. Events since the balance sheet date**

On 1st January 2021, the Company changed its functional currency from Pounds Sterling (GBP) to US Dollars (USD) to more accurately reflect the Company's primary currency of activity.



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**24. Ultimate parent undertaking and controlling party**

The Company's immediate parent undertaking, with ownership of 100% of the Company's share capital, is SB Finance Holding LLC, incorporated in the Russian Federation. The Company is ultimately controlled by Sberbank of Russia, the parent of the smallest and largest group to consolidate financial statements, which in turn is majority owned by the Ministry of Finance of the Russian Federation.

Copies of the consolidated financial statements of the Sberbank Group can be obtained from Sberbank CIB (UK) Limited, 85 Fleet Street, 4th Floor, London, EC4Y 1AE.