Annual Report

AS KIT Finance Europe

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Beginning of the financial year:	01 January 2020
End of the financial year:	31 December 2020
Management board:	Pavel Arhipov Galina Ruban
Chairman of the Board:	Elena Shilova
Members of the supervisory board:	Maivi Ots Irina Yashumova
Auditor	Crowe DNW Ltd

Attached documents:

1. Independent auditor's report
2. Profit allocation proposal
3. List of activities

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MANAGEMENT REPORT

Owners and general management

AS KIT Finance Europe ('KFE' or 'Investment Firm') is an Investment Firm registered in Estonia in 2004. KFE is a 100% subsidiary of KIT Finance Broker (JSC), one of the largest brokerage companies in Russia, which has been operating in the investment services market since 2000.
KFE is governed by the Estonian Securities Market Act and by the directives and regulations of the European Parliament and Council. Financial supervision is conducted by the Estonian Financial Supervision Authority. KFE's core activity is provision of brokerage services to private and institutional investors. Currently the Investment Firm offers trading access to the USA, European, Russian and Hong Kong securities markets.

Business review

In 2020, KFE continued to provide investment services to private customers, professional investors, brokers, banks, insurance companies and hedge funds on stock, bond and futures markets. KFE also offers direct access to stock exchanges in a different foreign countries, for example, in Russia. Head office of KIT Finance Europe is located in Tallinn. KFE continues to provide services through its Limassol (Cyprus) branch and representative office in St. Petersburg (Russia).

KFE offers to its clients:

- Direct access (DMA) to Russian, USA, European and Asian Stock Exchanges.
- One account that is possible to use in different currencies and all markets that allow trading with different instruments in all over the world.
- First class technologies.
- Trading terminal QUIK, KIT Finance TWS and their applications for smart phones.
- Opportunity to use personal account on KFE Web page.
- Special application for sub-brokers and agents.
- Advanced service.
- Personal administrator for each of KIT's clients
- Flexible approach to service charges
- Individual connection schemes and customized products for all clients.
- Convenient reports

Business environment

At the beginning of 2020, important events took place. The United States and China signed a first-stage trade agreement, and the United Kingdom officially left the European Union at the end of January.

On January 30, the World Health Organization (WHO) reported a coronavirus pandemic that was rapidly evolving and unprecedented. It was a so-called black swan event for the financial markets.

The global stock market index MSCI World fell by approximately 13% in March in euro terms, but in April the markets recovered rapidly after the historic decline in March. At the beginning of September, investors became sharply negative regarding the stock markets. Shares of the US technology sector fell nearly 10%. A new wave of the virus in the world caused an increase in the number of infections. Governments have responded to the spread of the virus with severe restrictions that have significantly affected global economic activity.

The US presidential election took place in November, where Joe Biden's victory reduced global political uncertainty. Pfizer, and later Moderna and AstraZeneca, announced the successful completion of COVID-19 vaccine studies, and Russia announced the development of Sputnik V. Positive vaccine news supported the recovery of financial markets. The Covid-19 virus pandemic gave impetus to new trends such as teleworking, e-commerce, automation and healthcare innovation.

Global equities (according to the MSCI All Country World Index), which lost more than a third of their value in March, ended the year 16.3% higher in US dollars and 7,8% in euros - the dollar depreciated against the euro by 8,9% year-on-year. The price of gold rose 25%, while Brent crude ended the year at 21,8% lower in US dollars. Interest rates fell even lower, which also brought good returns for bond investors.

By the end of the reporting year, the Russian ruble depreciated by 30,7% against the Euro and by -19.3% against the US dollar. By the end of the year, the MEOX index showed a growth trend of 7% year-on-year, while the RTS index decreased by 11,3%. The S&P 500 index increased by 15,3% during the year.

Economic results
KFE's income from service fees and interest amounted to EUR 4 040 175 in 2020 (EUR 6 415 600 in 2019, a decrease of 37,0% compared to the previous year), operating expenses decreased by 19,8% and amounted to EUR 1 400 510 (2019 - EUR 1 746 296). The net profit for 2020 was 27 621 EUR (2019 – 138 069 EUR, decreased by 80%).

Investment Firm´s key financial figures and ratios
(EUR)

	2020	2019	Change
Revenue, fees and interest income	4 040 175	6 415 600	-37,0%
Net profit	27 621	138 069	-80,0%
Average equity	16 368 954	16 356 948	0,1%
Return on equity (ROE), %	0.2	0.8	-0.7
Assets, average	27 593 311	19 740 474	39,8%
Return on assets (ROA), %	0.1	0.7	-0.6
Total operating expenses	1 400 510	1 746 296	-19,8%
Total income	1 558 046	1 884 365	-17,3%
Expense / income ratio, %	89.9	92.7	-2.8

- ROE (%) = Net profit / average equity * 100
- Average equity = (Financial year equity + last year equity)/2
- ROA (%) = Net profit / Assets, average * 100
- Assets, average = (Financial year assets + last year assets)/2
- Expense / income ratio (%) = Total operating expenses / Total income *100
- Total income = Net commissions and fees + Net interest income + Net gain (-loss) on financial transactions

Management

The Board of the Investment Firm has two members and the Supervisory Board has three members. The members of the Management Board manage the day-to-day business of the investment firm. Based on the decision of the Supervisory Board of KFE, the division of responsibilities of the members of the Management Board has been established in accordance with the regulatory requirements, their knowledge and work experience. The Supervisory Board formulates the development directions and business strategy of the Investment firm and supervises the activities of the Management Board

KFE employees

At the end of the year 2020, the Investment Firm (including branches) has a total of 23 employees (21 people in 2019). In the reporting year, employees, members of the Supervisory Board and Management Board were paid a salary of EUR 598 387 (2019 - EUR 778 396).

Objectives for the next financial year

The primary goals of the Investment Firm for the upcoming year are to maintain its position on financial markets, expand its market share and provide high-quality professional investment services for customers.

ANNUAL FINANCIAL STATEMENTS

Statement of financial position

(EUR)

	Note	31.12.2020	31.12.2019
ASSETS			
Current Assets			
Cash and bank balances	3,20	2 810 085	1 804 206
Financial assets at fair value through profit or loss including	4	4 973 540	1 679 898
Financial assets held for trading	4,20	*4 913 541*	*1 524 900*
Derivative instruments	4,20	*59 999*	*154 998*
Loans and receivables	5,20	25 083 377	17 930 884
Other receivables	6,20	1 250	3 137
Accrued income and prepayments	6,20	253 645	225 973
Non-current assets			
Property, plant and equipment	10	174 531	244 705
Intangible assets	11	647	744
TOTAL ASSETS		**33 297 075**	**21 889 547**
LIABILITIES AND EQUITY			
Financial liabilities at fair value through profit or loss	12,20	16 522 954	4 887 132
Payables to suppliers	20	34 795	25 898
Taxes payable	7,20	162 716	51 203
Accruals and prepayments	13,20	223 728	540 288
TOTAL LIABILITIES		**16 944 193**	**5 504 521**
Equity			
Share capital	14	1 612 710	1 612 710
Statutory capital reserve		161 271	161 271
Retained earnings		14 551 280	14 472 976
Profit for the period		27 621	138 069
TOTAL EQUITY		**16 352 882**	**16 385 026**
KOHUSTUSED JA OMAKAPITAL KOKKU		**33 297 075**	**21 889 547**

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Statement of comprehensive income

(EUR)

	Note	01.01.20 - 31.12.20	01.01.19 - 31.12.19
Commission and fees received	16	1 527 646	2 486 652
Commissions and fees paid		-735 090	-1 682 622
Net commission and fee income		**792 556**	**804 030**
Interest income	17	2 512 529	3 928 948
Interest expense		-448 923	-2 423 553
Net interest income		**2 063 606**	**1 505 395**
Net profit (loss) from financial assets at fair value through profit or loss	8	**-1 298 116**	**-425 060**
Data processing expenses		-320 107	-341 569
Administrative expenses		-219 105	-263 904
Other operating income/ expenses		-2 025	-48 598
Personnel expenses	19	-810 412	-1 041 885
Depreciation, amortization and impairment losses	10,11	-48 861	-50 340
Total expenses		**-1 400 510**	**-1 746 296**
Profit for the year		**157 536**	**138 069**
Income tax	15	-129 915	0
Total comprehensive income for the year		**27 621**	**138 069**
Total comprehensive income for the year attributable to shareholders		**27 621**	**138 069**

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Statement of cash flows
(EUR)

	Note	2020	2019
Cash flows from operating activities			
Profit for the period		27 621	138 069
Adjustments for:			
Depreciation, amortization and impairment losses	10,11	48 861	50 340
Gain/loss from financial investments	4	-690 344	66 490
Net interest income		-2 063 606	-1 505 395
Other adjustments - Interest on finance leases		12 601	12 350
Change in receivables and prepayments		1 287 106	-421 279
Change in liabilities and prepayments		-100 391	112 707
Change in loans receivable and payable		4 252 626	-3 651 917
Interest received and paid		2 041 033	1 452 683
Net cash generated from operating activities		**4 815 506**	**-3 745 952**
Cash flows from investing activities			
Acquisition of property and equipment	10	-10 000	-1 380
Interest received from selling bonds		100 656	26 029
Acquisition of bonds	4	-5 343 138	-1 491 602
Receipts from sale of bonds	4	1 549 822	1 514 349
Net cash used in / from investing activities		**-3 702 660**	**47 396**
Cash flows from financing activities			
Finance lease payments	9	-47 203	-61 155
Dividends paid	14	-59 764	-81 912
Net cash used in / from financing activities		**-106 967**	**-143 067**
Net cash flows		**1 005 879**	**-3 841 623**
Cash and cash equivalents at the beginning of period	3	**1 804 206**	**5 645 829**
Changes in cash and cash equivalents		**1 005 879**	**-3 841 623**
Cash and cash equivalents at the end of period	3	**2 810 085**	**1 804 206**

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Statement of changes in equity
(EUR)

	Share capital	Statutory capital reserve	Retained earnings	**Total**
Balance 31 December 2018	**1 612 710**	**161 271**	**14 554 887**	**16 328 868**
Net profit for the period	0	0	138 069	**138 069**
Distributed dividends	0	0	-81 912	**-81 912**
Balance 31 December 2019	**1 612 710**	**161 271**	**14 611 044**	**16 385 025**
Net profit for the period	0	0	27 621	**27 621**
Distributed dividends	0	0	-59 764	**-59 764**
Balance 31 December 2020	**1 612 710**	**161 271**	**14 578 901**	**16 352 882**

Further information on share capital and movements in share capital is presented in Note 14.

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Note 1 Significant accounting policies

AS KIT Finance Europe (the "Investment Firm") is an Investment Firm which was registered in Estonia on August 2, 2004. The Investment Firm's registered office address is Roosikrantsi 11, Tallinn, Estonia. The Investment Firm is involved in the provision of investment services to private and institutional investors

Statement of compliance

The annual financial statements of AS KIT Finance Europe as at and for the year ended December 31, 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Basis of preparation

The financial statements have been prepared on the historical cost basis except where indicated otherwise in these accounting policies. The accounting policies set out below have been applied consistently to all periods presented in these financial statements except where indicated otherwise in these financial statements.

The Investment Firm's reporting year began on January 1, 2020 and ended on December 31, 2020. The financial statements are presented in euros, unless indicated otherwise. All financial information in the financial statements has been presented in euros, unless indicated otherwise.

Assets and liabilities are measured on a reasonable and conservative basis. The preparation of financial statements requires management to make judgements and estimates. The judgements and estimates are based on relevant information about the Investment Firm's financial position and intentions and risks at the date the financial statements are authorized for issue. The final outcome of transactions recognized in the reporting or preceding periods may differ from those judgements and estimates.

Cash and cash equivalents

In the cash flow statement, cash and cash equivalents comprise cash on hand, demand deposits, term deposits with a maturity of up to 3 months and units in money market funds. Term deposits with a term of 3 to 12 months are recognized as short-term financial investments.

Financial assets

Depending on the purpose of acquisition, financial assets are classified into the following categories:

- Debt securities held for trading or sale are measured at fair value through profit or loss
- Debt securities held for contractual cash flows and for sale are measured at fair value through other comprehensive income
- Debt securities held solely for the purpose of obtaining contractual cash flows are measured at amortized cost
- Equity instruments (investments in shares)- at fair value through profit or loss
- Loans and receivables are measured at amortized cost.

Purchases and sales of financial assets are recognized using settlement date accounting. No financial assets have been classified as held-to-maturity investments.

When a financial asset is recognized initially, it is measured at its fair value, plus, in the case a financial asset is not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition.

Financial assets at fair value through profit or loss

A financial asset at fair value through profit or loss is a financial asset that is classified as held for trading (i.e. it is acquired mainly for the purpose of selling or repurchasing it in the near term or it is a derivative that is not a hedging instrument) or some other financial asset which is designated as at fair value through

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profit or loss upon initial recognition. After initial recognition, financial assets at fair value through profit or loss are measured at their fair values. A gain or loss arising from a change in the fair value of such financial assets is recognized consistently in profit or loss.
In the case of listed securities, the fair value of an investment is its quoted bid price. If the market for a financial instrument is not active, fair value is established using valuation techniques, which include recent arm's length transactions, discounted cash flow analysis and option pricing models.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at their amortized cost (cost less any principal repayments and any reduction for impairment) using the effective interest rate method.
Where it is probable that the Investment Firm is unable to recover a loan or receivable in accordance with the agreed terms and conditions, the item is considered impaired and an impairment loss is recognized.

Provisions for credit losses

According to IFRS 9, the expected credit loss model (ECL) is a 3-step model based on changes in the credit quality of financial assets:

• performing assets - assets that do not show significant signs of credit deterioration, are recognized at the time they are recognized, and aggregated expected losses to be incurred within the next 12 months, based on past experience and future forecasts;

• Underperforming - Assets whose credit risk has increased significantly since the date of the recognition are recognized as loss expected to occur over the lifetime of the asset, individually or in a similar pool;

• Non-performing assets - Assets that are not received / do not operate are recognized as additional losses that are expected to arise from the asset over its lifetime, individually assessed for each asset.

Derivative financial instruments
Derivative financial instruments (forward, future, swap and option contracts) are measured at their fair values. A gain or a loss on financial instruments are recognized at fair value through profit or loss. The Investment Firm does not have any derivative financial instruments which are part of hedging relationships that qualify for hedge accounting.

Property, plant and equipment
Items of property, plant and equipment comprise assets used in the Investment Firm's business whose useful life exceeds one year and which cost exceeds 640 EUR.

An item of property, plant and equipment is recognized initially at its cost. The cost of an item of property, plant and equipment comprises its purchase price (including customs duties and other non-recoverable taxes and duties) and the costs incurred in bringing the item to the location and condition necessary for it to be operating in the manner intended by management. Items of property, plant and equipment are carried at cost less any accumulated depreciation and any impairment losses.

Subsequent expenditure on an item of property, plant and equipment which improves the standard of performance of the item beyond the originally assessed one and participates in the generation of future economic benefits is capitalized and added to the carrying amount of the item. Subsequent expenditure that is aimed at maintaining the standard of performance of an item of property, plant and equipment is recognized as an expense as incurred.
Items of property, plant and equipment are depreciated over their estimated useful lives on a straight-line basis. The following annual depreciation rates are applied:

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Other machines and equipment	20%
Other equipment, fixtures and fittings and IT equipment	20-35%

Intangible assets

When an intangible asset is recognized initially, it is measured at its cost. The cost of an intangible asset comprises its purchase price and directly attributable acquisition charges. Intangible assets are carried at cost less any accumulated amortization and any impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives. The following useful lives are assigned:

Software, patents, licenses, trademarks and other intangible assets	3-5 years

Financial liabilities

All financial liabilities (supplier payables, loans and borrowings, accrued expenses and other payables) are initially recognized at their fair value plus transactions costs that are directly attributable to their acquisition. Subsequent to initial recognition, financial liabilities are measured at their amortized cost.

The amortized cost of a current financial liability is generally equal to its nominal value. Therefore, current financial liabilities are measured at the amount payable. The amortized cost of a non-current financial liability is measured using the effective interest rate method. A financial liability is recognized as current when it is due to be settled within twelve months after the balance sheet date or the Investment Firm does not have an unconditional right to defer settlement of the liability for at least twelve months after the balance sheet date. Loans and borrowings which are due to be settled within twelve months after the balance sheet date but which are refinanced on a long-term basis after the balance sheet date and before the financial statements are authorized for issue are classified as current liabilities. In addition, the Investment Firm classifies as current liabilities which the creditor has the right to call in at the balance sheet date due to breach of contract. Borrowing costs are recognized as an expense as incurred.

Fair value measurement

An investment firm shall measure financial instruments at fair value at each balance sheet date. The fair value measurement is based on the assumption that the sale of assets or payment of liabilities will take place in the conditions of the principal market for the asset or liability, or in the absence of a principal market in the conditions most advantageous for the asset or liability. An investment firm shall use fair value measurement techniques that use sufficient data to estimate fair value.

All assets and liabilities measured at fair value or disclosed in the financial statements are classified in accordance with the fair value hierarchy described below:

Level 1 - Quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2 - Valuation techniques for which the significant inputs at the lowest level are directly or indirectly observable;

Level 3 - Valuation techniques where the significant inputs at the lowest level are not directly or indirectly observable.

The entity assesses at the end of each reporting period whether assets and liabilities that are recurring in the financial statements need to be reclassified between levels.

Payables to employees

Payables to employees include vacation pay liabilities as at the balance sheet date calculated in accordance with effective laws and the terms of employment contracts. Vacation pay liabilities together with associated social security and unemployment insurance charges are recognized in accrued expenses in the balance sheet and in personnel expenses in the income statement.

Corporate income tax and differed tax

In accordance with effective legislation, in Estonia the profit earned by companies is not subject to taxation. Therefore, deferred tax assets and liabilities do not arise. Tax rates of profit distributed as dividends are as of 01.01.2019 either 20/80 or 14/86 of the net sum (until 31.12.2018 the rate was 20/80). The income tax payable on dividends is recognized as the income tax expense of the period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are distributed. The income tax and costs that have been calculated on the unpaid dividends at the time of the balance day sheet are adjusted according to the income tax rate of the new reporting year.

Income tax rate in Cyprus is 12,5% on the profit of branch adjusted for taxation purposes.

Foreign currency

Transactions in foreign currencies are translated to the presentation currency using the official exchange rates of European Central Bank quoted at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency and non-monetary financial assets and liabilities which are measured at fair value are re-translated to the Euros using the official exchange rates at the balance sheet date. Exchange gains and losses are offset and recognized in the income statement in the net amount.

Revenue

Revenue and expenses are recognized on an accrual basis. Fee income (including account management and private portfolio fees) is recognized when the service has been provided and the Investment Firm has the right to demand payment.

Interest income and dividend income are recognized when it is probable that economic benefits associated with the transaction will flow to the Investment Firm and the amount of the income can be measured reliably. Interest income is recognized on an accrual basis using the effective interest rate method except where collection of interest is uncertain. Where collection is uncertain, interest income is recognized on a cash basis. Dividends are recognized when the shareholder's right to receive payment is established.

Statement of cash flow

The cash flow statement is prepared using the indirect method – cash flows from operating activities are found by adjusting net profit by eliminating the effect of non-cash transactions and changes in current assets and current liabilities related to operating activity. The cash flows from investment and financing activities are recorded using the direct method.

Subsequent events

The financial statements reflect significant events affecting the measurement of assets and liabilities that occurred between the balance sheet date 31 December 2020 and the reporting date, but relate to transactions during the reporting period or earlier periods.

Events after the balance sheet date that have not been taken into account in the valuation of assets and liabilities, but which significantly affect the operations of the next financial year are disclosed in the notes to the annual report.

Offsetting

A financial asset and a financial liability are offset and the net amount is presented in the balance sheet only when the Investment Firm has a legally enforceable right to offset the recognized amounts and the Investment Firm intends either to settle on a net basis

Leases

In accordance with IFRS 16, all leases are accounted for as if they were finance leases:

• Leased assets and liabilities are recognized in the balance sheet at the present value of the lease payments;

• Depreciation on leased assets and interest expense on lease liabilities are recognized in the income statement

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Rental payments are discounted using one of two discount rates:

- The internal rate of return on the lease; or
- The lessee's alternative loan interest rate.

The investment firm, as a lessee, uses an alternative interest rate.

Initial measurement
On initial recognition, the lessee measures the cost of the asset that is the subject of the right of use at the beginning of the lease term. The right to use the asset is reflected in a separate item in the statement of financial position.

After the commencement of the lease term, the leases are recognized as a right to use the asset as assets and a lease liability as a liability from the date that the entity obtains the right to use the asset. Leases are accounted for using the cost model. To use the cost model, the lessee measures the right-to-use asset at its cost less any accumulated depreciation and any accumulated impairment losses, adjusted for any revaluation of the lease liability. Assets held for use are generally depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term.

At the beginning of the lease term, the lessee measures the lease liability at the present value of the lease payments outstanding at that date. Lease payments are discounted using the effective interest rate of the lease or the alternative borrowing rate.

Further measurement
After the commencement of the lease term, the lessee measures the lease liability as follows:
- increasing the carrying amount according to the interest on the lease liability;
- reducing the carrying amount in accordance with the lease payments made.

The lessee recognizes the interest on the lease liability in the income statement. Lease payments are apportioned between the lease term according to the finance charge (interest expense) and the installments of the lease liability, ie to reduce the carrying amount of the liability. The interest rate is the same at all times in relation to the residual value of the liability.

New Accounting Pronouncements

Certain new standards and interpretations have been issued that are mandatory for the annual periods beginning on or after 1 January 2020 or later, and which the Investment Firm has not early adopted.

Changes in the conceptual framework for financial reporting

(effective for annual periods beginning on or after 1 January 2020).
The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting. Management has assessed that the changes will not have an impact on the financial statements.

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Definition of a business – Amendments to IFRS 3

(effective for annual periods beginning on or after 1 January 2020).
The amendments revise the definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if there are no outputs. The definition of the term 'outputs' is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. Management has assessed that the changes will not have an impact on the financial statements.

Definition of materiality – Amendments to IAS 1 and IAS 8

(effective for annual periods beginning on or after 1 January 2020).
The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the 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. Management has assessed that the changes will not have an impact on the financial statements.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7

(effective for annual periods beginning on or after 1 January 2020).
In September 2019, the IASB issued amendments to IFRS 9, IAS 39 and IFRS 7, which concludes phase one of its work to respond to the effects of Interbank Offered Rates (IBOR) reform on financial reporting. The amendments published, deal with issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative interest rate and address the implications for specific hedge accounting requirements in IFRS 9 Financial Instruments and IAS 39 Financial Instruments: Recognition and Measurement, which require forward-looking analysis. The amendments provide temporary reliefs, applicable to all hedging relationships that are directly affected by the interest rate benchmark reform, which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate. There are also amendments to IFRS 7 Financial Instruments: Disclosures regarding additional disclosures around uncertainty arising from the interest rate benchmark reform. The amendments are effective for annual periods beginning on or after 1 January 2020 and must be applied retrospectively. Phase two (ED) focuses on issues that could affect financial reporting when an existing interest rate benchmark is replaced with a risk-free interest rate (an RFR). Management has assessed that the changes will not have an impact on the financial statements.

Covid-19-Related Rent Concessions – Amendments to IFRS 16

(effective for annual periods beginning on or after 1 June 2020).
The amendments provided lessees (but not lessors) with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as a variable lease payment. The amendment is to be applied retrospectively in accordance with IAS 8, but lessees are not required to restate prior period figures

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or to provide the disclosure under paragraph 28(f) of IAS 8. Management has assessed that the changes will not have an impact on the financial statements.

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16

(effective for annual periods beginning on or after 1 January 2021, not yet adopted by the EU).
In August 2020, the IASB published Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7 and IFRS 16, completing its work in response to IBOR reform. The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). In particular, the amendments provide for a practical expedient when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, to require the effective interest rate to be adjusted, equivalent to a movement in a market rate of interest. Also, the amendments introduce reliefs from discontinuing hedge relationships including a temporary relief from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Furthermore, the amendments to IFRS 4 are designed to allow insurers who are still applying IAS 39 to obtain the same reliefs as those provided by the amendments made to IFRS 9. There are also amendments to IFRS 7 Financial Instruments: Disclosures to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The impact of the changes is not yet known and cannot be assessed.

IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current

(effective for annual periods beginning on or after January 1, 2023, not yet adopted by the EU)
The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current or non-current. The amendments affect the presentation of liabilities in the statement of financial position and do not change existing requirements around measurement or timing of recognition of any asset, liability, income or expenses, nor the information that entities disclose about those items. Also, the amendments clarify the classification requirements for debt which may be settled by the company issuing own equity instruments. The impact of the changes is not yet known and cannot be assessed

Note 2 Risk management and capital adequacy calculation principles

The risk management of the Investment Firm assumes the continuous and consistent identification and assessment of the risks and the factors influencing thereof, which is conducted pursuant to the selected ways and methods of monitoring but also the control of the management process. The main principles of risk management and control issues occurring during the activities of the Investment Firm are provided in the provisions of the Internal Rules and the Risk Management Policy of the Investment Firm. The risk management of the Investment Firm is conducted pursuant to the valid legal norms of the Republic of Estonia and the European Union.

The risk management strategy is based on optimizing the ratio of the profitability of the Investment Firm to the level of assumed risks. Development of risk assessment methods and establishment of numerical parameters for criteria is completely in the competence of the management board of the investment firm. The principles and methodology of risk management are regularly reviewed and updated when needed. The risk management process consists of continual and persistent risk identification, risk assessment, impact of the methods chosen and control over the risk management process.

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2.1. Credit risk

Credit risk is a risk that the investment firm has to bear the losses, if the parties of the securities transactions and the customers of the investment trust fail to perform their contractual obligations or fail to perform their contractual obligations duly or properly, and if the value of the security for the loan decreases. The main reasons for the occurrence of risk are giving the customers the possibility for margin trading with the liquid financial instruments serving as the security and with the term of one day (the term of the credit may be extended) and the own funds deposited in credit institutions and investment trusts.

For calculating the capital requirements necessary for securing credit risks, the investment firm uses the standard method, for assessing the value of the security the complex method is used.

As of 31 December 2020, the minimum capital requirement for covering the credit risk amounted to EUR 224 907 and was divided as follows:

2.1.1. Credit quality

Position opened to credit risk	**Credit risk position before the implementation of mitigation methods (EUR)**	**Credit risk position after the implementation of mitigation methods (EUR)**	**Capital requirement 8% (EUR)**
Receivables from banks	2 810 085	2 810 085	224 807
Receivables from customers	25 043 102	0	0
Other receivables	1 250	1 250	100
Total	**27 854 437**	**2 811 335**	**224 907**

2.2. Market risk

Market risk involves potential losses which may occur in result of the adverse changes of such market factors as foreign currencies, rates of listed securities or base interest rates.

The total regulative volume of the capital requirements necessary for covering the market risks was 634 868 euros and calculated as following:

	Capital requirement
Currency risk (see 2.2.1)	581 938
Risk in the Trading Book (see 2.2.2)	52 931
Total	**634 868**

The investment company has a trading book, the purpose of which is to monitor compliance with the regulatory requirements for liquid assets, therefore there is no significant market risk in trading.

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2.2.1. Currency risk

Currency risk is the risk that a change in an exchange rate will affect the value of the Investment Firm's assets and revenue when translated to the Euros disproportionately with the change in the value of the Investment Firm's liabilities and expenses. The Investment Firm is exposed to currency risk arising from fluctuations in the exchange rates of foreign currencies.

The investment firm owns a small trading portfolio, the aim of which is to monitor adherence to the regulative requirements established for liquid assets, which is why there is no substantial market risk from trading activities.

As of 31.12.2020, the general open currency position amounted to 7 274 222 euros and the capital requirement for currency risk was 581 938 euros and calculated as following:

Currency code	*Long NET*	*Short NET*	*Total risk exposure amount*	*Capital requirement*
AUD	6 416	6 333	83	7
CAD	2 113	2 108	5	0
CHF	4 663	4 665	2	0
CNY	169	134	35	3
GBP	918 699	918 214	486	39
HKD	4 244 155	4 244 165	10	1
JPY	2 592	2 588	4	0
RUB	47 827 783	40 997 553	6 830 230	546 418
SEK	3 900	3 899	1	0
USD	35 893 546	35 450 178	443 368	35 469
Total	**88 904 036**	**81 629 836**	**7 274 222**	**581 938**

2.2.2. Risk on changes in value of securities

With the aim to adhere to the requirements established for liquid assets, the Investment Firm owns a conservative portfolio consisting of high liquidity securities. Considering the quality of the securities and the volume of the portfolio, there is no significant risk of change in the value of the portfolio. As of 31.12.2020, the risk position formed EUR 661 631 and the normative capital requirement EUR 52 931, which is calculated as following:

	Risk position	*Risk weight*	*Risk exposure*	*Capital requirement*
Specific risk in own portfolio	3 004 061	1,00%	375 508	30 041
	1 909 480	0,25%	59 671	4 774
Global risk in own portfolio	65 235	0,70%	5 708	457
	3 981 486	0,40%	199 074	15 926
	866 820	0,20%	21 670	1 734
Total				**52 931**

2.2.3. Interest rate risk

If the Investment Firm grants loans to the customers or short-term investments with fixed interest and this turn up to be lower than market interest for similar financial instruments, then the Investment Firm may

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face interest rate risk. Considering the nature of the activities of the Investment Firm and the structure of requirements, the occurrence of such risk is considered unlikely.

2.3. Liquidity risk

Liquidity risk is the risk that the Investment Firm does not have sufficient liquid funds to meet its financial obligations as they fall due. The framework of liquidity risk management includes all activities required for reliable detection, measurement, inspection and monitoring of the liquidity risk.
The Investment Firm calculates the liquidity coefficient according to regulative requirements, based on which the net inflow of funds cannot be less than 75% of the net outflow.

Requirements for liquidity coverage (EUR)	**31.12.2020**
Liquid assets	4 176 510
Outflow	16 522 954
Inflow (75% of the outflow)	12 392 215
Net outflow	4 130 738
Capital requirement (100% of net outflow)	4 130 738
Liquidity coefficient	**1,10%**

2.4. Leverage

For calculating the financial leverage rate, the capital of the Investment Firm is divided by the total risk positions and is expressed as a percentage. The aim of the financial leverage rate is to cover the exceeding financial leverage risk. As of 31.12.2020, the financial leverage ratio is 54,38%.

Total leverage ratio exposure	30 011 606
TIER 1 Capital	16 319 641
Leverage ratio	**54,38%**

2.5 Stable financing

The stable financing indicator is directed for the determination of long-term financing sources and the elements which need long-term financing. The main sources of stable financing are own funds. The time interval needed for satisfying the main volume of stable financing does not exceed three months. The Investment Firm ensures the adequate satisfaction of long-term liabilities with the instruments of stable financing.

2.6 Risk concentration

Risk concentration is calculated separately for every customer or the group of associated persons. Risk concentration is high if it exceeds 10%. The risk manager of the Investment Firm constantly monitors the risk positions which exceed the given level. The risk concentration of each customer or the group of associated persons may not exceed 25% of own funds after the implementation of methods for lowering the risk. As of 31.12.2020, the Investment Firm did not exceed the legally established risk concentration threshold.

2.7. Operational risk

Operational risk is the risk that internal processes and / or systems do not function or do not function adequately due to a technical error or failure, the activity or inactivity of the Investment Firm's staff, or external factors.

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Compliance control and internal audit have an important role in the assessment of operational risks. In the framework of monitoring and recording of operational risks the Investment Firm uses incident management program with automated alert system. The risk manager of the Investment Firm is responsible for monitoring the risk exposures. The Investment Firm also applies the "four eyes" principle, according to which, all cash or securities' transfers require the approval of at least two members of staff

The Investment Firm applies the base method for calculating the capital requirement for covering the operational risk.
As of 31 December 2020, the capital requirement amounted to EUR 269 153.

2.8. Capital buffers

Pursuant to Directive 2013/36/EU of the European Parliament and of the Council, investment firms shall hold, in addition to other own fund requirements, a capital conservation buffer, which equals 2.5% of their total risk exposure amount. To ensure the stability of the financial sector in relation to non-cyclic risks, which could have a serious negative impact on the national financial system, the Bank of Estonia has established a systemic risk buffer at 0% since 01.05.2020.
Since 2016, all investment firms undertake to adhere to the requirement established for own funds for covering the countercyclical capital buffer. The Bank of Estonia established the requirement rate of 0%.
KFE takes into account the compulsory capital buffers in calculation of the adequacy of capital.

2.9. Capital Adequacy

Net assets for calculation of capital adequacy	**31.12.2020**	**31.12.2019**
Paid in share capital	1 612 710	1 612 710
Capital reserve	161 271	161 271
Retained earnings/losses	14 551 280	14 472 976
Intangible assets (minus)	-5 620	-2 424
TIER 1 CAPITAL	**16 319 641**	**16 244 533**
Capital requirement for credit risk of the Investment Firm and the counterparty	104 556	53 727
Capital requirement for market risk	634 868	791 290
Capital requirement for operational risk (base method)	269 153	268 723
Capital requirement for calculation of capital adequacy	**1 008 587**	**1 113 740**
Minimum capital ratio requirements	**8%**	**8%**
Systemic risk buffer %	0%	1%
Capital conservation buffer %	2,50%	2,50%
Total capital ratio requirements	**10,50%**	**11.50%**
Total capital ratio	**129,45%**	**116,68%**

In order to reduce the risks related to its reliability and the provision of its services, an Investment Firm undertakes to continuously control adherence to capital adequacy standards, the amount of own funds and capital adequacy within the internal capital adequacy assessment process (ICAAP). From the point of view of the Investment Firm, the evaluation mainly includes the number of main risk sources and the definition of their types and the distribution of the capital which is considered adequate by the company for covering the risks. This process also includes stress testing which is conducted in the form of reviewing the scenarios which include different unfavorable events. Such testing identifies the vulnerable moments of the company and allows to determine the financial security and the capital needed for covering possible risks. The Estonian Financial Supervision Authority annually analyses the process of internal capital adequacy assurance in the form of mandatory supervision. The Investment Firm has performed the regulative requirements established on capital.

The Estonian Financial Supervision Authority analyzes the process of ensuring the internal adequacy of capital every year by way of mandatory supervision. The investment firm has complied with the regulatory

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capital requirements. According to SREP's (*Supervisory Review and Evaluation Process*) assessment, the investment firm is required to maintain the ratio of equity at the level of at least 17,06%.

Note 3 Cash and bank balances

Cash and cash equivalents	31.12.2020	31.12.2019
Demand deposits EUR	1 183 845	1 262 873
Demand deposits, foreign currency	693 748	538 137
Term deposits (with a maturity of up to 3 months) EUR	3 196	3 196
Term deposits (with a maturity of up to 3 months) foreign currency	929 296	0
Total cash and cash equivalents	**2 810 085**	**1 804 206**

Note 4 Financial assets at fair value through profit or loss

According to management the bonds and other fixed-income securities are classified as financial assets at fair value through profit or loss.

The interest rate of bonds is 1,55%-2,85% and the currency is USD.

4.1. Bonds

	2020	2019
Start of period	**1 524 900**	**1 504 878**
Acquisition of bonds	5 343 138	1 491 602
Sale (redemption)	-1 549 822	-1 514 349
Receipt of interest on bonds	-100 656	-26 029
Interest income during the period	85 111	28 646
Currency exchange gains/loss	-357 984	28 578
Revaluation to fair value	-31 146	11 574
End of period (note 20)	**4 913 541**	**1 524 900**

4.2. Derivative instruments of currency exchange

	Assets / liability (at fair value)	
	2020	**2019**
Currency futures (EUR/USD)		
Start of period	**154 998**	**37 980**
Change of fair value	994 363	-135 288
Currency exchange gains/loss	17 896	162
Receipt of profit/loss	-1 107 258	252 144
End of period (note 20)	**59 999**	**154 998**

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The AS KIT Finance Europe uses currency futures to alleviate the exchange rate risk arising from open currency positions. The EUR/USD currency futures are re-evaluated on a daily basis in their fair value. All contracts are entered for a fixed term of 3 months.
Derivative instruments are reflected at fair value through profit or loss. The Investment Firm does not use hedge accounting.

4.3. Measuring the fair value of financial assets

The fair value hierarchy of financial assets has the following levels in accordance with IFRS 13:
Level 1 - Quoted (unadjusted) prices in an active market for identical assets and liabilities;
Level 2 - Valuation techniques for which the significant inputs at the lowest level are directly or indirectly observable;
Level 3 - Assessment methods where significant inputs at the lowest level are not directly or indirectly observable.
Data on the fair value hierarchy of financial assets as of 31.12.2020.

	Fair value measurement	
	Level 1	**Total**
Bonds	4 913 541	4 913 541
Derivatives	59 999	59 999
Total	**4 973 540**	**4 973 540**

Note 5 Loans granted and receivables from customers

These loans include leveraged short-term loans secured by securities with interest: base interest + 2% to 16.95%, depending on the currency of the loan and the customer's risk level.
According to the management, the fair value of the loans does not differ from their carrying amount.

	2020	**2019**
Loans granted	24 988 839	17 602 105
Other receivables	94 538	328 779
Loans and receivables from customers (Note 20)	**25 083 377**	**17 930 884**

Loans granted	**2020**	**2019**
Loans to legal entities	99 010	9 223 345
Loans to private customers	24 997 889	8 490 358
Impairment of loan receivables	-108 060	-111 598
Total	**24 988 839**	**17 602 105**

Movement of provision for impairment 2020	**Loans 31.12.2020**	**Loans 31.12.2019**
As of 01.01.2020	-111 598	-18 220
Total impairment of loan receivables	-2 369	-105 923
Written off during the year	0	14 295
Net profit (loss) from assets revaluation	5 907	-1 750
As 31.12.2020	**-108 060**	**-111 598**

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Change in credit quality after recognition

	Loans gross amount 31.12.2020	Expected loss model impairment		
		Performing assets	Under-performing assets	Non-performing assets
Loans granted	25 191 437	25 117 146	29 435	44 856
Method of provision		0,15%	100%	100%
Effective interest rate		6,20%		
Provision for credit losses		80%		
Discount amount	-108 060	-33 769	-29 435	-44 856

Note 6 Other receivables, accrued income and prepayments

	31.12.2020	31.12.2019
Other interest receivable	140	0
Other receivables	1 110	3 137
Total other receivables (Note 20)	**1 250**	**3 137**
Prepaid and refundable taxes (Note 7)	43 684	45 443
Prepayments	209 962	180 530
Total prepayments (Note 20)	**253 645**	**225 973**

Note 7 Taxes

	31.12.2020		31.12.2019	
	Prepayment	Payable	Prepayment	Payable
Value added tax	5 643	4	5 363	0
VAT paid abroad	2 177	0	3 212	0
Corporate income tax	0	265	0	367
Corporate income tax paid abroad	33 946	129 915	33 946	0
Personal income tax	0	11 062	0	17 181
Social tax	0	19 091	0	29 535
Funded pension premiums	0	949	0	1 595
Unemployment insurance premiums	0	876	0	1 254
Prepayment account	1 918	0	2 922	0
Other taxes abroad	0	554	0	1 271
Total taxes (Note 7,20)	**43 684**	**162 716**	**45 443**	**51 203**

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Note 8 Net gain/loss on financial transactions

	2020	2019
Due to changes in the currency exchange rate:	-2 253 224	-287 486
Currency conversion profit from costumer transactions	*94 479*	*40 032*
revaluation gain/loss	*-2 347 703*	*-327 518*
Net gain/(-loss) from trade	-26 654	9 902
Currency derivatives:	994 363	-135 126
at fair value	*994 363*	*-135 126*
Lease interest expenses	-12 601	*-12 350*
Net gain/(-loss) from financial assets at fair value	**-1 298 116**	**-425 060**

Note 9 Leases

Office space leased by KIT Finance Europe AS is recognized as a leased asset. The investment firm used an alternative borrowing rate of 5% for the initial application of IFRS 16. In 2020 the assets, depreciation and liabilities of the lease agreement were adjusted due to the extension of the lease agreement and the change in the lease value, the interest rate has not changed in 2020. The statement of financial position includes the followings assets and liabilities related to leases:

Rights of use

Balance 01.01.2019	**278 113**
Adjustments to IFRS 16	-89 425
Balance 01.01.2019 (Note 10)	**188 688**
Accumulated depreciation 31.12.2019	**44 498**
Adjustments to IFRS 16	-58 016
Depreciation expense	41 821
Accumulated depreciation 31.12.2020 (Note 10)	**28 303**
Balance 31.12.2020 (Note 10)	**160 385**

Lease liabilities

Balance 31.12.2019	**229 308**
Adjustments to IFRS 16	-31 409
Calculated interest expenses for 2020	12 601
Repayments of a lease obligation	-47 203
Balance 31.12.2019 (Note 13)	**163 297**

The lease expense of the Investment Firm for the following periods from non-interruptible contracts as of 31.12.2020:

Within 12 months	43 402
Within 1-5 years	157 299
Total	**200 701**

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Note 10 Property, plant and equipment

	Rent-of-use assets	Machinery and equipment	Other equipment	Total
Cost At 31.12.2019	**278 113**	**57 841**	**80 959**	**138 800**
Accumulated depreciation at 31.12.2019	**44 498**	**51 715**	**75 996**	**172 209**
Acquisitions	0	10 000	0	**10 000**
Adjustments to IFRS 16	-89 425	0	0	**-89 425**
Write-offs	0	-2 046	-674	**-2 720**
Cost At 31.12.2020	**188 688**	**65 795**	**80 285**	**146 080**
Calculated depreciation during current year	41 821	5 292	1 651	**48 764**
Adjustments to IFRS 16	-58 016	0	0	**-58 016**
Write-offs	0	-2 046	-674	**-2 720**
Accumulated depreciation 31.12.2020	**28 303**	**54 961**	**76 973**	**160 237**
Carrying amount 31.12.2019	**233 615**	**6 126**	**4 963**	**244 704**
Carrying amount at 31.12.2020	**160 385**	**10 834**	**3 312**	**174 531**

Note 11 Intangible assets

Cost at 31.12.2019	**13 269**
Acquisition	0
Cost at 31.12.2020	**13 269**
Accumulated depreciation at 31.12.2019	**12 525**
Depreciation charge for the year (+)	97
Accumulated depreciation at 31.12.2020	**12 622**
Carrying amount at 31.12.2019	**744**
Carrying amount at 31.12.2020	**647**

Note 12 Financial liabilities at fair value through profit or loss

Financial liabilities by currency	**31.12.2020**	**31.12.2019**
RUB	14 289 327	3 887 629
HKD	2 120 526	286 268
GBP	111 682	713 227
CHF	1 419	8
Total financial liabilities (note 20)	**16 522 954**	**4 887 132**

The Investment Firm mainly keeps its funds in euros, transactions with clients result in liabilities in other currencies which are short term liabilities with a maturity of up to 3 months.

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Note 13 Accrued liabilities

	31.12.2020	31.12.2019
Payables to employees	42 805	31 071
Accrued income	1 421	2 037
Lease liabilities (note 9)	163 297	229 308
Commission and fees liabilities	689	231 291
Interest liabilities	10 400	40 148
Other accrued liabilities	5 116	6 433
Accrued liabilities, total	**223 728**	**540 288**

Note 14 Equity

Share capital

	31.12.2020	31.12.2019
Share capital (EUR)	1 612 710	1 612 710
Number of shares	244 350	244 350
Par value of a share (EUR)	6,60	6,60

The minimum share capital of the Investment Firm is EUR 1 612 710 and the maximum authorized share capital of the Investment Firm is EUR 6 450 840, within which the share capital may be increased or reduced without changing the statute. Shareholders are entitled to receive dividends. Each share carries one vote at meetings of the Investment Firm.

Dividends

A total of EUR 59 764 was announced and paid out in dividends to shareholder in 2020. A tax-free dividend of EUR 59 764 was paid out of retained earnings attributed to the Cyprus branch of the firm. Dividends paid in 2019 amounted to EUR 81 912.

Statutory capital reserve

According to the Commercial Code, the statutory reserve capital is 1/10 of the share capital.
Reserve capital can be used to cover losses, as well as to increase share capital. No payments may be made to shareholders from the reserve capital.

Note 15 Income tax

	2020	2019
Income tax paid abroad	129 915	0
Total income tax paid abroad	**129 915**	**0**

Contingent income tax liability

On the date of the 31st of December 2020, the Investment Firm's unrestricted equity amounted to EUR 14 578 901 (2019: EUR 14 611 045). At the balance sheet date, the Investment Firm could distribute a dividend of 11 982 339 EUR (2019: EUR 11 688 836). The payment of dividends from the taxed profits of the Cyprus branch is tax-free and it is possible to deduct the payment of dividends would result in income tax on dividends in the amount of EUR 2 596 562 (2019: EUR 2 922 209).

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Note 16 Commissions and fees received

Geographical area (according to the location of the client)	2020	2019
European Union (Latvia, Slovakia, Estonia and others)	173 150	134 329
Rest of the World (Russia, Ukraine, Belarus, China and others)	1 354 496	2 352 323
Total	**1 527 646**	**2 486 652**

Activity	2020	2019
Commissions and fees received (EMTAK 66121)	1 527 646	2 486 652
Total	**1 527 646**	**2 486 652**

Note 17 Net interest income

Interest income	2020	2019
On demand deposits	28 899	131 269
On financial assets at fair value through profit or loss (Note 4)	85 111	28 646
Loans granted	2 398 519	3 769 033
Total	**2 512 529**	**3 928 948**

Interest expense	2020	2019
Other interest expenses	-448 923	-2 423 553
Total	**-448 923**	**-2 423 553**

Interest income on loans according to the location of the client	2020	2019
European Union (Latvia, Estonia, Cyprus and others)	18 532	46 230
Rest of the World (Russia, Ukraine and others)	2 379 987	3 722 803
Total	**2 398 519**	**3 769 033**

Note 18 Assets pledged as collateral

The Investment Firm has a MasterCard issued by AS SEB Bank. The credit limit is EUR 3 196 and the facility is secured with a security deposit of EUR 3 196.

Note 19 Labor Costs

	31.12.2020	31.12.2019
Wage costs	598 387	778 396
Social taxes	200 219	256 570
Other	11 806	6 919
Total labor costs	**810 412**	**1 041 885**
Average number of employees in full time equivalents	23	21
Average number of employees by type of employment:		
Person working under an employment contract	21	19
Member of management or control body	2	2

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Note 20 Financial instruments

Assets and liabilities by currency

31.12.2020	EUR	USD	GBP	RUB	HKD	Other	Total
Assets							
Cash and bank balances	1 187 041	691 670	0	931 324	0	50	2 810 085
Financial assets at fair value through profit or loss including:	0	4 973 540	0	0	0	0	4 973 540
Financial assets held for trading	*0*	*4 913 541*	*0*	*0*	*0*	*0*	*4 913 541*
Derivative instruments	*0*	*59 999*	*0*	*0*	*0*	*0*	*59 999*
Loans and receivables from customers	104 388	2 544 072	112 579	20 197 207	2 123 629	1 502	25 083 377
Other receivables	1 110	0	0	140	0	0	1 250
Accrued income and prepayments	253 645	0	0	0	0	0	253 645
Total	**1 546 184**	**8 209 282**	**112 579**	**21 128 671**	**2 123 629**	**1 552**	**33 121 897**
Liabilities							
Financial liabilities at fair value through profit or loss	0	0	111 682	14 289 326	2 120 526	1 420	16 522 954
Payables to suppliers	18 560	9 825	412	5 998	0	0	34 795
Taxes payable	162 716	0	0	0	0	0	162 716
Accrued liabilities	211 404	6 089	0	3 117	3 112	6	223 728
Total	**392 680**	**15 914**	**112 094**	**14 298 441**	**2 123 638**	**1 426**	**16 944 193**

31.12.2019	EUR	USD	GBP	RUB	HKD	Other	Total
Assets							
Cash and bank balances	1 266 069	528 097	0	9 524	0	516	1 804 206
Financial assets at fair value through profit or loss including:	0	1 679 898	0	0	0	0	1 679 898
Financial assets held for trading	*0*	*1 524 900*	*0*	*0*	*0*	*0*	*1 524 900*
Derivative instruments	*0*	*154 998*	*0*	*0*	*0*	*0*	*154 998*
Loans and receivables from customers	26 818	5 062 571	671 011	11 875 997	294 487	0	17 930 884
Other receivables	3 137	0	0	0	0	0	3 137
Accrued income and prepayments	225 973	0	0	0	0	0	225 973
Total	**1 521 997**	**7 270 566**	**671 011**	**11 885 521**	**294 487**	**516**	**21 644 098**
Liabilities							
Financial liabilities at fair value through profit or loss	0	0	713 227	3 887 629	286 268	8	4 887 132
Payables to suppliers	10 762	11 532	0	3 604	0	0	25 898
Taxes payable	51 203	0	0	0	0	0	51 203
Accrued liabilities	267 068	269 618	981	1 553	1 068	0	540 288
Total	**329 033**	**281 150**	**714 208**	**3 892 786**	**287 336**	**8**	**5 504 521**

Risk management principles are given in Note 2

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Note 21 Off-balance sheet assets and liabilities

AS KIT Finance Europe acts as an accounts manager. Therefore, it intermediates, has in its possession and is liable for following customer's funds:

Assets	31.12.2020	31.12.2019
Customers' cash	19 197 184	19 016 429
Customers' securities	274 080 377	256 138 062
Total	**293 277 561**	**275 154 491**

Liabilities	31.12.2020	31.12.2019
Customers' securities	332 968	65 596
Total	**332 968**	**65 596**

Securities are in their fair value.

Note 22 Transactions with related parties

Related party transactions include transactions with the parent and subsidiary companies, other group companies, shareholders, members of management, their close family members and companies controlled by them. The Investment Firm's parent company is KIT Finance Broker (JSC). The provision of brokerage services to related parties is carried out on market terms

In the reporting period, the Investment Firm performed transactions with related parties as follows:

	2020		**2019**	
Transactions with related parties	Commissions and fees paid	Commissions and fees received	Commissions and fees paid	Commissions and fees received
Group´s parent	315 380	253 326	718 574	147 593
Other group companies	0	93 713	0	1 189 623
Other related parties	0	61	0	1 264
Total transactions	**315 380**	**347 100**	**718 574**	**1 338 480**

Interest income	**2020**	**2019**
Group´s parent	5 001	4 348
Other group companies	1 236 891	2 920 571
Total interest income	**1 241 892**	**2 924 919**

Interest expenses		
Group´s parent	268 222	1 633 479
Total interest expenses	**268 222**	**1 633 479**

Currency derivatives at fair value		
Other group companies	515 527	0
Currency derivatives at fair value	**515 527**	**0**

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Date 1.04.21 Signature
Crowe DNW Ltd

Net income from trade		
Group´s parent	0	193
Other group companies	367	56 888
Total net income from trade	**367**	**57 081**

Balances with related parties:	**31.12.2020**	**31.12.2019**
Short-term receivables		
Group´s parent	2 163	1 590
Other group companies	85 742	9 437 814
Other related parties	0	**0**
Total short-term receivables	**87 905**	**9 439 404**
Short-term payables		
Group´s parent	273	357
Total short-term payables	273	**357**
Accrued liabilities and prepayments		
Other group companies	1 421	2 037
Total accrued liabilities and prepayments	**1 421**	**2 037**

Calculated remuneration to the board	**31.12.2020**	**31.12.2019**
Members of the management board and supervisory board	248 029	253 504
Total remuneration calculated	**248 029**	**253 504**

During the financial year, the remuneration of the members of the supervisory and management board of AS KIT Finance Europe has been calculated in accordance with the decisions of the supervisory and sole shareholders. No compensation is paid to supervisory board members upon expiry of powers. Therefore, members of the management will get remuneration of three months average. No severance pay has been paid in the reporting year.
Members of the management board and supervisory board do not have a stock option at AS KIT Finance Europe.

Initialed for identification purposes only
Date 7.04.21 Signature
Crowe DNW Ltd

SIGNATURES

The management board on April 7, 2021 authorised the management report and the annual financial statements of AS KIT Finance Europe.

The supervisory board of AS KIT Finance Europe has reviewed the annual report, including the management report and the annual financial statements, and the independent auditor's report and has approved their presentation to the general meeting of the shareholders.

This annual report is signed by members of the management board.

Name	Position	Signature	Date
Pavel Arhipov	Member of the Management Board		07.04.2021
Galina Ruban	Member of the Management Board		07.04.2021

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INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS KIT Finance Europe

Opinion
We have audited the financial statements of AS KIT Finance Europe (the Company), which comprise the statement of financial position as at December 31, 2020, and the statement of comprehensive income, statement of cash flows and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2020 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted in the European Union.

Basis for Opinion
We conducted our audit in accordance with International Standards on Auditing (Estonia) (ISAs (EE)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants (Estonia), (including Independence Standards), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information
Management is responsible for the other information. The other information comprises the information included in the management report but does not include the financial statements and our auditor's report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion 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, 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 in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted in the European Union and for such internal control as management determines 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, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (EE) 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.

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

April 7, 2021
In behalf of Crowe DNW Ltd

Vadim Donchevski
Certified Public Accountant

PROFIT ALLOCATION PROPOSAL

(EUR)

Retained earnings	14 551 280
Net profit for 2020	27 261
Total as at 31.12.2020:	***14 578 901***

The Management Board of AS KIT Finance Europe proposes to the General Meeting of the Shareholders not to distribute the profit.

LIST OF ACTIVITIES

Activity	2020
Commissions and fees received (EMTAK 66121)	1 527 646
Total	**1 527 646**

Activities planned for the new reporting year:

Securities and commodity contracts brokerage (EMTAK 66121)