

Independent auditor's report
on the annual financial statements of
Joint Stock Company RN Bank
for 2017

March 2018

**Independent auditor's report
on the annual financial statements of
Joint Stock Company RN Bank**

Translation of the original Russian version

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Independent auditor's report
Translation of the original Russian version

To the Shareholder and Board of Directors of
Joint Stock Company RN Bank

Report on the audit of the annual financial statements

Opinion

We have audited the annual financial statements of Joint Stock Company RN Bank (hereinafter, the "Bank"), which comprise the balance sheet (published form) for 2017, statement of income (published form) for 2017 and appendices to the balance sheet and statement of income including report on capital adequacy to cover the risks, amount of reserves for possible losses on loans and other assets (published form) as of 1 January 2018, information on mandatory ratios, financial leverage indicator of short-term liquidity and ratios (published form) as of 1 January 2018, statement of cash flows (published form) as of 1 January 2018 and explanatory notes.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017 and its financial performance and its cash flows for 2017 in accordance with the rules on preparation of financial statements established in the Russian Federation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the annual financial statements* section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the annual financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the annual financial statements of the current period. These matters were addressed in the context of our audit of the annual financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the annual financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the annual financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying annual financial statements.

Key audit matter	How our audit addressed the key audit matter
<i>Provision for potential losses on loans, as well as loan and similar debt</i>	
<p>Estimation of the provision for potential losses on loans, as well as loan and similar debt (hereinafter, "loans") in line with the requirements of the Central Bank of Russia's Regulation No. 590-P, <i>Concerning the Procedure of Making Provisions for Potential Losses on Loans, as well as Loan and Similar Debt</i>, of 28 June 2017, is a key area of judgment for Bank management. Assessment of credit risks involves an extensive use of professional judgment and assumptions, as well as analysis of various factors, including the borrower's financial position. Bank management's approach to assessing and managing credit risk is described in Note 9.2 to the annual financial statements.</p> <p>The use of different approaches and assumption can significantly affect the level of provisions for potential loan losses.</p> <p>Due to significant amounts of loans issued, which account for 93.8% of total assets, and an extensive use of professional judgment, the estimation of provisions for potential loan losses was a key audit matter.</p>	<p>Our audit procedures included tests of controls over the process of making provisions for potential loan losses, including provisions for specific loans and homogeneous loan portfolios. We analyzed the consistency of management's judgments used to determine loan quality categories. We also paid attention to significant individually impaired loans, as well as loans mostly exposed to the risk of individual impairment.</p> <p>We performed procedures over the information on provisions for potential loan losses disclosed in Notes 4.3, 9.2 to the annual financial statements.</p>

Other information included in the Bank's 2017 Annual report

Other information consists of the information included in the Bank's 2017 Annual report, other than the annual financial statements and our auditor's report thereon. Management is responsible for the other information.

Our opinion on the annual financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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In connection with our audit of the annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the annual 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 Board of Directors for the annual financial statements

Management is responsible for the preparation and fair presentation of the annual financial statements in accordance with the rules on preparation of annual financial statements established in the Russian Federation, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Bank'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 Bank or to cease operations, or has no realistic alternative but to do so.

Board of Directors are responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the annual financial statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

- ▶ Identify and assess the risks of material misstatement of the annual 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 Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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- ▶ 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 Bank'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 annual 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 Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with Board of Directors, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report in accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 Concerning Banks and Banking Activities of 2 December 1990

Management of the Bank is responsible for the compliance of the Bank with the mandatory prudential ratios established by the Central Bank of the Russian Federation (hereinafter, the "Bank of Russia"), and for the conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the Bank of Russia in respect of such systems.

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In accordance with the requirements of Article 42 of the Federal Law of the Russian Federation No. 395-1 *Concerning Banks and Banking Activities* of 2 December 1990 (hereinafter, the "Federal Law"), during the audit of the Bank's annual financial statements for 2017, we determined:

- 1) Whether the Bank complied as at 1 January 2018 with the obligatory ratios established by the Bank of Russia;
- 2) Whether internal control and organization of the risk management systems of the Bank conformed to the requirements set forth by the Bank of Russia for such systems in respect of the following:
 - ▶ Subordination of the risk management departments;
 - ▶ The existence of methodologies, approved by the Bank's respective authorized bodies, for detecting and managing risks that are significant to the Bank and for performing stress-testing; the existence of a reporting system at the Bank pertaining to its significant risks and capital;
 - ▶ Consistency in applying and assessing the effectiveness of methodologies for managing risks that are significant to the Bank;
 - ▶ Oversight performed by the Board of Directors and executive management of the Bank in respect of the Bank's compliance with risk limits and capital adequacy requirements set forth in the Bank's internal documents, and effectiveness and consistency of the application of the Bank's risk management procedures.

This work included procedures selected based on our judgment, such as inquiries, analysis, reading of documents, comparison of the requirements, procedures and methodologies approved by the Bank with the requirements set forth by the Bank of Russia, and the recalculation, comparison and reconciliation of numerical values and other information.

The findings from our work are provided below.

Compliance by the Bank with the obligatory ratios established by the Bank of Russia

We found that the values of the obligatory ratios of the Bank as of 1 January 2018 were within the limits established by the Bank of Russia.

We have not performed any procedures in respect of accounting data of the Bank, except for those procedures we considered necessary to express our opinion on the fair presentation of the Bank's annual financial statements.

Conformity of internal control and organization of the risk management systems of the Bank with the requirements set forth by the Bank of Russia in respect of such systems

- ▶ We found that, in accordance with the legal acts and recommendations issued by the Bank of Russia, as at 31 December 2017 the Bank's internal audit division was subordinated and accountable to the Board of Directors, and the Bank's risk management departments were not subordinated or accountable to the departments that take the relevant risks.

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- ▶ We found that the Bank's internal documents effective as at 31 December 2017 that establish the methodologies for detecting and managing credit, market, operational and liquidity risks that are significant to the Bank and stress-testing have been approved by the Bank's authorized bodies in accordance with the legal acts and recommendations issued by the Bank of Russia. We also found that, as at 31 December 2017, the Bank had a reporting system pertaining to credit, market, operational and liquidity risks that were significant to the Bank and pertaining to its capital.
- ▶ We found that the frequency and consistency of reports prepared by the Bank's risk management departments and internal audit division during 2017 with regard to the management of credit, market, operational and liquidity risks of the Bank complied with the Bank's internal documents, and that those reports included observations made by the Bank's risk management departments and internal audit division in respect of the effectiveness of relevant risk management methodologies.
- ▶ We found that, as at 31 December 2017, the authority of the Board of Directors and executive management bodies of the Bank included control over compliance of the Bank with internally established risk limits and capital adequacy requirements. For the purpose of control over the effectiveness and consistency of the risk management procedures applied by the Bank during 2017, the Board of Directors and executive management bodies of the Bank regularly reviewed the reports prepared by the Bank's risk management departments and internal audit division.

The procedures pertaining to the internal control and organization of the risk management systems were conducted by us solely for the purpose of determining the conformity of certain elements of the internal control and organization of the risk management systems of the Bank, as listed in the Federal Law and described above, with the requirements set forth by the Bank of Russia.

The partner in charge of the audit resulting in this independent auditor's report is -
O.V. Youshenkov.

O.V. YOUSHENKOV
Partner
Ernst & Young LLC

19 March 2018

Details of the audited entity

Name: Joint Stock Company RN Bank
Record made in the State Register of Legal Entities on 6 November 2002, State Registration Number 1025500003737.
Address: Russia 109028, Moscow, Serebryanicheskaya naberezhnaya, building 29.

Details of the auditor

Name: Ernst & Young LLC
Record made in the State Register of Legal Entities on 5 December 2002, State Registration Number 1027739707203.
Address: Russia 115035, Moscow, Sadovnicheskaya naberezhnaya, 77, building 1.
Ernst & Young LLC is a member of Self-regulated organization of auditors "Russian Union of auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/index)
45286	09808583	102550003737

BALANCE SHEET
(published form)
as of 1 January 2018

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409806
Quarterly (Annual)
(kRUR)

No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
I. ASSETS				
1	Cash	4.1	10	10
2	Amounts due to credit institutions from the Central Bank of the Russian Federation	4.1	2 291 989	444 244
2.1	Obligatory reserves	4.1	390 249	29 397
3	Amounts due from credit institutions	4.1	109 652	137 838
4	Financial assets at fair value through profit or loss	4.2	205 946	136 743
5	Net loans receivable and similar debt	4.3	74 786 441	59 007 852
6	Net investments in securities and other financial assets available for sale	4.4	595 934	202 703
6.1	Investments in subsidiaries and associates		0	0
7	Net investments in securities held to maturity		0	0
8	Current income tax asset		21 719	120 225
9	Deferred tax asset		356 378	313 472
10	Fixed assets, intangible assets and inventories	4.5	330 385	437 536
11	Non-current assets held for sale		0	0
12	Other assets	4.6	958 049	585 285
13	Total assets		79 656 503	61 385 908
II. LIABILITIES				
14	Loans, deposits and other amounts due to the Bank of Russia		0	0
15	Amounts due to credit institutions	4.7	34 130 020	26 905 331
16	Amounts due to customers other than credit institutions	4.8	12 478 991	12 926 815
16.1	Deposits of (amounts due to) individuals, including individual entrepreneurs	4.8	1 853 168	1 393 541
17	Financial liabilities at fair value through profit or loss	4.2	1 582 363	3 097 474
18	Debt obligations issued	4.9	15 000 000	5 000 000
19	Current income tax liability		262	0
20	Deferred tax liability		0	0
21	Other liabilities	4.10	2 429 821	2 438 716
22	Provisions for potential losses on credit-related contingent liabilities, other potential losses and transactions with offshore residents		0	0
23	Total liabilities		65 621 457	50 368 336
III. EQUITY				
24	Shareholders' (participants') equity	4.11	3 269 000	3 269 000
25	Treasury shares		0	0
26	Share premium	4.11	5 580 800	5 580 800
27	Reserve fund	4.11	157 584	67 190
28	Fair value re-measurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)	4.11	2 322	546
29	Revaluation of fixed assets and intangible assets decreased by deferred tax liability		0	0
30	Revaluation of liabilities (claims) for the payment of long-term benefits		0	0
31	Revaluation of hedging instruments		0	0
32	Funds in the form of debt-free financing (contributions to assets)		0	0
33	Retained earnings (uncovered losses) of prior years	4.11	2 009 642	292 157
34	Unutilized profit (loss) for the reporting period	4.11	3 015 698	1 807 879
35	Total equity		14 035 046	11 017 572
IV. OFF-BALANCE SHEET LIABILITIES				
36	Irrevocable liabilities of the credit institution	4.12	19 079 300	28 917 508
37	Guarantees and sureties issued by the credit institution		0	0
38	Non-credit related contingent liabilities		0	0

Chairman of the Management Board

Chief Accountant
Stamp



Bruno Kintzinger

Daria Vladislavovna Dolgorukova

" 19 " March 2018 .

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/index number)
45286	09808583	1025500003737

STATEMENT OF INCOME
(published form)
for 2017

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409807
Quarterly (Annual)
kRUR

Section 1. Profit or loss

(kRUR)

No.	Item	Explanatory note	For the reporting period	For the corresponding period of the prior year
1	2	3	4	5
1	Total interest income, including from:	5.1	9 976 710	8 862 586
1.1	Deposits placed with credit institutions	5.1	424 881	667 590
1.2	Loans issued to customers other than credit institutions	5.1	9 534 863	8 175 463
1.3	Finance lease services		0	0
1.4	Investments in securities	5.1	16 966	19 533
2	Total interest expense, including for:	5.1	3 400 353	3 115 773
2.1	Funds raised from credit institutions	5.1	1 980 948	2 438 445
2.2	Funds raised from customers other than credit institutions	5.1	468 955	422 328
2.3	Debt obligations issued	5.1	950 450	255 000
3	Net interest income (negative interest margin)	5.1	6 576 357	5 746 813
4	Total change in provision for potential losses on loans receivable and similar debt, amounts placed on correspondent accounts, and accrued interest income, including:	5.7	5 171	-840 849
4.1	Change in provision for potential losses on accrued interest income	5.7	4 864	-53 791
5	Net interest income (negative interest margin) after provision for potential losses		6 581 528	4 905 964
6	Net gains from financial assets at fair value through profit or loss	5.3	-56 088	-6 625 822
7	Net gains from financial liabilities at fair value through profit or loss		0	0
8	Net gains from securities available for sale		-90	-29
9	Net gains from securities held to maturity		0	0
10	Net gains from dealing in foreign currencies	5.5	-1 197 261	-261 092
11	Net gains from foreign currency translation	5.6	-980 573	4 247 931
12	Net gains from transactions with precious metals		0	0
13	Income from interests in other legal entities		0	0
14	Fee and commission income	5.2	2 265 645	2 151 137
15	Fee and commission expense	5.2	170 994	128 150
16	Change in provision for potential losses on securities available for sale		0	0
17	Change in provision for potential losses on securities held to maturity		0	0
18	Change in provision for other losses		-43 411	-134 789
19	Other operating income	5.8	143 570	96 922
20	Net income (expense)		6 542 326	4 252 072
21	Operating expenses	5.9	2 532 722	1 801 306
22	Profit (loss) before tax		4 009 604	2 450 766
23	Tax benefit (expense)	5.10	993 906	642 887
24	Profit (loss) from continuing operations		3 015 698	1 807 879
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period		3 015 698	1 807 879

Section 2. Comprehensive income

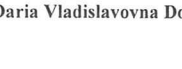
(kRUR)

No.	Item	Explanatory note	For the reporting period	For the corresponding period of the prior year
1	2	3	4	5
1	Profit (loss) for the reporting period		3 015 698	1 807 879
2	Other comprehensive income (loss)		X	X
3	Total for items not to be reclassified to profit or loss, including:		0	0
3.1	Change in revaluation reserve for fixed assets		0	0
3.2	Change in revaluation reserve for liabilities (claims) under defined benefit pension plans		0	0
4	Income tax relating to items not to be reclassified to profit or loss		0	0
5	Other comprehensive income (loss) not to be reclassified to profit or loss, less income tax		0	0
6	Total for items to be reclassified to profit or loss, including:		2221	467
6.1	Change in revaluation reserve for financial assets available for sale		2221	467
6.2	Change in cash flow hedge reserve		0	0
7	Income tax relating to items to be reclassified to profit or loss		0	0
8	Other comprehensive income (loss) to be reclassified to profit or loss, less income tax		2221	467
9	Other comprehensive income (loss) less income tax	5.11	2221	467
10	Financial result for the reporting period		3 017 919	1 808 346

Chairman of the Management Board

Chief Accountant
Stamp

Bruno Kintzinger


Daria Vladislavovna Dolgorukova

" 19 " March 2018 .

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/index number)
45286	09808583	102550003737

**STATEMENT OF CAPITAL ADEQUACY TO COVER
RISKS, AND PROVISIONS FOR POTENTIAL LOSSES
ON LOANS AND OTHER ASSETS
(published form)
as of 1 January 2018**

Credit institution Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409808

Quarterly (Annual)

Section 1. Information on capital adequacy

(kRUR)

No.	Instrument (indicator)	Explanatory note	Value of instrument (indicator) at the reporting date		Value of instrument (indicator) at the beginning of the reporting year	
			Included in the calculation of capital	Not included in the calculation of capital during the period up to 1 January 2018	Included in the calculation of capital	Not included in the calculation of capital during the period up to 1 January 2018
1	2	3	4	5	6	7
Core capital						
1	Total share capital and share premium, including:		8 849 800	X	8 849 800	X
1.1	Ordinary shares (interests)		8 849 800	X	8 849 800	X
1.2	Preferred shares		0	X	0	X
2	Retained earnings (loss):		2 009 642	X	292 157	X
2.1	Prior years		2 009 642	X	292 157	X
2.2	Reporting year		0	X	0	X
3	Reserve fund		157 584	X	67 190	X
4	Parts of share capital to be gradually excluded from the calculation of equity (capital)		Not applicable	X	Not applicable	X
5	Core capital instruments of subsidiaries, held by third parties		Not applicable	Not applicable	Not applicable	Not applicable
6	Total core capital (line 1 +/- line 2 + line 3 - line 4 + line 5)		11 017 026	X	9 209 147	X
Items decreasing core capital						
7	Adjustment to the trading portfolio		Not applicable	Not applicable	Not applicable	Not applicable
8	Goodwill less deferred tax liabilities		0	0	0	0
9	Intangible assets (except for goodwill and mortgage loan servicing rights) less deferred tax liabilities		251 479	62 870	251 388	167 592
10	Deferred tax assets that depend on future profit		0	0	0	0
11	Cash flow hedge reserves		Not applicable	Not applicable	Not applicable	Not applicable
12	Shortfall of provisions for potential losses		0	0	0	0
13	Gain from securitization		Not applicable	Not applicable	Not applicable	Not applicable
14	Gains and losses from changes in credit risk related to liabilities at fair value		Not applicable	Not applicable	Not applicable	Not applicable
15	Defined benefit pension plan assets		Not applicable	Not applicable	Not applicable	Not applicable
16	Investments in treasury shares		0	0	0	0
17	Mutual cross-shareholdings		Not applicable	Not applicable	Not applicable	Not applicable
18	Insignificant investments in core capital instruments of financial institutions		0	0	0	0
19	Significant investments in core capital instruments of financial institutions		0	0	0	0
20	Mortgage loan servicing rights		Not applicable	Not applicable	Not applicable	Not applicable
21	Deferred tax assets that are not dependent on future profit		0	0	0	0
22	Aggregate amount of significant investments and deferred tax assets exceeding 15% of core capital, total, including:		0	0	0	0
23	Significant investments in core capital instruments of financial institutions		0	0	0	0
24	Mortgage loan servicing rights		Not applicable	Not applicable	Not applicable	Not applicable
25	Deferred tax assets that are not dependent on future profit		0	0	0	0
26	Total for other items decreasing core capital, established by the Bank of Russia, including:		882 642	0	0	0
26.1	Items to be gradually excluded from the calculation of equity (capital)		0	X	0	X
27	Negative amount of additional paid-in capital		283 530	X	454 294	X
28	Total for items decreasing core capital (sum of lines from 7 to 22 and lines 26 and 27)		1 417 651	X	705 682	X
29	Total core capital (line 6 - line 28)	7.1	9 599 375	X	8 503 465	X
Additional paid-in capital						
30	Total for additional paid-in capital instruments and share premium, including:		0	X	0	X
31	Classified as capital		0	X	0	X
32	Classified as liabilities		0	X	0	X
33	Additional paid-in capital instruments to be gradually excluded from the calculation of equity (capital)		0	X	0	X
34	Total for additional paid-in capital instruments of subsidiaries, held by third parties, including:		Not applicable	X	Not applicable	X
35	Additional paid-in capital instruments of subsidiaries to be gradually excluded from the calculation of equity (capital)		Not applicable	X	Not applicable	X
36	Total additional paid-in capital (line 30 + line 33 + line 34)		0	X	0	X
Items decreasing additional paid-in capital						
37	Investments in treasury additional paid-in capital instruments		0	0	0	0
38	Mutual cross-holdings of additional paid-in capital instruments		Not applicable	Not applicable	Not applicable	Not applicable
39	Insignificant investments in additional paid-in capital instruments of financial institutions		0	0	0	0
40	Significant investments in additional paid-in capital instruments of financial institutions		0	0	0	0
41	Total for other items decreasing additional paid-in capital, established by the Bank of Russia, including:		62 870	X	454 294	X
41.1	Total for items to be gradually excluded from the calculation of equity (capital), including:		62 870	X	454 294	X
41.1.1	Intangible assets		62 870	X	167 592	X
41.1.2	Treasury shares		0	X	0	X
41.1.3	Shares of subsidiary and associate financial institutions and resident credit institutions		0	X	0	X
41.1.4	Equity in the form of inappropriate assets		0	X	0	X

1	2	3	4	5	6	7
41.1.5	Negative amount of additional capital resulting from adjusting the equity (capital) for additional capital in the form of inappropriate assets		0	X	286702	X
42	Negative amount of additional capital		0	X	0	X
43	Total for items decreasing additional paid-in capital (sum of lines from 37 to 42)		62 870	X	454 294	X
44	Total additional paid-in capital (line 36 – line 43)		0	X	0	X
45	Total main capital (line 29 + line 44)		9 599 375	X	8 503 465	X
Additional capital						
46	Additional capital instruments and share premium	7.1	3 004 614	X	1 798 045	X
47	Additional capital instruments to be gradually excluded from the calculation of equity (capital)		0	X	0	X
48	Total for additional capital instruments of subsidiaries, held by third parties, including:		Not applicable	X	Not applicable	X
49	Additional capital instruments of subsidiaries to be gradually excluded from the calculation of equity (capital)		Not applicable	X	Not applicable	X
50	Provisions for potential losses		Not applicable	X	Not applicable	X
51	Total additional capital (line 46 + line 47 + line 48 + line 50)		3 004 614	X	1 798 045	X
Items decreasing additional capital						
52	Investments in treasury additional capital instruments		1 604 904	0	2 084 747	0
53	Mutual cross-holdings of additional capital instruments		Not applicable	Not applicable	Not applicable	Not applicable
54	Insignificant investments in additional capital instruments of financial institutions		0	0	0	0
55	Significant investments in additional capital instruments of financial institutions		0	0	0	0
56	Total for other items decreasing additional capital, established by the Bank of Russia, including:		65	X	0	X
56.1	Total for items to be gradually excluded from the calculation of equity (capital), including:		65	X	0	X
56.1.1	Capital in the form of inappropriate assets		0	X	0	X
56.1.2	Accounts receivable past due by more than 30 calendar days		65	X	0	X
56.1.3	Subordinated loans issued to resident credit institutions		0	X	0	X
56.1.4	Excess of the total amount of loans, bank guarantees and sureties provided to participants (shareholders) and insiders over the maximum amount		0	X	0	X
56.1.5	Investments in the construction and purchase of fixed assets and inventories		0	X	0	X
56.1.6	Difference between the actual value of the withdrawing participants' interest and the value at which the interest was sold to another participant		0	X	0	X
57	Total for items decreasing additional capital (sum of lines from 52 to 56)		1 604 969	X	2 084 747	X
58	Total additional capital (line 51 – line 57)		1 399 645	X	0	X
59	Total equity (capital) (line 45 + line 58)	7.1	10 999 020	X	8 503 465	X
60	Risk weighted assets:		X	X	X	X
60.1	To be gradually excluded from the calculation of equity (capital)		0	X	0	X
60.2	Required to determine the core capital adequacy ratio		88 937 078	X	67 650 240	X
60.3	Required to determine the main capital adequacy ratio		88 937 078	X	67 650 240	X
60.4	Required to determine the equity (capital) adequacy ratio	7.4	88 937 013	X	67 646 317	X
Equity (capital) adequacy ratios and markups for equity (capital) adequacy prudential ratios, %						
61	Core capital adequacy ratio (line 29 : line 60.2)	7.6, 8.1	10.7934	X	12.5697	X
62	Main capital adequacy ratio (line 45 : line 60.3)	7.6, 8.1	10.7934	X	12.5697	X
63	Equity (capital) adequacy ratio (line 59 : line 60.4)	7.6, 8.1	12.3672	X	12.5705	X
64	Total for markups for equity (capital) adequacy prudential ratios, including:		5.750	X	5.125	X
65	Markup for maintaining capital adequacy		1.250	X	0.625	X
66	Anti-cyclical markup		0	X	0	X
67	Markup for systemically important banks		Not applicable	X	Not applicable	X
68	Core capital available for maintaining markups for equity (capital) adequacy ratios		4.3672	X	4.5705	X
Equity (capital) adequacy prudential ratios, %						
69	Core capital adequacy prudential ratio		4.5	X	4.5	X
70	Main capital adequacy prudential ratio		6.0	X	6	X
71	Equity (capital) adequacy prudential ratio		8.0	X	8	X
Items decreasing capital and not exceeding established materiality thresholds						
72	Insignificant investments in capital instruments of financial institutions		0	X	0	X
73	Significant investments in capital instruments of financial institutions		0	X	0	X
74	Mortgage loan servicing rights		Not applicable	X	Not applicable	X
75	Deferred tax assets that are not dependent on future profit		0	X	0	X
Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital						
76	Provisions for potential losses included in the calculation of additional capital for items with credit risk calculated using the standardized approach		Not applicable	X	Not applicable	X
77	Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital when using the standardized approach		Not applicable	X	Not applicable	X
78	Provisions for potential losses included in the calculation of additional capital for items with credit risk calculated using an approach based on internal models		0	X	0	X
79	Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital when using an approach based on internal models		Not applicable	X	Not applicable	X
Instruments to be gradually excluded from the calculation of equity (capital) (effective from 1 January 2018 to 1 January 2022)						
80	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in core capital		0	X	0	X
81	Part of instruments not included in core capital due to the restriction		0	X	0	X
82	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in additional paid-in capital		0	X	0	X
83	Part of instruments not included in additional paid-in capital due to the restriction		0	X	0	X
84	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in additional capital		0	X	0	X
85	Part of instruments not included in additional capital due to the restriction		0	X	0	X

Note.

The balance sheet data used to prepare section 1 of the statement is explained in the accompanying information for Form 0409808. Note

4.10

Section 2. Information on the level of credit, operational and market risks covered by capital

Subsection 2.1. Credit risk under the standardized approach

(KRUR)

No.	Item	Explanatory note	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments) assessed using the standardized approach	Assets (instruments) less provisions for potential losses	Value of risk weighted assets (instruments)	Value of assets (instruments) assessed using the standardized approach	Assets (instruments) less provisions for potential losses	Value of risk weighted assets (instruments)
1	2	3	4	5	6	7	8	9
1	Credit risk related to assets recorded on balance sheet accounts	7.5	81 022 713	79 082 565	71 907 740	62 515 998	60 571 102	57 230 991
1.1	Total assets with a risk factor ¹ of 0 percent, including:	7.5	6 753 729	6 753 729	0	1 643 222	1 643 222	0
1.1.1	Cash and obligatory reserves deposited with the Bank of Russia		6 326 546	6 326 546	0	361 285	361 285	0
1.1.2	Credit and other claims secured by the guarantees of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia, and by the pledge of the state debt securities of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia		0	0	0	0	0	0
1.1.3	Credit and other claims on the central banks or governments of the countries classified in categories 0 or 1 ² , including those secured by the guarantees of the countries		0	0	0	0	0	0
1.2	Total assets with a risk factor of 20 percent, including:	7.5	526 370	526 370	105 274	2 481 326	2 121 111	424 222
1.2.1	Credit and other claims on the constituent entities of the Russian Federation, municipalities and other entities, secured by the guarantees of the constituent entities of the Russian Federation and municipalities and by the pledge of their securities		0	0	0	0	0	0
1.2.2	Credit and other claims on the central banks or governments of the countries classified in category 2, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.2.3	Credit and other claims on credit institutions which are residents of the countries classified in categories 0 or 1 and which have a long-term credit rating ³ , including those secured by their guarantees		96 205	96 205	19 241	79 889	79 889	15 978
1.3	Total assets with a risk factor of 50 percent, including:		0	0	0	0	0	0
1.3.1	Credit and other foreign currency-denominated claims secured by the guarantees of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia, and by the pledge of the state debt securities of the Russian Federation, the Ministry of Finance of the Russian Federation and the Bank of Russia denominated in foreign currencies		0	0	0	0	0	0
1.3.2	Credit and other claims on the central banks or governments of the countries classified in category 3, including those secured by their guarantees (pledge of securities)		0	0	0	0	0	0
1.3.3	Credit and other claims on credit institutions which are residents of the countries classified in categories 0 or 1 and which do not have long-term credit ratings, and credit and other claims on credit institutions which are residents of the countries classified in category 2, including those secured by their guarantees		0	0	0	0	0	0
1.4	Total assets with a risk factor of 100 percent, including:	7.5	73 742 614	71 802 466	71 802 466	58 391 450	56 806 769	56 806 769
1.4.1	Loans receivable from and similar debt of legal entities		21 285 687	20 808 787	20 808 787	13 205 095	12 787 041	12 787 041
1.4.2	Loans receivable from and similar debt of individuals		49 867 600	48 472 168	48 472 168	43 152 884	42 145 962	42 145 962
1.4.3	Investments in securities available for sale and held to maturity		69 688	69 688	69 688	20 553	20 553	20 553
1.4.4	Interbank loans		770 000	770 000	770 000	900 000	810 000	810 000
1.4.5	Balances on correspondent accounts		266 249	266 243	266 243	82 969	82 969	82 969
1.4.6	Other assets		1 483 390	1 415 580	1 415 580	1 029 949	960 244	960 244
1.5	Assets with a risk factor of 150 percent – credit and other claims on the central banks or governments of the countries classified in category 7		0	0	0	0	0	0
2	Total assets with other risk factors, including:	X	X	X	X	X	X	X
2.1	Total assets with decreased risk factors, including:		0	0	0	0	0	0
2.1.1	Mortgage loans with a risk factor of 50 percent		0	0	0	0	0	0
2.1.2	Mortgage loans with a risk factor of 70 percent		0	0	0	0	0	0
2.1.3	Claims of clearing participants		0	0	0	0	0	0
2.2	Total assets with increased risk factors, including:	7.5	351 981	351 979	793 397	335 594	335 591	619 423
2.2.1	With a risk factor of 110 percent		0	0	0	0	0	0
2.2.2	With a risk factor of 130 percent		66 879	66 877	80 642	128 136	128 133	120 152
2.2.3	With a risk factor of 150 percent		0	0	0	19 375	19 375	29 063
2.2.4	With a risk factor of 250 percent		285 102	285 102	712 755	188 083	188 083	470 208
2.2.5	Total assets with a risk factor of 1,250 percent, including:		0	0	0	0	0	0
2.2.5.1	Assignment of receivables, including those certified by mortgage notes, to mortgage agents or specialized companies		0	0	0	0	0	0
3	Total consumer loans, including:		0	0	0	0	0	0
3.1	With a risk factor of 140 percent		0	0	0	0	0	0
3.2	With a risk factor of 170 percent		0	0	0	0	0	0
3.3	With a risk factor of 200 percent		0	0	0	0	0	0
3.4	With a risk factor of 300 percent		0	0	0	0	0	0
3.5	With a risk factor of 600 percent		0	0	0	0	0	0
4	Total credit risk related to credit-related contingent liabilities, including:		0	0	0	0	0	0
4.1	High-risk financial instruments		0	0	0	0	0	0
4.2	Medium-risk financial instruments		0	0	0	0	0	0
4.3	Low-risk financial instruments		0	0	0	0	0	0
4.4	Risk-free financial instruments		0	0	0	0	0	0
5	Credit risk related to derivative financial instruments	7.7	16 837 443	X	339 725	23 307 462	X	299 015

Subsection 2.2. Credit risk measured using the approach based on internal ratings

(kRUR)

No.	Item	Explanatory note	At the reporting date			At the beginning of the reporting year		
			Value of assets (instruments) measured using the approach based on internal ratings	Assets (instruments) less provisions for potential losses	Aggregate credit risk	Value of assets (instruments) measured using the approach based on internal ratings	Assets (instruments) less provisions for potential losses	Aggregate credit risk
1	2	3	4	5	6	7	8	9
1	Credit risk calculated using the basic approach based on internal ratings							
2	Credit risk calculated using the advanced approach based on internal ratings							

Subsection 2.3. Operational risk

(kRUR (number))				
No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
6	Total operational risk, including:	9.6	1 229 503	631 360
6.1	Total income used for calculating capital to cover operational risk, including:		24 590 056	12 627 196
6.1.1	Net interest income		10 172 279	3 513 805
6.1.2	Net non-interest income		14 417 777	9 113 391
6.2	Number of years preceding the date of the operational risk calculation		3	3

Subsection 2.4. Market risk

(kRUR)				
No.	Item	Explanatory note	At the reporting date	At the beginning of the reporting year
1	2	3	4	5
7	Total market risk, including:	9.3	527 363	1 604 888
7.1	Total interest rate risk, including:		42 189	92 761
7.1.1	General risk		41 505	92 382
7.1.2	Specific risk		684	679
7.1.3	Gamma risk and vega risk on options included in the calculation of interest rate risk		0	0
7.2	Total equity risk, including:		0	0
7.2.1	General risk		0	0
7.2.2	Specific risk		0	0
7.2.3	Gamma risk and vega risk on options included in the calculation of equity risk		0	0
7.3	Total foreign currency risk, including:		14 677	35 430
7.3.1	Gamma risk and vega risk on options included in the calculation of foreign currency risk		0	0
7.4	Total commodity risk, including:		0	0
7.4.1	Main commodity risk		0	0
7.4.2	Additional commodity risk		0	0
7.4.3	Gamma risk and vega risk on options included in the calculation of commodity risk		0	0

Section 3. Information on the amount of provisions for potential losses on loans and other assets

Subsection 3.1. Information on the amount of provisions for potential losses on loans and other assets

(kRUR)					
No.	Item	Explanatory note	At the reporting date	Increase (+)/ decrease (-) for the reporting period	At the beginning of the reporting year
1	2	3	4	5	6
1	Total actual provisions for potential losses, including:		2 116 839	29 654	2 087 185
1.1	On loans receivable and similar debt		1 914 936	-17 449	1 932 385
1.2	On other on-balance sheet assets exposed to losses, and other losses		201 903	47 103	154 800
1.3	On credit-related contingent liabilities and securities, the rights to which are certified by depositories, which do not meet the criteria of the Bank of Russia and are recorded on off-balance sheet accounts		0	0	0
1.4	On transactions with offshore residents		0	0	0

Subsection 3.2. Information on assets and credit-related contingent liabilities classified based on the decision of the authorized management body of a credit institution to a quality category, which is higher than the category based on formalized credit risk assessment criteria

No.	Item	Amount of claims, kRUR	Provision for potential losses				Movements in provisions	
			in accordance with minimum requirements set by Regulation of the Bank of Russia No. 590-P and Regulation of the Bank of Russia No. 283-P		by decision of the authorized body		percent	kRUR
			percent	kRUR	percent	kRUR		
1	2	3	4	5	6	7	8	9
1	Total claims on counterparties for which there are evidence indicating that they may not be involved in actual activities, including:	592434	24.99	148035	10.26	60777	-14.73	-87258
1.1	Loans	592434	24.99	148035	10.26	60777	-14.73	-87258
2	Restructured loans							
3	Loans provided to borrowers for the purpose of repaying a previously issued loan							
4	Total loans used to issue loans to third parties and settle existing liabilities of other borrowers, including:							
4.1	Liabilities to the reporting credit institution							
5	Loans used to purchase and/or redeem securities							
6	Loans used for investing to share capital of other legal entities							
7	Loans resulting from release of existing liabilities of a borrower in a form of novation or accord and satisfaction							
8	Credit-related contingent liabilities to counterparties for which there are evidence indicating that they may not be involved in actual activities							

Subsection 3.3. Information on securities recorded on balance sheet accounts, the rights to which are certified by depositories and provisions for potential losses are created in accordance with the Bank of Russia's Instructive Regulation No. 2732-U

kRUR						
№	Item	Carrying amount of securities	Fair value of securities	Provision for potential losses		
				in accordance with Regulation No. 283-P of the Bank of Russia	in accordance with Instructive Regulation No. 2732-U of the Bank of Russia	Total
1	2	3	4	5	6	7
1	Total securities, including:					
1.1	Securities, the rights to which are certified by foreign depositories					
2	Total equity securities, including:					
2.1	Securities, the rights to which are certified by foreign depositories					
3	Total debt securities, including:					
3.1	Securities, the rights to which are certified by foreign depositories					

Section 4. Information on leverage ratio

No.	Item	Explanatory note	At the reporting date	At the date one quarter off the reporting date	At the date two quarters off the reporting date	At the date three quarters off the reporting date
1	2	3	4	5	6	7
1	Main capital, kRUR	7.8	9 569 375	9 309 242	8 771 243	9 128 651
2	On-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio, kRUR	7.9	79 649 489	71 829 184	60 997 075	59 120 513
3	Basel III leverage ratio, %	7.8	12.1	13.0	14.4	15.4

Section 5. Key characteristics of capital instruments

No.	Characteristics	Issue of shares	Conversion of shares	Issue of shares	Issue of shares	Issue of shares	Issue of shares
1	Short corporate name of the capital instrument issuer	3	4	5	6	7	8
2	Identification number of the instrument	CJSC Bank Sibir 10100170B Russia	CJSC Bank Sibir 10200170B Russia	CJSC Bank Sibir 10200170B01D Russia	CJSC Bank Sibir 10200170B002D Russia	CJSC Bank Sibir 10200170B003D Russia	JSC RN Bank 10200170B004D Russia
3	Applicable law	Russia	Russia	Russia	Russia	Russia	Russia
Regulatory framework							
4	Tier of capital in which the instrument is included during Basel III transition period	Core capital	Core capital	Core capital	Core capital	Core capital	Core capital
5	Tier of capital in which the instrument is included after the Basel III transition period	Core capital	Core capital	Core capital	Core capital	Core capital	Core capital
6	Level of consolidation at which the instrument is included in capital	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
7	Type of the instrument	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares	Ordinary shares
8	Value of the instrument included in the capital calculation	7 000	9 800	309 799	849 800	6 849 800	8 849 800
9	Nominal value of the instrument	7 000	9 800	309 799	849 800	1 269 800	3 269 000
10	Classification of the instrument for accounting purposes	Share capital	Share capital	Share capital	Share capital	Share capital	Share capital
11	Date of issuing (raising, placing) the instrument	14 May 2002	30 December 2003	5 July 2006	26 July 2013	12 July 2013	16 September 2014
12	Term of the instrument	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual	Perpetual
13	Maturity date of the instrument	No stated maturity	No stated maturity	No stated maturity	No stated maturity	No stated maturity	No stated maturity
14	Right to early redemption (repayment) of the instrument, as agreed with the Bank of Russia	No	No	No	No	No	No
15	Initial date (dates) on which the right to early redemption (repayment) of the instrument may be exercised, terms of exercising the right and the amount of redemption (repayment)	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
16	Subsequent date (dates) of exercising the right to early redemption (repayment) of the instrument	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
Interest/dividends/coupon							
17	Type of the instrument rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
18	Rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
19	Terms for terminating dividend payments on ordinary shares	No	No	No	No	No	No
20	Mandatory nature of dividend payments	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking	At the sole discretion of the parent credit institution and/or a member of the banking
21	Terms for increasing payments on the instrument or other incentives for the early redemption (repayment) of the instrument	No	No	No	No	No	No
22	Nature of payments	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertibility of the instrument	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible	Non-convertible
24	Terms under which the instrument is converted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
25	Full or partial conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
26	Conversion rate	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
27	Mandatory nature of conversion	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
28	Tier of capital into an instrument of which the instrument is converted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
29	Short corporate name of the issuer of an instrument into which the instrument is converted	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
30	Option to write off the instrument to cover losses	No	No	No	No	No	No
31	Terms under which the instrument is written off	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
32	Full or partial write-off	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
33	Permanent or temporary write-off	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
34	Reversal mechanism	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
35	Subordination of the instrument	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
36	Compliance with Regulation No. 395-P of the Bank of Russia and Regulation No. 509-P of the Bank of Russia	Yes	Yes	Yes	Yes	Yes	Yes
37	Description of non-compliances						

Note: full information on the terms of issuing (raising) capital instruments and up-to-date information for section 5 of the statement may be found in the Regulatory Information Disclosure section at www.fn-bank.ru (reference to the website of the credit institution)

For reference:

Information on the movement in provision for potential losses on loans receivable and similar debt (No. of explanatory note 5.7).

1. Total accrual (additional accrual) of provision in the reporting period (kRUR), 16 214 164 includin
due to:

- 1.1. Issue of loans 8 240 176 ;
- 1.2. Change in loan quality 3 995 404 ;
- 1.3. Changes in the official exchange rate of a foreign currency to the ruble
set by the Bank of Russia 0 ;
- 1.4. Other reasons 3 978 584 .

2. Total reversal of (decrease in) provision in the reporting period (kRUR), 16 231 613 includin
due to:

- 2.1. Write-off of bad debts 8199 ;
- 2.2. Repayment of loan 8 245 131 ;
- 2.3. Change in loan quality 5 175 337 ;
- 2.4. Changes in the official exchange rate of a foreign currency to the ruble
set by the Bank of Russia 0 ;
- 2.5. Other reasons 2 802 946 .

Chairman of the Management Board


Bruno Kintzinger

Chief Accountant

Daria Vladislavovna Dolgorukova

Stamp



OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (/index number)
45286	09808583	1025500003737

**INFORMATION ON PRUDENTIAL RATIOS, LEVERAGE RATIO
AND CURRENT LIQUIDITY RATIO
(published form)
as of 1 January 2018**

Credit institution (parent credit institution of the banking group) Joint Stock Company RN Bank, JSC RN Bank
(full and abbreviated corporate name)

Postal address 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409813
Quarterly (Annual)

Section 1. Information on prudential ratios

(%)

No.	Item	Explanatory note	Prudential ratio	Actual ratio	
				At the reporting date	At the beginning of the reporting
1	2	3	4	5	6
1	Core capital adequacy ratio of the bank (N1.1) or the banking group (N20.1)	8.1	4.5	10.8	12.6
2	Main capital adequacy ratio of the bank (N1.2) or the banking group (N20.2)	8.1	6.0	10.8	12.6
3	Equity (capital) adequacy ratio of the bank (N1.0) or the banking group (N20.0)	8.1	8.0	12.4	12.6
4	Equity (capital) adequacy ratio of the non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N1.3)		2.0	0	0
5	Instant liquidity ratio of the bank (N2)	8.1	15.0	304.8	140.1
6	Current liquidity ratio of the bank (N3)	8.1	50.0	220.6	234.1
7	Long-term liquidity ratio of the bank (N4)	8.1	120.0	87.6	77.8
8	Maximum risk per borrower or a group of related borrowers (N6)	8.1	25.0	18.7	16.5
				0.9	0.9
9	Maximum exposure to large credit risks of the bank (N7) or the banking group (N22)	8.1	800.0	90.7	83.7
10	Maximum amount of loans, bank guarantees and sureties provided by the bank to its participants (shareholders) (N9.1)		50.0	0.0	0.0
11	Aggregate insider risk of the bank (N10.1)		3.0	0.0	0.0
12	Share of equity (capital) used by the bank to purchase shares in other legal entities (N12) and share of equity (capital) of the banking group used by the parent credit institution and participants of the banking group to purchase shares in other legal entities (N23)		25.0		
13	Ratio of liquid assets maturing within the next 30 calendar days to liabilities of the non-banking settlement credit institution (N15)		100.0		
14	Liquidity ratio of the non-banking credit institution entitled to transfer funds without opening bank accounts and to perform any other related banking transactions (N15.1)		100.0		
15	Maximum aggregate loans to customers that are parties to settlements for completing the settlements (N16)		100.0		
16	Loans issued by the non-banking settlement credit institution to borrowers, other than parties to settlements, on its own behalf and for its own account (N16.1)		0		
17	Minimum ratio of mortgage value to mortgage-backed bonds (N18)		100		
18	Maximum risk per borrower or a group of related borrowers of the banking group (N21)				

Section 2. Information on the leverage ratio calculation

Subsection 2.1. Calculation of the amount of on-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio

(kRUR)

No.	Item	Explanatory note	Amount
1	2	3	4
1	Total assets per balance sheet (published form)		79 656 503
2	Adjustment for investments in the capital of credit, financial, insurance and other entities whose reporting data are included in the consolidated financial statements but are not included in the calculation of equity (capital), prudential ratios and the amounts of (limits on) open currency positions of the banking group		Not applicable to the financial statements of a credit institution as a legal entity
3	Adjustment for fiduciary assets recorded in accordance with the accounting rules but not included in the calculation of the leverage ratio		0
4	Adjustment for derivative financial instruments		238 772
5	Adjustment for securities lending		0
6	Adjustment for credit-related contingent liabilities aligned to credit equivalent		0
7	Other adjustments		245 786
8	Total amount of on-balance sheet assets and off-balance sheet claims under risk, as adjusted to calculate the leverage ratio	7.8	79 649 489

Subsection 2.2. Calculation of the leverage ratio

(kRUR)

No.	Item	Explanatory note	Amount
1	2	3	4
Risk related to on-balance sheet assets			
1	Total on-balance sheet assets		79 519 120
2	Downward adjustment for the items reducing the amount of main capital		314 349
3	Total on-balance sheet assets under risk, as adjusted (difference between line 1 and line 2)		79 204 771
Risk related to derivative financial instruments			
4	Total current credit risk related to derivative financial instruments (less variation margin received)		205 946
5	Total potential counterparty credit risk related to derivative financial instruments		238 772
6	Adjustment for the nominal amount of collateral provided for derivative financial instruments, to be written off the balance sheet in accordance with the accounting rules		Not applicable in accordance with the Russian accounting rules
7	Downward adjustment for the amount of variation margin transferred, as applicable		0
8	Adjustment for claims of the bank acting as a clearing participant on the central counterparty in the clients' transactions		0
9	Adjustment to account for credit risk related to the underlying (basic) asset on credit derivatives issued		0
10	Downward adjustment for credit derivatives issued		0
11	Total risk related to derivative financial instruments, as adjusted (sum of lines 4, 5 and 9 minus lines 7, 8 and 10)		444 718
Risk related to securities lending			
12	Total claims on securities lending (before netting)		0
13	Adjustment for cash netting (claims and liabilities) on securities lending		0
14	Counterparty credit risk related to securities lending		0
15	Risk related to guarantee securities lending		0
16	Total claims on securities lending, as adjusted (sum of lines 12, 14 and 15 minus line 13)		0
Risk related to credit-related contingent liabilities (KRV')			
17	Total nominal amount of risk related to credit-related contingent liabilities (KRV')		0
18	Adjustment for credit equivalent ratios		0
19	Total risk related to credit-related contingent liabilities (KRV'), as adjusted (difference between line 17 and line 18)		0
Capital and risks			
20	Main capital	7.8	9 599 375
21	Total on-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio (sum of lines 3, 11, 16 and 19)	7.8	79 649 489
Leverage ratio			
22	Basel III leverage ratio (line 20 : line 21), %	7.8	12.1

Section 3. Information on the current liquidity ratio calculation

(kRUR)

No.	Item	Explanatory note	Data	
			Amount of claims (liabilities)	Weighted amount of claims (liabilities)
1	2	3	4	5
HIGH QUALITY LIQUID ASSETS				
1	Highly liquid assets (HLA) with additional claims (assets) included in the numerator N26 (N27)		X	
EXPECTED CASH OUTFLOWS				
2	Total cash of individuals, including:			
3	Stable cash			
4	Unstable cash			
5	Total cash of customers raised without collateral, including:			
6	Operating deposits			
7	Non-operating deposits (other deposits)			
8	Unsecured debt obligations			
9	Total cash of customers raised with collateral		X	
10	Total additionally expected cash outflows, including:			
11	On derivative financial instruments and due to the potential need to provide additional collateral			
12	Related to the loss of funding under secured debt instruments			
13	On the bank's liabilities related to unused irrevocable and conditionally revocable credit and liquidity facilities			
14	Additionally expected cash outflows on other commitments			
15	Additionally expected cash outflows on other contingent liabilities			
16	Total cash outflow (line 2 + line 5 + line 9 + line 10 + line 14 + line 15)		X	
EXPECTED CASH INFLOWS				
17	Lending transactions collateralized by securities, including reverse repurchase transactions			
18	Contracts without breaches of the contractual maturities of liabilities			
19	Other inflows			
20	Total cash inflow (line 17 + line 18 + line 19)			
AGGREGATE ADJUSTED VALUE				
21	HLA less adjustments calculated considering the limits on the maximum amount of HLA-2B and HLA-2		X	
22	Net expected cash outflow		X	
23	Current liquidity ratio of the banking group (N26) or the credit institution (N27), %		X	

Chairman of the Management Board

Chief Accountant

Stamp



Bruno Kintzinger
Bruno Kintzinger

Daria Vladislavovna Dolgorukova
Daria Vladislavovna Dolgorukova

" 19 " March 2018

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	registration number (index number)

STATEMENT OF CASH FLOWS
(published form)

as of 01 January 2018

Credit institution Joint Stock Company RN Bank, JSC RN Bank

(full and abbreviated corporate name)

Address (location) of the credit institution 109028, Moscow, Serebryanicheskaya nab., 29

OKUD form code 0409814

Quarterly (Annual)

No.	Item	Explanatory note	Cash flows for the reporting period, kRUR	Cash flows for the corresponding reporting period of the year preceding the reporting year, kRUR
1	2	3	4	5
1	Net cash from (used in) operating activities			
1.1	Total cash from (used in) operating activities before changes in operating assets and liabilities, including:		2 540 134	5 189 743
1.1.1	Interest received		9 596 895	8 894 933
1.1.2	Interest paid		-3 363 041	-2 512 121
1.1.3	Fees and commissions received		2 293 386	2 197 768
1.1.4	Fees and commissions paid		-167 417	-127 527
1.1.5	Gains less losses from financial assets at fair value through profit or loss available for sale		0	0
1.1.6	Gains less losses from securities held to maturity		0	0
1.1.7	Gains less losses from dealing in foreign currencies		-2 837 456	-1 044 257
1.1.8	Other operating income		143 095	100 220
1.1.9	Operating expenses		-2 186 290	-1 582 581
1.1.10	Tax expense (benefit)		-939 039	-736 692
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		-553 444	-4 358 694
1.2.1	Net increase (decrease) in obligatory reserves with the Bank of Russia		-360 852	-17 751
1.2.2	Net increase (decrease) in investments in securities at fair value through profit or loss		0	0
1.2.3	Net increase (decrease) in loans receivable and similar debt		-15 394 211	-11 241 297
1.2.4	Net increase (decrease) in other assets		29 041	-138 279
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Bank of Russia		0	-2 000 000
1.2.6	Net increase (decrease) in amounts due to other credit institutions		6 137 488	3 084 432
1.2.7	Net increase (decrease) in amounts due to customers other than credit institutions		-728 236	1 009 304
1.2.8	Net increase (decrease) in financial liabilities at fair value through profit or loss		0	0
1.2.9	Net increase (decrease) in debt obligations issued		10 000 000	5 000 000
1.2.10	Net increase (decrease) in other liabilities		-178 592	-55 103
1.3	Total for section 1 (sum of lines 1.1 and 1.2)	7.1	1 986 690	831 049
2	Net cash from (used in) investing activities			
2.1	Purchase of securities and other financial assets designated as available for sale		-444 181	-100 673
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available for sale		49 896	99 479
2.3	Purchase of securities designated as held to maturity		0	0
2.4	Proceeds from redemption of securities designated as held to maturity		0	0
2.5	Purchase of fixed assets, intangible assets and inventories		-132 667	-110 023
2.6	Proceeds from sale of fixed assets, intangible assets and inventories		-297	-3 773
2.7	Dividends received		0	0
2.8	Total for section 2 (sum of lines from 2.1 to 2.7)	7.1	-527 249	-114 990
3	Net cash from (used in) financing activities			
3.1	Contributions of shareholders (participants) to share capital		0	0
3.2	Purchase of treasury shares		0	0
3.3	Sale of treasury shares		0	0
3.4	Dividends paid		0	-391 189
3.5	Total for section 3 (sum of lines from 3.1 to 3.4)	7.1	0	-391 189
4	Effect of changes in the official exchange rates of foreign currencies to the ruble set by the Bank of Russia on cash and cash equivalents	7.1	-734	-17 143
5	Increase (decrease) in cash and cash equivalents	7.1	1 458 707	307 727
5.1	Cash and cash equivalents at the beginning of the reporting year	7.1	552 695	244 968
5.2	Cash and cash equivalents at the end of the reporting period	7.1	2 011 402	552 695

Chairman of the Management Board

Bruno Kintzinger

Chief Accountant

Daria Vladislavovna Dolgorukova

19 March 2018



Translation of the original Russian version

Joint Stock Company RN Bank

**Explanatory notes
to the annual financial statements
for 2017**

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Introduction

These explanatory notes:

- constitute an integral part of the annual financial statements of JSC RN Bank for the year 2017 prepared in accordance with Instructive Regulation No. 3054-U of the Bank of Russia *On the Procedure for the Preparation of Annual Financial Statements by Credit Institutions* dated 4 September 2013 (hereinafter, "Instructive Regulation No. 3054-U") and Instructive Regulation No. 3081-U of the Bank of Russia *On the Disclosure of Information about Business Activities by Credit Institutions* dated 25 October 2013;
- disclose significant information about the activities of JSC RN Bank, which is not presented in the forms of the annual financial statements (hereinafter, "the annual statements");
- are based on the statutory reporting forms prepared in accordance with the requirements of Instructive Regulation No. 4212-U of the Bank of Russia *On the List, Forms and the Procedure for the Preparation and Submission of the Reporting Forms of Credit Institutions to the Central Bank of the Russian Federation* dated 24 November 2016 and other forms of JSC RN Bank (hereinafter, "the Bank") prepared on the basis of the Russian accounting rules;
- are presented in thousands of Russian rubles, unless otherwise indicated;
- comprise comparable data for 2017 and 2016.

The annual statements of the Bank comprise the balance sheet, the statement of income, the statement of capital adequacy to cover risks, and provisions for potential losses on loans and other assets, information on prudential ratios, the leverage ratio and the current liquidity ratio, the statement of cash flows and the explanatory notes. The annual statements are posted on the official website of the Bank at: www.rn-bank.ru.

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1. General information

Full corporate name of the Bank: Joint Stock Company RN Bank.

Abbreviated corporate name of the Bank: JSC RN Bank.

Legal address: 109028, Russia, Moscow, Serebryanicheskaya nab., 29.

The Bank is not a member of a banking group.

As of 1 January 2018 and 1 January 2017, the Bank employed 186 and 168 people, respectively.

1.1. Shareholders of the Bank

Limited liability company BARN B.V. (the Netherlands) is the Bank's sole shareholder. Its interest in the Bank's share capital is 100.00%.

In 2017, the shareholders' structure of the Bank remained unchanged.

1.2. Details of changes in the share capital

As of 1 January 2018 and 2017, the Bank's share capital amounted to kRUR 3,269,000 and comprised 2,335,000 authorized, placed and fully paid ordinary book-entry registered shares with a nominal value of 1,400 rubles per share.

1.3. Details of changes in the composition of the Board of Directors

In 2017, the following changes took place in the composition of the Board of Directors:

According to Decision No. 1 of the Bank's sole shareholder dated 3 May 2017, the powers of Mr. Michele Ferdinando De Capitani da Vimercate as a member of the Bank's Board of Directors were terminated and Mr. Fabrizio Rollo was appointed as a member of the Bank's Board of Directors.

As of 1 January 2018, the Board of Directors of the Bank comprises eight (8) members:

- Mikhail Yurievich Alexeev – Chairman of the Board of Directors
- Gianluca De Ficchy – member of the Board of Directors
- Roberto Carlos Delgado Trevizo – member of the Board of Directors
- Graziano Cameli – member of the Board of Directors
- Dominique Edmond Pierre Signora – member of the Board of Directors
- Rakesh Kochhar - member of the Board of Directors
- Silvano Silvestri – member of the Board of Directors
- Fabrizio Rollo – member of the Board of Directors.

1.4. Details of changes in the composition of the Management Board

The following changes took place during 2017 in the composition of the Bank's Management Board.

- 1) According to the decision of the Board of Directors of 30 June 2017, the powers of Mr. Pierre-Yves Francois Guegan as a Deputy Chairman of the Management Board were terminated from 1 July 2017 (last working day and last day of membership in the Management Board - 30 June 2017).
- 2) According to the decision of the Board of Directors of 2 October 2017, the powers of Ms. Daria Alexandrovna Lvova as a member of the Management Board were terminated from 3 October 2017 (last working day and last day of membership in the Management Board - 2 October 2017).
- 3) According to the decision of the Board of Directors of 21 December 2017, Mr. Nałęcz Maciej Rafał and Ms. Alexandra Alexandrovna Khmeleva were elected to the Management Board of RN Bank from 21 December 2017.

As of 1 January 2018, the Management Board of the Bank comprises four (4) members:

- Bruno Robert Louis Kintzinger – Chairman of the Management Board
- Olga Nikolaevna Bodnarchuk – member of the Management Board, Chief Credit Officer
- Nałęcz Maciej Rafał – Deputy Chairman of the Management Board; Chief Business Development and Risk Management Officer
- Alexandra Alexandrovna Khmeleva – member of the Management Board, Chief Financial Officer.

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2. Summary of the Bank's operations

2.1. Nature of the Bank's transactions and principal activities

The Bank is primarily engaged in banking transactions:

- Corporate transactions: providing financing to official dealers of the Renault-Nissan alliance, opening deposit accounts and rendering related financial services
- Retail transactions: extending loans to purchase cars manufactured by the Renault-Nissan alliance and rendering related financial services
- Transactions in financial markets: securities, derivative financial instruments, foreign currency, etc.

The Bank operates on the basis of Banking License No. 170 issued by the Bank of Russia on 16 December 2014. The Bank also has a license for taking deposits from individuals.

The Bank has been a member of the deposit insurance system since 3 February 2005, Certificate No. 551. According to Russian legislation, the Bank makes insurance contributions to the obligatory deposit insurance fund on a quarterly basis.

Ratings assigned to the Bank are as follows:

- On 2 March 2017, the national Analytical Credit Rating Agency (ACRA) assigned the issuer AA (RU) credit rating to the Bank with a stable outlook.
- On 2 June 2017, S&P assigned a BB+ rating to the Bank with a stable outlook.
- On 30 June 2017, Fitch Ratings rescinded its rating on a regulatory basis since Marc Ladreit de Lacharrière, shareholder of Fitch Ratings that owns an interest exceeding 10%, is also a director of Renault SA, which is one of the ultimate shareholders of the Bank.

2.2. Key performance indicators in 2017

At the end of 2017, the Bank's economic indicators were as follows:

	1 January 2018	1 January 2017
Assets	79,656,503	61,385,908
Capital	10,999,020	8,503,465
	2017	2016
Profit before tax	4,009,604	2,450,766
Profit after tax	3,015,698	1,807,879

Capital is calculated in accordance with Regulation No. 395-P *On the Methodology for Determining the Amount and Assessing the Adequacy of Equity (Capital) of Credit Institutions (Basel III)* approved by the Bank of Russia on 28 December 2012.

Financial ratios (%)	1 January 2018	1 January 2017
Equity (capital) adequacy ratio	12.4%	12.6 %
Overdue debt / Loan portfolio	0.71%	0.5 %
Provisions for potential losses / Loan portfolio	2.5%	3.2%

Operating performance indicators	Change (%)	1 January 2018	1 January 2017
Movements in equity (capital)	29.35	10,999,020	8,503,465
Movements in interbank loans	22.22	5,500,000	4,500,000
Movements in corporate loans	60.96	21,285,687	13,224,470
Movements in retail loans (car loans)	15.57	49,873,088	43,154,438
Movements in amounts due to customers	17.01	46,609,011	39,832,146

Operating performance indicators	Change (%)	1 January 2018	1 January 2017
Movements in net interest income	14.43	6,576,357	5,746,813

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Movements in net fee and commission income	3.54	2,094,651	2,022,987
Movements in operating expenses	40.60	2,532,722	1,801,306

In 2017, the Bank's profit before tax increased by 63.6% year-on-year to kRUR 4,009,604 (2016: kRUR 2,450,766). Profit after tax increased by 66.8% to kRUR 3,015,698 (2016: kRUR 1,807,879). The main profit driver is net interest income which increased by 14.4% to kRUR 6,576,357 (2016: kRUR 5,746,813).

The Bank's interest income increased by 12.6% to kRUR 9,976,710 (2016: kRUR 8,862,586). The Bank's fee and commission income increased by 5.3% to kRUR 2,265,645 (2016: kRUR 2,151,137).

2.3. Factors that affected the Bank's financial results in 2017

The Bank operates primarily in the Russian Federation. As a result, the Bank is exposed to economic and financial risks at the Russian markets that possess characteristics of emerging markets. Emerging markets are exposed to economic, political, social, legal and legislative risks that are different from risks in more developed markets. Laws and regulations governing business operations in the Russian Federation are subject to rapid change and arbitrary interpretation. Future development in the Russian Federation largely depends on the national tax and monetary policy, adopted laws and regulations, and political changes in the country.

In 2017, the Russian economy moved out of the recession and demonstrated moderate growth due to higher oil prices and more stable key macroeconomic indicators. According to the estimate made by the Federal Statistics Service, the GDP growth was 1.5% in 2017. After recession in 2015-2016, the economy is growing again. The GDP growth in 2017 was driven by domestic consumer and investment demand. In 2017, such non-traded industries as transport, communications and trade, which suffered the most significant decline during the last two years, demonstrated growth again.

The consumer demand also showed a steady growth in 2017. After reaching positive values in April, the growth in retail sales was steadily increasing and reached 3% in December 2017. Some segments of the consumer market demonstrate strong recovery, for example, in 2017, car sales increased by 11.9 % after an 11.0% drop in 2016.

The overall unemployment rate in 2017 was 5.2% of economically active population (5.5% in 2016).

According to the Federal Statistics Service, in 2017, the year-on-year inflation rate reached its lowest value of 2.5%.

During 2017, the Bank continued to participate in the state program for subsidizing Russian credit institutions from the federal budget to compensate shortfall in income from car loans issued to individuals in 2015-2017.

Despite the fact that the Bank's management is taking all appropriate measures to support the sustainability of business, economic and regulatory environment may have an adverse effect on the Bank's operating results.

3. Summary of the principles of preparation of the annual statements and significant accounting policies

3.1. Principles and methods of measuring and accounting for significant transactions and events

The Bank maintains its accounting records in accordance with the applicable Russian legislation, Regulation No. 579-P of the Bank of Russia *On the Chart of Accounts for Credit Institutions and the Procedure for its Application* dated 27 February 2017 (hereinafter, "Regulation No. 579-P"), and other regulations of the Bank of Russia governing the Bank's activities.

The Bank maintains records and prepares its financial statements based on the following principles:

- Separate entity – the Bank's assets and liabilities exist separately from the assets and liabilities of the owners or other legal entities
- Going concern - the Bank will continue as a going concern in the foreseeable future and has no intention to curtail materially the scale of its operations or liquidate its business
- Consistency – once adopted, the accounting policy is applied consistently from period to period considering changes in legislation
- Periodicity - economic events are recognized in reporting period in which they occurred, irrespective of the actual cash flows attributable to such events
- Complete recognition of all economic events
- Timely recognition of all economic events
- Prudence – a greater readiness of the Bank to recognize expenses and liabilities rather than possible income and assets, without creating hidden reserves
- Substance over form - the Bank recognizes economic events based on their economic substance and operating conditions rather than their legal form

Translation of the original Russian version

- Rationality - the Bank provides rational maintenance of accounting records in accordance with operating conditions and the size of the Bank

The Bank uses the following methods of measurement and accounting for particular assets and liabilities, as well as income and expenses:

Assets are recognized at historical cost. The Bank's assets are subsequently measured (remeasured) at fair value, at cost or by provisioning for potential losses in accordance with Regulation No. 579-P and other regulations of the Bank of Russia.

Liabilities are recognized in accordance with contractual terms for the purposes of securing control over their completeness and timely fulfillment. Where required by Regulation No. 579-P and other regulations of the Bank of Russia, liabilities are also remeasured at their fair value.

Assets and liabilities denominated in foreign currencies (other than advances issued and received and prepayments for goods provided, work performed and services rendered which are recorded on balance sheet accounts used to account for settlements with non-resident organizations on business transactions) are remeasured to reflect changes in the exchange rate in accordance with the regulations of the Bank of Russia.

The official exchange rates of foreign currencies to Russian ruble effective at the end of the reporting period used by the Bank to prepare its annual financial statements are presented below:

	<i>Units</i>	31 December 2017	31 December 2016
RUR / USD	1/1	57.6002	60.6569
RUR / EUR	1/1	68.8668	63.8111
RUR / JPY	1/100	51.1479	51.8324

Fixed assets - recognition and measurement, depreciation

Fixed assets. A fixed asset is a tangible asset that is intended for use by the Bank to render services or for administrative purposes during a period exceeding 12 months, and is not intended for further resale, subject to the following conditions being met simultaneously: The asset is capable of generating economic benefits in the future; the historical cost of the asset can be measured reliably.

Fixed assets with the minimum cost of RUR 100,000 (net of VAT) used during a period exceeding 12 months are recognized at historical cost that includes initial costs for acquisition, delivery, construction and bringing them to the condition suitable for use less VAT, accumulated depreciation of fixed assets and accumulated impairment losses (where necessary).

The amount of VAT paid by the Bank to the vendor/seller at acquisition of fixed assets is charged in full to expenses at the date of commissioning of an asset.

The cost of fixed assets changes in the event of the modernization, reconstruction, capital repair, revaluation, impairment or partial liquidation of the respective assets in accordance with the regulations of the Bank of Russia. The Bank carries all groups of fixed assets at cost less accumulated depreciation and accumulated impairment losses.

Costs for modernization (reconstruction) of the assets with the historical cost and modernization expenses before commissioning of less than RUR 40,000 in aggregate, are written off to expenses of the Bank as a lump sum. Costs for modernization (reconstruction) of the assets with the historical cost of less than RUR 100,000 recorded in material expenses as a lump sum is also to be included in current expenses of the reporting period.

Fixed assets must be tested for impairment at the end of each reporting year and upon occurrence of any events significantly affecting their value. Losses from impairment of fixed assets shall be recognized when identified.

Depreciation on fixed assets is calculated using the straight-line method to write down the amount or revaluation to their residual values over their useful lives.

The Bank determines the useful lives of fixed assets in accordance with Decree No. 1 of the Government of the Russian Federation *On the Classification of Fixed Assets Included in Depreciation Groups* dated 1 January 2002.

Depreciation on fixed assets is recognized in the accounting records on a monthly basis not later than the last working day of the respective month.

Labor tools and input materials which were received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined are measured annually at the end of the reporting year at the lower of:

- The historical cost at the date when the assets were recognized as labor tools which were received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined
- The fair value less costs to sell

Methods of measurement and accounting for intangible assets, amortization of intangible assets

Translation of the original Russian version

An intangible asset is an asset that simultaneously meets the following criteria:

- The asset is able to generate future economic benefits to the Bank, in particular, it is intended for use by the Bank in performing works, rendering services, or for administrative purposes
- The Bank has a right to obtain economic benefits from using the asset in the future, which can be confirmed by duly formalized documents that certify the existence of the asset and Bank's right to the results of intellectual activity or equivalent means of individualization (hereinafter, "means of individualization")
- Other parties have a limited access to economic benefits from using the asset (the Bank has control over the asset)
- The asset is identifiable (it is possible to differentiate or separate it from other assets)
- The asset is intended for use over a time period exceeding 12 months
- The Bank has no intent to sell the asset within 12 months
- The asset has no tangible form
- The historical cost of the asset can be measured reliably.

An intangible asset is recognized at historical cost determined as at the recognition date.

The historical cost of an intangible asset is deemed the amount denominated in cash or other form of consideration or the amount of a liability paid or payable by the credit institution at acquisition or creation of the intangible asset and establishing conditions for using the asset as intended by credit institution management.

Intangible assets with definite useful lives are amortized over their useful lives. The useful life of an intangible asset is determined by the Bank at the asset's recognition date based on the following:

- The term of the Bank's rights to the result of intellectual activity or means of individualization, and the period of the Bank's control over the intangible asset
- The expected period of use of the intangible asset during which the Bank expects to obtain economic benefits from the asset.

Intangible assets with indefinite useful lives are not amortized.

Amortization of intangible assets is recognized in the accounting records monthly on a straight-line basis not later than the last working day of the respective month.

Accrual of interests

Interest on attracted (placed) funds are accrued on the outstanding principal amount recorded at the respective customer account as at the beginning of the operating day on a contract-by-contract (master agreement) basis.

At accrual of interest on attracted (placed) funds, the interest rate (in p.a.) and actual number of calendar days for which funds are attracted (placed) are taken into account. Unless otherwise indicated, the calculation is based on actual number of calendar days during the year (365 or 366 respectively).

Interest income (expenses) on transactions involving the placement (raising) of funds must be taken to income (expenses) on the day when they are to be received (paid) in accordance with the terms of the contract and on the last day of the month. If the last day of the months is a non-working day, the accrual of additional interest for non-working day should be made on the last working day of the month.

The receipt of income on loans and assets (claims) included in quality categories 1 and 2 is deemed certain (the probability of receiving income is absolute and (or) high). It is assumed that there is no uncertainty with respect to receiving income on loans and assets (claims) included in quality category 3. This principle is applied to all loans and assets (claims) in quality category 3 without any exceptions.

Interest income, which is considered definite, on loans included in quality categories 1, 2 and 3 is recorded as income on the last working day of the month.

Interest income, which is considered indefinite, on loans included in quality categories 4 and 5 is recognized on off-balance sheet accounts up to the receipt of such income. At the moment of receipt, doubtful interests are recorded as income.

Investment in securities - recognition and measurement

Securities are recognized at actual acquisition cost. The actual acquisition cost of interest-bearing (coupon) securities includes not only the cost of securities at the acquisition price determined by the terms of the contract (transaction) but also the interest (coupon) income paid on its acquisition. If securities are purchased under a contract representing a derivative financial instrument, the cost of securities is determined taking into account the cost of the derivative financial instrument.

After initial recognition, the value of debt obligations is adjusted for interest income accrued and received after the initial recognition of debt obligations. Interest (coupon) income is accrued and recorded on the last working day of the month, upon the sale of a debt obligation, upon the full or partial repayment of a debt obligation or at the date of the reclassification of income based on the principle of certainty or uncertainty with respect to receiving the income.

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Investments in securities at fair value through profit or loss. This category includes securities with current (fair) value, which can be reliably measured, that are acquired for the purpose of selling in the short term (held for trading). The Bank classifies securities into trading securities if it has an intention to sell them within 12 months after the acquisition date.

If a security has not been sold within 12 months after the acquisition date and its current (fair) value can be reliably measured, it is continued to be recorded in this category.

Investments in securities held to maturity. This category includes securities that the Bank intends and is able to hold until maturity (regardless of the period from the acquisition date and maturity date). Investment securities are not classified as held to maturity, when the Bank is entitled to demand from the issuer repayment or redemption of such investment securities before maturity, since early redemption contradicts the intention to hold the asset to maturity. The Treasury decides to classify securities into this category upon acquisition and revises the classification at the end of each reporting period. Investment securities held to maturity are not revalued. Investments in these securities are covered by provisions for potential losses.

Investments in securities available for sale. This category includes investment securities, which are not classified into the above categories upon acquisition and which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices. Investment securities available for sale are carried at fair value.

Reclassification of securities. The decision to reclassify investments in securities and transfer them to another category is made by the Financial Committee of the Bank. Securities may be reclassified from the category "held to maturity" to the category "available for sale", if one of the following conditions is met:

- As a result of an event beyond the Bank's control (the event was extraordinary and could not be reasonably anticipated by the Bank)
- For the purpose of selling less than three months before the maturity
- For the purpose of selling of no more than 5% of the total amount of the portfolio of securities "held to maturity."

When securities are transferred from the "held to maturity" category to the "available for sale" category and when none of the above conditions are met, all securities from the "held to maturity" category must be transferred to the "available for sale" category. In this case, the Bank may not build the "held to maturity" category during two years following the year of such transfer.

Securities revaluation. Securities accounted for as "at fair value through profit or loss" and "available for sale" are remeasured as follows:

- On the last working day of the month
- If the securities of a respective issue (issuer) are traded during the month, all securities "at fair value through profit or loss" and securities "available for sale" of this issue (issuer) must be remeasured
- If the current (fair) value of the securities of a respective issue (issuer) changes significantly during the month, all securities "at fair value through profit or loss" and securities "available for sale" of this issue (issuer) must be remeasured. A change in the current (fair) value of securities is significant, if the value becomes higher or lower than the carrying amount of these securities by more than 5%.

Disposal of securities. Upon disposal (sale) of the securities of the same issue or securities that have the same International Securities Identification Number (ISIN), the respective amounts are written off the second-order balance sheet accounts using the FIFO method. Under the FIFO method, the Bank writes off investments in the security that was purchased first relative to the date of sale. The FIFO method is applied within each category of securities.

Methods to determine fair value of securities

The Bank is considering methods to determine fair value of securities in accordance with requirements of IFRS 13 *Fair Value Measurement* (hereinafter "IFRS 13").

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, irrespective of whether this price is directly observable or is calculated using another valuation technique.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in the best and most efficient way.

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The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial instruments traded in an active market at the reporting date is determined based on their quoted market price or dealer price quotations. Where quoted market prices are not available, the fair value of financial instruments is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include comparative data on recent transactions between unwilling parties, current market prices of substantially similar instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on respective market-based measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Fair value hierarchy. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of Level 2 (or lower) inputs, reliably determined is deemed a price calculated on the basis of professional judgment of a Treasury specialist that complies with this section of the accounting policy. Usage of Level 2 (or lower) inputs means low activity and liquidity of financial instruments. Fair value of such financial instruments should be calculated on the basis of additional estimated decline (adjustment factor) resulted from a low activity and low market liquidity. Additional estimated decline (adjustment factor) is a risk in money terms that arises at usage of inputs other than quoted prices in an active market and other valuation techniques. The amount of additional estimated decline adjusts the amount of fair value based on a professional judgment and, therefore, the amount of the financial instrument's re-measurement. Fair value measurement using Level 2 (or lower) inputs without considering additional estimated decline may not be deemed reliable and the fair value may not be considered reliably determined.

If fair value of financial instruments may not be determined reliably in accordance with this section of the accounting policy, the Bank subsequently records them through a provision for potential losses. If market conditions change and the Bank recover its possibility to reliably determine fair value, it may make an informed decision to start recognizing financial instruments at fair value.

Methods to determine fair value of securities

The Bank is considering methods to determine fair value of securities in accordance with requirements of IFRS 13 *Fair Value Measurement* (hereinafter "IFRS 13").

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, irrespective of whether this price is directly observable or is calculated using another valuation technique.

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in the best and most efficient way.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

The fair value of financial instruments traded in an active market at the reporting date is determined based on their quoted market price or dealer price quotations. Where quoted market prices are not available, the fair value of financial instruments is determined using valuation techniques with a maximum use of market inputs. Such valuation techniques include comparative data on recent transactions between unwilling parties, current market prices of substantially similar

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instruments, discounted cash flow and option pricing models and other techniques commonly used by market participants to price the instrument.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market rate at the reporting date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on respective market-based measures at the reporting date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the reporting date taking into account current market conditions and the current creditworthiness of the counterparties.

Fair value hierarchy. All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy described as follows based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of Level 2 (or lower) inputs, reliably determined is deemed a price calculated on the basis of professional judgment of a Treasury specialist that complies with this section of the accounting policy. Usage of Level 2 (or lower) inputs means low activity and liquidity of financial instruments. Fair value of such financial instruments should be calculated on the basis of additional estimated decline (adjustment factor) resulted from a low activity and low market liquidity. Additional estimated decline (adjustment factor) is a risk in money terms that arises at usage of inputs other than quoted prices in an active market and other valuation techniques. The amount of additional estimated decline adjusts the amount of fair value based on a professional judgment and, therefore, the amount of the financial instrument's re-measurement. Fair value measurement using Level 2 (or lower) inputs without considering additional estimated decline may not be deemed reliable and the fair value may not be considered reliably determined.

If fair value of financial instruments may not be determined reliably in accordance with this section of the accounting policy, the Bank subsequently records them through a provision for potential losses. If market conditions change and the Bank recover its possibility to reliably determine fair value, it may make an informed decision to start recognizing financial instruments at fair value.

Definition of active market and active market criteria. Active market is a market in which financial instruments are traded with sufficient frequency and in sufficient volumes to provide information on quoted prices on an ongoing basis.

In order to measure activity and liquidity of a market of the financial instrument, the Bank may consider the following: whether transactions are conducted on a regular basis; whether independent source of information regarding quoted prices exist; the difference between demand and offer prices of the financial instrument; the volume of transactions involving this financial instrument (including those existing in the turbulent economic environment); the number of market participants acting as market-makers; how much time is required to sell the financial instrument without significant loss of its value considering market concentration and the average period of maintaining market position and/or hedging risks arising from the respective item, as well as other factors.

- I. The Bank considers that a market for financial instruments trading in an organized market is active, if all of the following criteria are met
 - Financial instruments are quoted during the last 30 calendar days preceding the date when fair value was determined
 - During the last 30 calendar days, there were at least 10 deals with the financial instrument under review
 - During the last 30 calendar days when the deals took place, number of trading days was at least 5
 - During the last 30 calendar days, minimal value of deals should total at least 0.01% of the financial instrument issue.

Quoted prices of active market of financial instruments traded on an organized market are attributed to Level 1 of fair value hierarchy of inputs and the adjustment factor in this case should be equal to 1.

For determining whether the market of financial instruments not trading on an organized securities market is active, the Bank considers BVAL Score (Bloomberg Valuation Service) provided by Bloomberg agency. BVAL Score is a factor, which takes values from 1 to 10 and aggregates certain data (e.g., data regularity, volume of deals, number of market makers, analytical and financial data on the issuer, etc.) for respective financial instrument and allows to conclude on the quality of market and information about the financial instrument.

Market of the financial instrument is considered active if BVAL Score is at least 7 and quoted prices of such market are attributed to Level 1 of fair value hierarchy and the adjustment factor in this case should be equal to 1.

- II. The Bank considers the market for financial instruments trading on an organized market (exchange-traded) to be inactive if all activity criteria described in this section are not met.

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The Bank sets the following criteria of materiality that form a basis for treating the market of quoted (exchange-traded) financial instruments as inactive:

- No quoted prices for more than 30 calendar days
- Less than 10 deals with the financial instrument
- Number of days when the deals were made is less than 5
- Total value of deals is less than 0.01% of the issue.

Market of (dealer-traded) financial instruments not trading on an organized securities market is considered inactive, if BVAL Score is below 7 or is nil.

The Bank usually applies an adjustment factor to the quoted prices of such market and they are categorized to Level 2 of the fair value hierarchy of inputs.

Fair value of securities

I. Determining fair value of financial instruments for active market

Determining fair value of financial instruments on the basis of Level 1 inputs.

Level 1 inputs are quoted prices (unadjusted) in active markets for financial instrument that the Bank can access at the measurement date.

Quoted prices in the active market form the most reliable evidence of the fair value and are used to determine unadjusted fair value each time the Bank can obtain the respective access.

a) Determining fair value of financial instruments trading on an organized securities market

For RUB-denominated securities trading on an organized securities market where the quoted prices are set by organizer of trade (PJSC Moscow Exchange MICEX-RTS), reliably determined fair value is considered to be market price (3) as at the date of fair value measurement disclosed by the organizer of trade in the securities market.

PJSC Moscow Exchange MICEX-RTS discloses quoted prices in accordance with Appendix 4 to Regulation No. 437-P *On Activities Involving Organized Trade* of the Bank of Russia dated 17 October 2014.

If there are no quoted prices as at the re-measurement date, reliably determined fair value is considered market price (3) as at the closest day to the date of fair value measurement.

b) Determining fair value of financial instruments not trading on an organized securities market

For securities not trading on an organized securities market (dealer-traded), reliably determined fair value is considered to be closing price of a trading day (BGN price or BVAL price if BGN price does not exist) calculated by Bloomberg agency as at the fair value measurement date.

If there are no quoted prices as at the re-measurement date, reliably determined fair value is considered to be closing price of a trading day (BGN price or BVAL price if BGN price does not exist) calculated by Bloomberg agency as at the day closest to the fair value measurement date, but not later than 30 calendar days.

II. Determining fair value of financial instruments in the absence of an active market

Fair value measurement of financial instruments in the absence of an active market is based on Level 2 (or lower) inputs.

Level 2 inputs are input data (adjusted) that are directly or indirectly observable in respect of the financial instrument and do not include quoted prices attributable to Level 1.

As a result of adjustment of Level 2 inputs, which are significant for the measurement as a whole, fair value will be attributed to Level 3 of the fair value hierarchy if for the purpose of such adjustment significant non-observable inputs are used.

If there is no active market, current fair value of the financial instrument is determined by the professional judgment based on the following valuation methods:

- ##### a)
- In order to determine fair value, the Bank applies adjustment factors to the observable prices of inactive market. Adjustment factors depend on the level of the market inactivity.

For the organized market, adjustment factors are allocated as follows:

If criteria of inactive market exist during the last 30 days prior the fair value measurement date, 0.99 factor should be applied.

If the financial instrument is not traded during:

- last 60 days, an adjustment factor from 0.97-0.98 range is applied
- last 90 days, an adjustment factor from 0.90-0.96 range is applied

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- last 120 days, an adjustment factor from 0.8-0.9 range is applied
- last 150 days, an adjustment factor from 0.6-0.8 range is applied
- last 180 days, an adjustment factor from 0.2-0.6 range is applied.

For non-organized (dealer-traded) market, adjustment factors are allocated as follows:

- If as at the fair value measurement date BVAL ranges from 5 to 6, an adjustment factor from 0.90-0.99 range should be applied
- If as at the fair value measurement date BVAL is less than 5, an adjustment factor from 0.2-0.9 range should be applied.

Exact value of adjustment factor is selected based on professional judgment.

- III. Fair value of unquoted financial instruments (bonds in the absence of observable prices) is determined on the basis of comparable financial instruments using the following discount formula:

$$P = \left(\sum \frac{CF_i}{(1+Y)^{t_i}} \right) - K$$

Where CF_i is the i-th cash flow of a financial instrument

t_i is period prior to the i-th cash flow

K is accumulated coupon on a financial instrument

Y = Y_r + Spread

Y_r is a risk-free return rate based on the risk-free return curve

Spread is a credit spread based on quotes of comparable financial instruments to the risk-free return curve (arithmetic mean of credit spreads of each comparable financial instrument and the number of comparable financial instruments in this model may not be less than 3).

Comparable financial instruments mean instruments for which the following conditions are met:

- 1) Their issuers belong to the same industry and country and
 - 2) For debt securities:
 - Have comparable maturities
 - Have comparable credit rating
 - Have comparable profitability
 - 3) For equity securities: their issuers have comparable capitalization level.
- IV. When using Level 2 (or lower) inputs, fair value measurement is based on a professional judgment. In this case, reliably determined fair value includes additional estimated decline (adjustment factor), which results from low activity and low market liquidity, determined by an authorized individual and approved by the Bank's Credit Committee.

Valuation techniques for derivative instruments

Derivative financial instruments are considered contracts executed in accordance with the Russian legislations and classified as derivatives in accordance with Law 39-FZ and Instruction No. 3685-U. Besides, derivatives are considered contracts classified as derivatives in accordance with the international law and having judicial protection.

In the course of its ordinary activities, the Bank uses different derivatives, including currency and cross-currency swaps. Such financial instruments are not held for trading, are entered into to hedge liabilities of the Bank denominated in foreign currency and recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments are included in the statement of profit or loss as net gains/(losses) from financial instruments at fair value through profit or loss for the period.

Fair value of a derivative is price, which may be obtained at sale of the derivative comprising an asset or which is payable while transferring (settlement) of derivative comprising a liability in the course of ordinary transaction between the market participants as at the measurement date.

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The Bank determines the fair value of a derivative based on information from a market, which is active for such instrument, being a market where transactions with such type of derivatives are performed regularly, and the information about current prices is publicly available.

Active market criteria. The Bank considers that a market for a derivative is active, if all of the following criteria are met:

- Analyzed period comprises the last 30 calendar days after the measurement/revaluation date
- Number of deals involving analyzed derivatives during the analyzed period is at least 10
- Total value of deals with analyzed derivatives during the analyzed period is at least RUB 1 mln
- In the analyzed period, number of trading days when the deals involving analyzed derivatives took place is at least five.

If the any of the above criteria is not met, the market is considered to be inactive. In the absence of active market, fair value is measured on the basis of Level 2 (or lower) inputs.

Non-credit related contingent liabilities

The Bank makes provision for non-credit related contingent liabilities, which arise due to financial and business operations in prior periods depending on the occurrence/non-occurrence of one or more uncertain future events, which are beyond its control.

Non-credit related contingent liabilities from disputes, disagreements and litigations, which are not settled as at the reporting date, including challenged tax payments, are recorded if there is a high probability of claims.

Procedure for recognition of income and expenses

The Bank recognizes income and expenses on an "accrual" basis, i.e. the financial results of operations (income and expenses) are recorded when earned and incurred and not when cash or cash equivalents are received or paid. Income and expenses are recorded in the period to which they relate.

Income and expenses arising from the Bank's operations are determined irrespectively of preparation of legal documents, cash or non-cash of payment.

3.2. *The nature of assumptions and key sources of estimation uncertainty at the end of the reporting period*

The Bank applies a number of assumptions and estimates which affect the amounts of assets and liabilities reported in the annual statements and the value of assets and liabilities in the next reporting period. Estimates and assumptions are continuously assessed and are based on the experience of the Bank's management and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. Assumptions which have the most significant effect on the amounts reported in the financial statements, and estimates which may result in significant adjustments of the current value of assets and liabilities in the next reporting period are presented below.

Provision for potential losses on loans receivable and similar debt

The Bank accrues provisions for potential losses on loans receivable and similar debt in accordance with Regulation No. 590-P of the Bank of Russia *On the Procedure for the Creation of Provisions for Potential Losses on Loans Receivable and Equivalent Debt by Credit Institutions* dated 28 June 2017 (hereinafter, "Regulation No. 590-P of the Bank of Russia").

The Bank assesses loans on a portfolio and individual basis.

The assessment of a loan classified individually and the determination of the amount of estimated provision are based on a professional judgment for a specific loan, which is made following a comprehensive analysis of the borrower's activities, taking into account its financial position, debt servicing quality and other significant factors. The Bank regularly monitors credit risk factors affecting the amount of provision in order to classify (reclassify) loans and create (adjust) provisions for individual loans in a timely manner.

Professional judgment is made and documented at the moment when a loan is issued. Further, it is made with respect to the following:

- separate loans issued to individuals – at least once a quarter as of the reporting date;
- separate loans issued to legal entities other than credit institutions – at least within one month after the end of the reporting period (the period for submission of the annual statements and corporate income tax declaration) to tax authorities as of the reporting date;
- separate loans issued to credit institutions – at least once a month as of the reporting date.

If legislation of the country, where non-resident borrower is located, does not require quarterly (monthly) reporting, then, in order to comply with regularity requirement for assessing the borrower's financial position stipulated by this paragraph

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(at least once a quarter/month), it is required to use the financial statements, which is submitted with regularity stipulated by legislation of the country, where the borrower is located, as well as all additional information concerning the borrower.

With respect to loans included in homogeneous loan portfolio, the provision is accrued based on professional judgment made on homogeneous loan portfolio without making a professional judgment with respect to the level of credit risk for each separate loan. Homogeneous loan portfolios include loans with similar credit risk characteristics. For each portfolio of homogeneous loans, the Bank applies a provisioning rate which is required to cover expected portfolio losses and which is not lower than the rates set by Regulation No. 590-P of the Bank of Russia. The Bank does not include in the homogeneous loan portfolio (excludes from the homogeneous loan portfolio) loans that have evidence of individual impairment.

At least once a quarter, the Bank documents and includes in homogeneous loan portfolio records the information on general analysis performed to check the borrowers' financial position and results thereof, including the Bank's professional judgment concerning the level of credit risk related to homogeneous loan portfolio and information on provision calculation.

Provisions for potential losses

The Bank accrues provisions for potential losses in accordance with Regulation No. 283-P of the Bank of Russia *On the Procedure for the Creation of Provisions for Potential Losses by Credit Institutions* dated 20 March 2006 (hereinafter, Regulation No. 283-P of the Bank of Russia). In complying with the requirements of the regulator, the Bank's regulation provides for individual classification and criteria for inclusion in homogeneous claim portfolio/ portfolio of estimation base elements of provision for potential losses.

Individual classification of estimation base elements implies that an individual professional judgment should be made with respect to the level of risk based on assessment of credit risk exposure of a counterparty; the Bank performs this classification based on the risk factors identified following the analysis of the counterparty's financial statements, and other information on the counterparty's financial position and performance.

Estimation base elements of provision for potential losses are included in the homogeneous claim portfolio based on the principle of immateriality of the amount of estimation base element without making a professional judgment with respect to each individual element. The provision is accrued based on professional judgment made with respect to homogeneous claim portfolio.

The amount of provision is determined based on one of the five quality categories and the provision rate within the range set for the category in accordance with Regulation No. 283-P of the Bank of Russia.

Tax legislation

A significant part of the Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, and may apply retrospectively. Russian tax, currency and customs legislation is subject to varying interpretations and changes which can occur frequently. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities.

Recently, the Russian tax authorities have been taking a more assertive position in their interpretation of legislation. As a result, the approaches to calculation of taxes that have not been challenged by tax authorities in the past may be challenged during future tax audits.

The Russian transfer pricing tax legislation allows the tax authorities to apply transfer pricing adjustments and impose additional income tax and value added tax liabilities in respect of all controlled transactions if the transaction price differs from the market price and unless the Bank is able to demonstrate the use of market prices with respect to the controlled transactions. Transactions with securities and derivatives are subject to special transfer pricing rules. Due to the absence of law enforcement precedents based on the new rules, consequences of any disputes with tax authorities relating to prices cannot be estimated reliably, but may influence the Bank's financial results and performance. In 2017, the Bank determined its tax liabilities arising from these "controlled" transactions using actual transaction prices. Management believes that the Bank complies with the requirements of the Russian transfer pricing legislation with regard to controlled transactions, including proper preparation and presentation of notifications and, if necessary, transfer pricing documentation to the tax authorities, confirming that the Bank used market prices in performing controlled transactions.

Tax legislation introduced special rules for recognizing income and expenses arising from hedging transactions. In accordance with existing tax legislation, the Bank should have properly prepared documents that confirm nature and reason for hedging transactions. Management believes that the Bank has sufficient evidence to recognized hedging transactions for the taxation purposes.

The taxation rules for controlled foreign companies and the concepts of beneficial owner of income and tax residency of foreign legal entities entered into force on 1 January 2015. Overall, the adoption of this law will increase the administrative and, in some cases, tax burden on Russian taxpayers that have foreign subsidiaries and/or conduct transactions with foreign companies. Starting from 1 January 2017, acting as a tax agent, the Bank must have a set of

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documents duly confirming that the beneficiary owner of income has a right to apply the reduced withholding tax rate based on the Double Tax Treaties. According to the management, there is an uncertainty in respect of confirming the beneficiary owner's right to apply reduced withholding tax rate based on the Double Tax Treaties. The Bank had no foreign subsidiaries generating income in respect of which the Bank might have significant tax liabilities in accordance with rules for taxation of controlled foreign companies.

The introduction of these regulations and the interpretation of some other provisions of Russian tax legislation together with the latest trends in the application and interpretation of certain provisions of Russian tax legislation suggest that the tax authorities may take a more assertive position in their interpretation and application of the legislation and conducting tax audits, and may impose additional tax requirements. At the same time, it is impossible to evaluate potential impact the adoption of these norms will have and probability of negative outcome of litigations if challenged by the Russian tax authorities. Consequently, the tax authorities may challenge the transactions and methods of accounting which have not been challenged before. As a result, significant additional taxes, penalties and fines may be assessed. Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year during which the tax audit decision was made. Under certain circumstances tax reviews may cover longer periods.

As at 31 December 2017, the Bank's management holds a conservative position when interpreting applicable legislation and creates a provision for undetermined tax liabilities.

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by the market price. The estimated fair values of financial instruments have been determined by the Bank using available market information, where it exists, and appropriate valuation methodologies. The fair value of financial instruments that are not quoted in an active market is determined using valuation methodologies. The Bank's Management uses all available market information in estimating the fair value of financial instruments.

3.3. Information on adjusting events after the reporting date

Pursuant to Instructive Regulation No. 3054-U, an event after the reporting date is an event that occurs in the course of the Bank's activities during the period after the reporting date and the date of the preparation of the annual statements and that has or may have an effect on its financial position.

Information is considered material if its non-presentation or misstatement may influence the economic decisions that users make on the basis of the financial statements. Materiality depends on the size of an item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a qualitative characteristic which information must have to be useful.

Adjusting events after the reporting date represent events confirming the existence, as of the reporting date, of conditions in which the Bank operated. Adjusting events after the reporting date must be recorded before the date the annual statements are prepared.

Adjusting events	After EARD	Before EARD	Difference
Interest income	9,976,710	9,976,780	(70)
Interest expense	(3,400,353)	(3,400,353)	–
Net interest income	6,576,357	6,576,427	(70)
Fee and commission income	2,265,645	2,248,670	16,975
Fee and commission expense	(170,994)	(154,846)	(16,148)
Net fee and commission income	2,094,651	2,093,824	827
Net gains from financial assets	(56,088)	(56,088)	–
Net gains from securities available for sale	(90)	(90)	–
Net gains from dealing in foreign currencies	(1,197,261)	(1,197,261)	–
Net expense from foreign currency translation	(980,573)	(980,573)	–
Change in provision for potential losses	(38,240)	(11,496)	(26,744)
Other operating income	143,570	143,570	–
Operating expenses	2,532,722	2,511,209	21,513
Profit before tax	4,009,604	4,057,104	(47,500)
Tax benefit (expense)	(993,906)	(802,356)	(191,550)
Financial result after tax	3,015,698	3,254,748	(239,050)

3.4. Description of the nature of non-adjusting events after the reporting date

Translation of the original Russian version

Non-adjusting events after the reporting date represent events attesting to the origination, after the reporting date, of new conditions in which the Bank operates. Non-adjusting events after the reporting date are not recorded.

Based on recommendations of the Board of Directors of 23 January 2018, the Sole Shareholder made a decision on 14 March 2018 to increase the share capital of the Bank by placing an additional issue of ordinary registered non-documentary shares for the total amount of RUB 3 billion through a private subscription in favor of BARN B.V., a private limited liability company that owns all voting shares of RN Bank.

On 1 March 2018, the Russian Analytical Credit Rating Agency (ACRA) upgraded the Bank's credit rating to AA+ with a stable outlook.

3.5. Changes in the Bank's accounting policies

The Bank's accounting policies for 2018 was approved by Order No. 2016-107 dated 30 December 2016. Requirement of Regulation No. 579-P effective from 3 April 2017 were taken into account in the accounting policies for 2017; as a result, Section E *Depo accounts* was removed from the Bank's working chart of accounts.

In addition, pursuant to IFRS 13 Fair Value Measurement, the Bank added criteria for the hierarchy of inputs to measure the fair value of assets, as well as the definition of an active market and relevant criteria.

3.6. Material errors in the annual statements

According to the Bank's accounting policy, an error is deemed material if such error, individually or in combination with other errors for the same reporting period, influences the Bank's financial result in the amount more than 5% of an item amount as of the reporting date.

The items reported in the annual statements of prior periods do not contain any material errors and do not have to be revised, corrected or replaced.

4. Accompanying information for balance sheet items

4.1. Cash and cash equivalents

	1 January 2018	1 January 2017
Cash on hand	10	10
Accounts with the Bank of Russia	1,901,740	414,847
Correspondent accounts with Russian credit institutions	10,198	48,553
Correspondent accounts with foreign banks	99,460	89,285
<i>Provisions for potential losses</i>	(6)	-
Total cash and cash equivalents	2,011,402	552,695

As of 1 January 2018 and 1 January 2017, balances of obligatory reserves with the Bank of Russia amounted to kRUR 390,249 and kRUR 29,397, respectively. The Bank is required to maintain an obligatory reserve deposit with the Bank of Russia at all times. The amount of obligatory reserves depends on the amount of funds raised by the Bank from customers. The regulatory documents of the Bank of Russia impose tight restrictions on the use of obligatory reserve balances by the Bank.

4.2. Financial assets and liabilities at fair value through profit or loss

The table below presents the structure of financial assets at fair value through profit or loss by type of financial assets:

	1 January 2018	1 January 2017
Total derivative financial instruments, including:	205,946	136,743
Swap		
<i>Foreign currency (foreign exchange swaps)</i>	-	-
<i>Foreign currency and interest rate (cross-currency interest rate swaps)</i>	191,073	136,743
<i>Interest rate (interest rate swaps)</i>	14,873	-
Total investments in financial assets at fair value through profit or loss	205,946	136,743

The table below presents the structure of financial liabilities at fair value through profit or loss by type of financial liabilities:

	1 January 2018	1 January 2017
Total derivative financial instruments, including:	1,582,363	3,097,474

Translation of the original Russian version

Swap		
Foreign currency (foreign exchange swaps)	221,701	233,301
Foreign currency and interest rate (cross-currency interest rate swaps)	1,360,662	2,864,173
Interest rate (interest rate swaps)	-	-
Total financial liabilities at fair value through profit or loss	1,582,363	3,097,474

Derivative financial instruments measured using valuation techniques based on observable market inputs provided by information systems widely known in the market comprise foreign exchange swaps, cross-currency interest rate swaps and interest rate swaps. Swaps are valued using techniques for determining the present values of future flows.

4.3. Loans receivable and similar debt

Net loans receivable comprise loans issued to credit institutions, other legal entities and individuals. The Bank issues loans primarily to the residents of the Russian Federation.

Information by type of borrowers and economic activity:

	1 January 2018	1 January 2017
Deposits with the Bank of Russia	5,000,000	1,500,000
Loans to resident banks	500,000	3,000,000
Provisions for potential losses*	-	(450,000)
Loans to resident legal entities	-	19,171
- Trade in automotive vehicles	-	19,171
Provisions for potential losses*	-	-
Financing to resident legal entities against monetary claim assignment (factoring)	21,285,687	13,205,299
- Trade in automotive vehicles	20,909,321	13,205,299
- Financial intermediation	376,366	-
Provisions for potential losses*	(476,900)	(418,054)
Loans to resident individuals	49,873,088	43,154,438
- Car loans	49,873,088	43,154,438
Provisions for potential losses*	(1,395,434)	(1,003,002)
Total loans receivable	76,658,775	60,878,908
Total provisions for potential losses*	(1,872,334)	(1,871,056)
Total net loans receivable	74,786,441	59,007,852

* Amounts decreasing the item

Information by term to maturity:

	1 January 2018	1 January 2017
Deposits with the Bank of Russia	5,000,000	1,500,000
- Up to 30 days	5,000,000	1,500,000
Loans to banks	500,000	3,000,000
- Up to 30 days	500,000	3,000,000
Provisions for potential losses*	-	(450,000)
Loans to legal entities	-	19,171
Current (not past due) debt, including:	-	19,171
- From 31 to 90 days	-	19,171
Provisions for potential losses*	-	-
Financing against monetary claim assignment (factoring)	21,285,687	13,205,299
Current (not past due) debt, including:	21,262,088	13,201,590
- Up to 30 days	3,043,287	1,376,413
- From 31 to 90 days	15,701,250	10,679,896
- From 91 to 180 days	2,515,159	1,139,513
- From 181 days to 1 year	2,392	5,768

Translation of the original Russian version

Past due debt, including:	23,599	3,709
- With indefinite maturity	23,599	3,709
<i>Provisions for potential losses*</i>	<i>(476,900)</i>	<i>(418,054)</i>
Loans to individuals	49,873,088	43,154,438
Current (not past due) debt, including:	49,358,289	42,864,852
- Up to 30 days	2,210,542	1,764,748
- From 31 to 90 days	3,698,039	3,190,511
- From 91 to 180 days	5,229,184	4,703,881
- From 181 days to 1 year	9,522,368	9,123,833
- From 1 to 3 years	26,188,812	21,450,793
- From 3 to 5 years	2,300,104	2,460,938
- Over 5 years	184,381	139,346
- With indefinite maturity	24,859	30,802
Past due debt, including:	514,799	289,586
- With indefinite maturity	514,799	289,586
<i>Provisions for potential losses*</i>	<i>(1,395,434)</i>	<i>(1,003,002)</i>
Total loans receivable	76,658,775	60,878,908
<i>Total provisions for potential losses*</i>	<i>(1,872,334)</i>	<i>(1,871,056)</i>
Total net loans receivable	74,786,441	59,007,852

* Amounts decreasing the item

As of 1 January 2018 and 1 January 2017, all issued loans were denominated in Russian rubles.

4.4. Financial investments in securities available for sale

Information by type of securities and term to maturity:

	1 January 2018	1 January 2017
Debt obligations of the Russian Federation (OFZ), including:	495,562	102,052
- From 31 to 90 days	53,345	-
- From 91 to 180 days	-	49,897
- From 1 to 3 years	442,217	52,155
Debt obligations of resident banks, including:	100,372	100,651
- From 91 to 180 days	40,415	41,308
- From 181 days to 1 year	59,957	-
- From 1 to 3 years	-	59,343
Total securities available for sale	595,934	202,703

Investments in securities available for sale are carried at current (fair) value. The revaluation results are recorded in additional capital within other comprehensive income.

As of 1 January 2018 and 2017, securities available for sale are included in the lombard list of the Bank of Russia and may be used as collateral for the refinancing transactions of the Bank of Russia.

As of 1 January 2018 and 2017, the Bank had no securities provided as collateral under sale and repurchase agreements.

During 2017, the Bank did not reclassify securities available for sale.

4.5. Fixed assets, intangible assets and inventories

Information as of 1 January 2018:

	Office equipment and computers	Vehicles	Inventories	Intangible assets	Capital investments	Total
Cost at 1 January 2017	53,068	5,202	23	611,333	-	669,626
Accumulated depreciation/amortization	36,606	3,131	-	192,353	-	232,090
Net book value at 1 January 2017	16,462	2,071	23	418,980	-	437,536
Additions	12,514	611	15,102	97,612	22,445	148,284

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Disposals at cost	200	355	15,062	-	-	15,617
Disposals of accumulated depreciation/amortization	200	355	-	-	-	555
Depreciation/amortization charges	14,762	923	-	224,688	-	240,373
Net book value at 1 January 2018	14,214	1,759	63	291,904	22,445	330,385
Cost at 1 January 2018	65,382	5,457	63	708,946	22,445	802,280
Accumulated depreciation/amortization	51,168	3,699	-	417,041	-	471,908

Information as of 1 January 2017:

	Office equipment and computers	Vehicles	Inventories	Intangible assets	Capital investments	Total
Cost at 1 January 2016	33,897	3,090	261	3,411	-	40,659
Accumulated depreciation/amortization	24,419	2,081	-	904	-	27,404
Net book value at 1 January 2017	9,478	1,009	261	2,507	-	13,255
Reclassification	-	-	-	513,754	-	513,754
Net book value at 1 January after reclassification	9,478	1,009	261	516,261	-	527,009
Additions	19,171	2,112	12,368	94,168	-	127,819
Disposals at cost	-	-	12,606	-	-	12,606
Disposals of accumulated depreciation/amortization	-	-	-	-	-	-
Depreciation/amortization charges	12,187	1,050	-	191,449	-	204,686
Net book value at 1 January 2017	16,462	2,071	23	418,980	-	437,536
Cost at 1 January 2017	53,068	5,202	23	611,333	-	669,626
Accumulated depreciation/amortization	36,606	3,131	-	192,353	-	232,090

As of 1 January 2018 and 2017, the Bank had no fixed assets that were temporarily not used in principal activities, including those pledged as collateral for liabilities.

4.6. Other assets

	1 January 2018	1 January 2017
Other financial assets		
Interest receivable	276,553	223,458
Fee and commission receivable	290,172	198,358
Receivables under car loans subsidizing program	277,705	51,155
Other receivables	22,065	5,407
Total other financial assets	866,495	478,378
Other non-financial assets		
Taxes and payroll settlements	26,059	20,601
Social insurance and security settlements	875	890
Settlements with suppliers (advance payments)	119,024	144,956
Prepaid expenses	13,406	10,380
Total other non-financial assets	159,364	176,827
Total other assets before provision for potential losses	1,025,859	655,205

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<i>Provisions for potential losses on other assets*</i>	(67,810)	(69,920)
Total other assets less provisions for potential losses	958,049	585,285

* Amounts decreasing the item

Information by type of other assets and term to maturity:

	1 January 2018	1 January 2017
Other financial assets	866,495	478,378
Current (not past due) debt, including:	854,737	468,010
- Up to 30 days	832,672	462,603
- With indefinite maturity	22,065	5,407
Past due debt, including:	11,758	10,368
- With indefinite maturity	11,758	10,368
Other non-financial assets	159,364	176,827
Current (not past due) debt, including:	159,364	176,827
- Up to 30 days	793	36,024
- From 31 to 90 days	133,576	87,754
- From 91 to 180 days	7,210	-
- From 181 days to 1 year	13,406	32,946
- From 1 to 3 years	-	20,103
- From 3 to 5 years	4,379	-
- With indefinite maturity	-	-
Total other assets before provision for potential losses	1,025,859	655,205
<i>Provisions for potential losses on other assets*</i>	(67,810)	(69,920)
Total other assets	958,049	585,285

As of 1 January 2018 and 2017, all other assets were denominated in Russian rubles.

4.7. Amounts due to credit institutions

Information by term to maturity:

	1 January 2018	1 January 2017
Loans and deposits received from resident banks, including:	23,800,000	13,505,000
- Up to 30 days	4,500,000	-
- From 31 to 90 days	5,475,000	5,500,000
- From 91 to 180 days	4,425,000	2,005,000
- From 181 days to 1 year	8,400,000	4,000,000
- From 1 to 3 years	1,000,000	2,000,000
Loans and deposits received from non-resident banks, including:	10,330,020	13,400,331
- From 91 to 180 days	3,443,340	-
- From 181 days to 1 year	1,377,336	3,828,666
- From 1 to 3 years	5,509,344	9,571,665
Total amounts due to credit institutions	34,130,020	26,905,331

4.8. Amounts due to customers other than credit institutions

Information by type of funding and term to maturity:

	1 January 2018	1 January 2017
Resident legal entities, including:	3,499,554	703,442
Settlements on factoring transactions, including:	420,179	12,265
- Up to 30 days	420,179	12,265
Term deposits, including:	3,012,370	650,625
- Up to 30 days	191,690	8,400
- From 31 to 90 days	38,570	2,620
- From 91 to 180 days	1,616,123	178,830
- From 181 days to 1 year	1,165,987	460,775

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Demand deposits, including:	67,005	40,552
Non-resident legal entities, including:	7,126,269	10,829,832
Term deposits, including:	7,126,269	10,829,832
- From 91 to 180 days	2,557,395	–
- From 181 days to 1 year	4,568,874	3,628,268
- From 1 to 3 years	-	7,201,564
Resident individuals, including:	1,853,168	1,393,541
Current accounts, including:	1,853,168	1,393,541
- on demand	1,853,168	1,393,541
Total amounts due to customers	12,478,991	12,926,815

Information by type of economic activity:

	1 January 2018	1 January 2017
Resident legal entities, including:	3,499,554	703,442
- Trade in automotive vehicles	1,194,049	112,890
- Financial intermediation	2,305,505	590,552
Non-resident legal entities, including:	7,126,269	10,829,832
- Financial intermediation	7,126,269	10,829,832
Resident individuals	1,853,168	1,393,541
Total amounts due to customers	12,478,991	12,926,815

4.9. Debt securities issued

Information on the amount and structure of securities issued as of 1 January 2018:

Bonds		Date of placement	Date of maturity	Coupon rate per annum, %	Principal amount, kRUR
Series	Number				
01	40100170B	5 July 2016	9 July 2021, offer – 7 July 2018	10.4% – the rate is determined for 4 coupon periods. The rate for the subsequent coupon periods will be determined in accordance with the issuance documents	5,000,000
BO-001R-01	4B020100170B001P	14 April 2017	16 April 2020	9.45%	5,000,000
BO-001R-02	4B020200170B001P	12 October 2017	14 October 2020	8.45%	5,000,000

As of 1 January 2018 and 2017, the Bank had no overdue or restructured debt obligations.

4.10. Other liabilities

	1 January 2018	1 January 2017
Other financial liabilities		
Interest payable	952,382	1,181,844
Interest and coupon payable on securities issued	447,150	255,000
Other accounts payable	18,276	15,214
Total other financial liabilities	1,417,808	1,452,058
Other non-financial liabilities		
Taxes and payroll payables	85,837	257,726
VAT payable	223,596	722
Trade payables	463,598	513,269
Social insurance and security settlements	17,240	13,431
Payables to the Deposit Insurance Agency	2,580	1,483
Long-term employee benefits payable	42,473	53,818
Non-credit related provisions	176,689	146,209
Total other non-financial liabilities	1,012,013	986,658

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Total other liabilities	2,429,821	2,438,716
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Analysis of other liabilities by remaining maturities:

	1 January 2018	1 January 2017
Other financial liabilities	1,417,808	1,452,058
- Up to 30 days	588,175	269,034
- From 31 to 90 days	489,201	383,378
- From 91 to 180 days	197,119	151,211
- From 181 days to 1 year	129,824	380,608
- From 1 to 3 years	7,482	265,895
- With indefinite maturity	6,007	1,932
Other non-financial liabilities	1,012,013	986,658
- Up to 30 days	2,610	208,194
- From 31 to 90 days	790,241	578,347
- From 1 to 3 years	-	53,818
- From 3 to 5 years	42,473	
- With indefinite maturity	176,689	146,209
Total other liabilities	2,429,821	2,438,716

4.11. Sources of equity

	1 January 2018	1 January 2017
Shareholders' (participants') equity	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Reserve fund	157,584	67,190
Fair value remeasurement of securities available for sale	2,322	546
Retained earnings (loss) of prior years	2,009,642	292,157
Unutilized profit for the reporting period	3,015,698	1,807,879
Total equity	14,035,046	11,017,572

As of 1 January 2018 and 2017, the structure of the Bank's share capital remained unchanged. During 2017, the Bank did not buy back its shares from shareholders. The Bank's share capital consists of 2,335,000 authorized placed ordinary book-entry registered shares with a nominal value of 1,400 rubles per share. Each ordinary share carries one vote. All issued ordinary shares are fully paid.

During the meeting on 31 March 2017, the Bank's Board of Directors decided to distribute net profit of the Bank for 2016 in the amount of kRUR 1,807,879,120.4 as follows:

- 1) Transfer kRUR 90,393,956.02 to the Bank's reserve fund as an annual contribution
- 2) Retain the remaining portion of the net profit in the amount kRUR 1,717,485,164.38

No dividends were paid for 2016.

The decision on the distribution of net profit for 2017 and dividend payment will be made when the annual statements of the Bank for 2017 have been approved by the Bank's Board of Directors.

4.12. Off-balance sheet credit-related liabilities and derivative financial instruments

The Bank enters into transactions with derivative financial instruments. The table below shows the fair values of derivative financial instruments recorded as assets or liabilities, together with their nominal value. The nominal value shows the volume of transactions outstanding at the year-end and does not indicate a credit risk.

Analysis of off-balance sheet claims and liabilities by remaining maturities:

	Fair value		Nominal value	
	Assets	Liabilities	Claims	Liabilities
At 1 January 2018				
Total foreign exchange contracts, including:	-	221,701	522,271	757,607
Foreign exchange swaps	-	221,701	522,271	757,607
- From 91 to 180 days	-	221,701	522,271	757,607
Total interest rate contracts, including:	205,946	1,360,662	16,315,172	18,267,693
Cross-currency interest rate swaps	191,074	1,360,662	15,680,140	17,569,533
- From 31 to 90 days	-	256,873	2,764,591	3,040,125
- From 91 to 180 days	100,956	400,288	5,575,924	6,015,771
- From 181 days to 1 year	90,118	266,412	4,511,202	4,902,981

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- From 1 to 3 years	-	437,089	2,828,423	3,610,656
Interest rate swaps	14,872	-	635,032	698,160
- From 31 to 90 days	-	-	-	-
- From 91 to 180 days	-	-	-	-
- From 181 days to 1 year	-	-	-	-
- From 1 to 3 years	14,872	-	635,032	698,160
Total undrawn loan facilities, including by term to maturity:	-	-	-	54,000
- With indefinite maturity	-	-	-	54,000
Total off-balance sheet liabilities	205,946	1,582,363	16,837,443	19,079,300

<i>At 1 January 2017</i>	<i>Fair value</i>		<i>Nominal value</i>	
	<i>Assets</i>	<i>Liabilities</i>	<i>Claims</i>	<i>Liabilities</i>
Total foreign exchange contracts, including:	-	233,301	540,197	854,414
Foreign exchange swaps				
- From 31 to 90 days	-	-	-	-
- From 91 to 180 days	-	-	-	-
- From 181 days to 1 year	-	-	-	-
- From 1 to 3 years	-	233,301	540,197	854,414
Total interest rate contracts, including:	136,743	2,864,173	22,767,265	28,062,265
Cross-currency interest rate swaps				
- Up to 30 days	-	-	149,306	3,312,589
- From 31 to 90 days	-	-	127,405	-
- From 91 to 180 days	136,743	426,042	4,466,777	4,976,655
- From 181 days to 1 year	-	1,077,418	7,622,618	7,404,185
- From 1 to 3 years	-	1,360,713	10,401,159	12,368,836
Total undrawn loan facilities, including by term to maturity:	-	-	-	829
- With indefinite maturity	-	-	-	829
Total off-balance sheet liabilities	136,743	3,097,474	23,307,462	28,917,508

The above swap transactions were entered into with Russian and foreign counterparties.

5. Accompanying information for the statement of income

5.1. Interest income and expense

	<i>1 January 2018</i>	<i>1 January 2017</i>
Interest income		
Loans to legal entities	2,478,290	1,975,266
Loans to individuals	7,056,573	6,200,197
Loans to banks	424,881	667,590
Securities available for sale	16,966	19,533
Total interest income	9,976,710	8,862,586
Interest expense		
<i>Deposits from legal entities*</i>	(468,955)	(422,328)
<i>Deposits from banks*</i>	(1,980,948)	(2,438,445)
<i>Debt obligations issued*</i>	(950,450)	(255,000)
Total interest expense	(3,400,353)	(3,115,773)
Total net interest income	6,576,357	5,746,813

* Amounts decreasing the item

5.2. Fee and commission income and expense

	<i>1 January 2018</i>	<i>1 January 2017</i>
Fee and commission income		
Fee on agency services	2,052,997	1,852,718
Other transactions	212,648	298,419

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Total fee and commission income	2,265,645	2,151,137
Fee and commission expense		
<i>Money transfer services*</i>	(164,387)	(123,745)
<i>Cash and settlement services*</i>	(6,551)	(1,455)
<i>Depository services*</i>	(10)	(20)
<i>Other transactions*</i>	(46)	(2,930)
Total fee and commission expense	(170,994)	(128,150)
Total net fee and commission income	2,094,651	2,022,987

* Amounts decreasing the item

5.3. Net gains from financial assets at fair value through profit or loss

	1 January 2018	1 January 2017
Gains from derivative financial instruments	924,325	131,323
Losses from derivative financial instruments*	(980,413)	(6,757,145)
Total net gains from financial assets	(56,088)	(6,625,822)

* Amounts decreasing the item

5.4. Net gains from securities available for sale

	1 January 2018	1 January 2017
Gains from securities available for sale	1	34
Losses from securities available for sale*	(91)	(63)
Total net gains from securities	(90)	(29)

* Amounts decreasing the item

5.5. Net gains from dealing in foreign currencies

	1 January 2018	1 January 2017
Gains from purchase and sale of foreign currency by electronic transfer	243	247
Losses from purchase and sale of foreign currency by electronic transfer*	(1,197,504)	(261,339)
Total net gains from dealing in foreign currencies	(1,197,261)	(261,092)

* Amounts decreasing the item

5.6. Net gains from foreign currency translation

	1 January 2018	1 January 2017
Gains from revaluation of amounts in foreign currency	15,805,855	31,714,487
Losses from revaluation of amounts in foreign currency*	(16,786,428)	(27,466,556)
Total net gains from foreign currency translation	(980,573)	4,247,931

* Amounts decreasing the item

5.7. Information on charge (reversal) of provisions for potential losses

	1 January 2018	1 January 2017
Charge of provisions for potential losses from loans receivable and similar debt, including:	307	(787,058)
Income from reversal of provisions for potential losses	14,938,361	18,417,154
Charges to provisions for potential losses*	(14,938,054)	(19,204,212)
Charge of provisions for potential losses from interest income, including:	4,864	(53,791)
Income from reversal of provisions for potential losses	1,297,714	709,173

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<i>Charges to provisions for potential losses*</i>	(1,292 850)	(762,964)
Total charge of provisions for potential losses	5,171	(840,849)

* Amounts decreasing the item

	1 January 2018	1 January 2017
Charge of provisions for other losses, including:	(43,411)	(134,789)
Income from reversal of provisions for potential losses	129,786	78,602
<i>Charges to provisions for potential losses*</i>	(173,197)	(213,391)

* Amounts decreasing the item

Analysis of movements in provisions for potential losses from loans receivable and similar debt, and other assets for 2017 is presented in the table below:

Balance at 1 January 2017, including:		2,087,185
- Loans receivable and similar debt		1,871,056
- Interest income		61,329
- Other assets		154,800
Change in provisions, including:		38,240
Charge of provisions, including:		16,404,101
- Issue of new loans		8,240,176
- Change in loan quality		3,995,404
- Changes in the official exchange rate of a foreign currency to the ruble		-
- Other reasons (when transferred to the overdue category)		4,168,521
Reversal of provisions, including:		(16,365,861)
- Write-off of bad debts		(8,199)
- Repayment of loans		(8,245,131)
- Change in loan quality		(5,175,337)
- Changes in the official exchange rate of a foreign currency to the ruble		-
- Other reasons (when overdue amounts are repaid)		(2,937,194)
Balance at 1 January 2018, including:		2,116,839
- Loans receivable and similar debt		1,872,340
- Interest income		42,596
- Other assets		201,903

* Amounts decreasing the item

5.8. Other operating income

	1 January 2018	1 January 2017
Other operating income		
Income from advisory services	19,761	10
Reversal of provisions after annual bonus has been paid	61,065	83,044
Penalty on claim assignment	51,088	10,931
Other income	11,656	2,937
Total other operating income	143,570	96,922

5.9. Operating expenses

	1 January 2018	1 January 2017
Operating expenses		
Debt securities issued	28,146	22,719
Staff costs	473,873	397,473
Payroll related taxes	118,745	87,571
Depreciation/amortization	240,373	204,685
Repair and maintenance of fixed assets	25,395	19,702

Translation of the original Russian version

Inventory write-off	6,620	7,986
Non-exclusive rights for software	8,504	12,608
Rent expenses	60,834	72,937
Communication services	44,573	38,636
Security	1,342	1,702
Business travel expenses	25,730	21,871
Insurance	7,330	5,256
Audit	18,241	15,716
Advertising and marketing, entertainment	319,962	16,941
Training, participation in conferences	688	1,904
Information and technological services	78,568	68,006
Agency fee	201,962	222,533
Information and advisory services	56,977	54,325
Legal services	3,766	6,522
Business development and professional services	713,749	447,450
Other operating expenses	97,344	74,763
Total operating expenses	2,532,722	1,801,306

5.10. Tax expense

	1 January 2018	1 January 2017
Expenses by type of taxes and levies, including:		
Income tax	813,518	648,954
Increase in income tax by deferred income tax	-	-
<i>Decrease in income tax by deferred tax*</i>	<i>(43,350)</i>	<i>(147,518)</i>
VAT	221,084	136,512
Property tax	51	216
Transport tax	74	-
Other taxes and levies	2,529	4,723
Total tax expense	993,906	642,887

* Amounts decreasing the item

5.11. Other comprehensive income

	1 January 2018	1 January 2017
Other comprehensive income, including:		
Increase in the fair value of securities available for sale	4,052	721
<i>Decrease in the fair value of securities available for sale*</i>	<i>(1,831)</i>	<i>(288)</i>
Transfer of the accumulated decrease in the fair value of securities available for sale to profit or loss	-	34
Total other comprehensive income	2,221	467

* Amounts decreasing the item

6. Accompanying information for the statement of cash flows

6.1. Information on cash flows

	1 January 2018	1 January 2017
Net cash from (used in) operating activities	1,986,690	831,049
Net cash from (used in) investing activities	(527,249)	(114,990)
Net cash from (used in) financing activities	-	(391,189)
Effect of changes in the official exchange rates of foreign currencies to the ruble set by the Bank of Russia on cash and cash equivalents	(734)	(17,143)
Increase (decrease) in cash and cash equivalents	1,458,707	307,727
Cash and cash equivalents at the beginning of the reporting period	552,695	244,968
Cash and cash equivalents at the end of the reporting period	2,011,402	552,695

In 2017 and 2018, the Bank had no cash unavailable for use, except for the amounts deposited with the Bank of Russia as the obligatory reserves fund.

Translation of the original Russian version

The Bank conducts standard transactions in financial markets, including with the Bank of Russia, within the limits set by counterparties for each other and for each type of transactions.

7. Accompanying information for the statement of capital adequacy

7.1. Equity (capital)

The information on equity (capital) is presented in accordance with Regulation No. 395-P of the Bank of Russia:

	1 January 2018	1 January 2017
Share capital (ordinary shares)	3,269,000	3,269,000
Share premium	5,580,800	5,580,800
Reserve fund	157,584	67,190
Profit of prior years (audited)	2,009,642	292,157
<i>Loss of the current year*</i>	-	-
<i>Loss of prior years*</i>	-	-
<i>Intangible assets*</i>	(251,479)	(251,388)
<i>Negative additional paid-in capital*</i>	(283,530)	(454,294)
<i>Other amounts decreasing core capital</i>	(882,642)	-
Core capital	9,599,375	8,503,465
<i>Intangible assets*</i>	(62,870)	(167,592)
<i>Other amounts decreasing additional paid-in capital*</i>	(220,660)	(119,110)
<i>Negative amount of additional capital*</i>	(283,530)	(286,702)
Additional paid-in capital	-	-
Main capital	9,599,375	8,503,465
Profit of the current year (unaudited)	3,015,698	1,807,879
Fair value remeasurement of securities available for sale	2,322	546
<i>Accounts receivable past due by more than 30 calendar days*</i>	(65)	-
<i>Other amounts decreasing additional capital*</i>	(1,618,310)	(2,080,824)
<i>Shortfall of provision on loans receivable</i>	-	(3,923)
Additional capital	1,399,645	-
Equity (capital)	10,999,020	8,503,465

* Amounts decreasing the item

The Bank calculates the amount of Basel III regulatory capital on the basis of Regulation No. 395-P of the Bank of Russia.

Basel III establishes three levels of capital: core, main and total. Main capital is the sum of core capital and additional capital. Total capital is the sum of main capital and additional paid-in capital.

The main sources of the Bank's core capital include the share capital and share premium of kRUR 8,849,800, the reserve fund of kRUR 157,584 and the prior years' retained earnings of kRUR 2,009,642. Intangible assets (80%) reduce the core capital by kRUR 251,479. Income not recognized as a source of capital and representing amounts due to the credit institution (income from payments by insurance companies (agency fees) under the program for the insurance of borrowers (for insurance amounts paid by borrowers using the funds received from the credit institution) and income on loans and other assets reclassified within IV and V quality categories, the generation of which is considered to be indefinite, under agreements signed through 2016, of 80% decrease the core capital by kRUR 882,642.

Currently, the Bank has no sources of additional paid-in capital (perpetual subordinated loans or perpetual subordinated bonds which may be accounted for within additional paid-in capital, as permitted by the Bank of Russia). 20% of intangible assets of kRUR 62,870 and 20% of income not recognized as a source of capital and representing amounts due to the credit institution (income from payments by insurance companies (agency fees) under the program for the insurance of borrowers (for insurance amounts paid by borrowers using the funds received from the credit institution) and income on loans and other assets reclassified within IV and V quality categories, the generation of which is considered to be indefinite, under agreements signed through 2016) of kRUR 220,660 are amounts decreasing the core capital.

The Bank's additional capital is represented by:

- Profit for 2017 which is not confirmed by auditors (kRUR 3,015,698)
- Fair value remeasurement of securities available for sale (kRUR 2,322)

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Sources reducing additional capital comprise:

- Prepaid expenses (kRUR 13,406)
- Accounts receivable past due by more than 30 calendar days (kRUR 65)
- Income not recognized as a source of capital and representing amounts due to the credit institution (income from payments by insurance companies (agency fees) under the program for the insurance of borrowers (for insurance amounts paid by borrowers using the funds received from the credit institution) and income on loans and other assets reclassified within IV and V quality categories, the generation of which is considered to be indefinite, under agreements signed in 2017) of kRUR 1,604,904.

7.2. Reconciliation of regulatory capital with accounting data

<i>Item</i>	<i>Balance sheet Form 0409806</i>	<i>Line No.</i>	<i>Statement of capital adequacy Form 0409808</i>	<i>Line No.</i>
Core capital	11,017,026		11,017,026	6
Share capital, share premium	8,849,800	24.26	8,849,800	1.1.1
Reserve fund	157,584	27	157,584	3
Profit of prior years (audited)	2,009,642	33	2,009,642	2.1
Instruments decreasing core capital	1,417,651		1,417,651	28
Intangible assets	251,479	10	251,479	9
Negative amount of additional paid-in capital	283,530	10, 12, 28, 34	283,530	27
Other amounts decreasing additional capital	882,642	33, 34	882,642	26
Additional paid-in capital	–		–	36
Instruments decreasing additional paid-in capital	283,530		283,530	43
Intangible assets	62,870	10	62,870	41.1.1
Other amounts decreasing additional paid-in capital	220,660	33, 34	220,660	41
Additional capital	3,018,020		3,018,020	46
Profit of the current year (unaudited)	3,015,698	34	3,015,698	46
Fair value remeasurement of securities available for sale	2,322	28	2,322	46
Instruments decreasing additional capital	1,618,375		1,618,375	46
Prepaid expenses	13,406	12	13,406	46
Overdue accounts receivable (>30 days)	65	12	65	56
Income not recognized as a source of capital and representing amounts due to the credit institution	1,604,904	33.34	1,604,904	52
Shortfall of provision on loans receivable	-	34	-	46
Total core capital	9,599,375	x	9,599,375	29
Total additional paid-in capital	–	x	–	44
Total main capital	9,599,375	x	9,599,375	45
Total equity (capital)	10,999,020	x	10,999,020	59

7.3. Information on capital instruments

	1 January 2018	1 January 2017
Ordinary shares		
Nominal value of cash paid for shares	3,269,000	3,269,000
Share premium	5,580,800	5,580,800

7.4. Information on risk weighted assets

	1 January 2018	1 January 2017
Total credit risk related to balance sheet assets, including	72,701,137	57,850,414
Credit risk related to balance sheet assets (standard)	71,907,740	57,230,991
Transactions with an increased risk factor	712,755	499,271
Risk from related party transactions	80,642	120,152
Risk related to derivative financial instruments	339,725	299,015
Market risk	527,363	1,604,888
Operational risk	15,368,788	7,892,000
Total risk weighted assets	88,937,013	67,646,317

Translation of the original Russian version

The amount of risk weighted assets includes credit, market and operational risks and is calculated in accordance with the following regulatory documents of the Bank of Russia:

- The credit risk calculation procedure is determined in Instruction No. 180-I of the Bank of Russia *On Prudential Bank Ratios* dated 3 December 2012. The calculation of risk weighted assets is based on the approach provided for by clause 2.3 of Instruction No. 180-I of the Bank of Russia.
- The market risk calculation procedure is determined in Regulation No. 511-P of the Bank of Russia *On the Procedure for Market Risk Calculation by Credit Institutions* dated 3 December 2015.
- The operational risk calculation procedure is determined in Regulation No. 346-P of the Bank of Russia *On the Procedure for Operational Risk Calculation* dated 3 November 2009.

7.5. Classification of risk weighted assets

	1 January 2018	1 January 2017
Assets of risk group I (risk factor of 0%)		
Value of assets	6,753,729	1,643,222
Assets less provision	6,753,729	1,643,222
Assets of risk group II (risk factor of 20%)	105,274	424,222
Value of assets	526,370	2,481,326
Assets less provisions	526,370	2,121,111
Assets of risk group III (risk factor of 50%)		
Value of assets	–	–
Assets less provisions	–	–
Assets of risk group IV (risk factor of 100%)	71,802,466	56,806,769
Value of assets	73,742,614	58,391,450
Assets less provisions	71,802,466	56,806,769
Assets of risk group V (risk factor of 150%)		
Value of assets	–	–
Assets less provisions	–	–
Assets weighted for increased risk factors	793,397	619,423
Value of assets	351,981	335,594
Assets less provisions	351,979	335,591
Total credit risk related to assets recorded on balance sheet accounts	72,701,137	57,850,414

The calculation of risk weighted assets is based on the approach provided for by clause 2.3 of Instruction No. 180-I of the Bank of Russia.

7.6. Information on capital adequacy ratios

	1 January 2018	1 January 2017
Total risk weighted assets with the risk required to be covered by core capital	88,937,078	67,650,240
Total risk weighted assets with the risk required to be covered by main capital	88,937,078	67,650,240
Total risk weighted assets with the risk required to be covered by equity (capital)	88,937,013	67,646,317
Core capital	9,599,375	8,503,465
Main capital	9,599,375	8,503,465
Equity (capital)	10,999,020	8,503,465
Core capital adequacy ratio (N1.1) Regulatory value 4.5%	10.8%	12.6%
Main capital adequacy ratio (N1.2) Regulatory value 6.0%	10.8%	12.6%
Total capital adequacy ratio (N1.0) Regulatory value 8.0%	12.4%	12.6%

7.7. Information on the classification of assets by risk group

Translation of the original Russian version

Risk weighted assets used for the calculation of the Bank's prudential ratios are presented below.

	1 January 2018	1 January 2017
Financial assets, including:		
Loans receivable from and similar debt of credit institutions	856,000	1,218,000
Loans receivable from and similar debt of legal entities	20,808,787	12,816,104
Loans receivable from and similar debt of individuals	48,472,577	42,146,635
Balances on correspondent accounts	296,666	127,860
Investments in securities available for sale	69,688	20,553
Total derivative financial instruments, including:	339,725	299,015
KRS	339,725	299,015
Other assets	2,197,419	1,521,262
Aggregate credit risk	73,040,862	58,149,429

In accordance with the Bank's capital adequacy management policy, capital adequacy management is aimed at ensuring the Bank's ability to reach its strategic asset growth goals in full compliance with capital adequacy requirements.

In order to comply with the capital adequacy ratios, the Bank uses the following valuation methods:

- Forecasting of capital adequacy ratios
- Stress testing of capital adequacy

The forecasting of capital adequacy ratios is the key method for the preventive identification of any breaches of capital adequacy requirements and the basis for timely decision-making.

In addition, the Bank regularly stress-tests capital adequacy ratios to analyze capital adequacy for potential crisis scenarios.

The main capital adequacy management tools are as follows:

- Business planning and the capital adequacy management plan
- System of limits for capital adequacy ratios
- Capital adequacy management plan for unforeseen circumstances

There were no significant changes in the capital management policy and internal limits in 2017.

The calculation of planned capital adequacy ratios is an integral part of determining target business development indicators in the course of business planning and strategic planning. Compliance with the limits for capital adequacy ratios within the planning horizon is a mandatory requirement. Based on the business plan, the Bank annually develops a capital adequacy management plan which includes a list of capital management measures.

The Bank complied with capital adequacy ratios in 2017.

7.8. Leverage ratio and current liquidity ratio

	1 January 2018	1 January 2017
Main capital	9,599,375	8,503,465
On-balance sheet assets and off-balance sheet claims under risk, used to calculate the leverage ratio	79,649,489	61,521,452
Basel III leverage ratio, %	12.1%	13.8%

As of 1 January 2018, on-balance sheet assets used to calculate the leverage ratio amount to kRUR 79,649,489. This item is less than the amount of assets determined in accordance with the balance sheet by kRUR 7,014, as in order to calculate the leverage ratio the amount of on-balance sheet assets is adjusted for certain indicators.

8. Accompanying information for the statement of prudential ratios

8.1. Information on the values of prudential ratios

	1 January 2018	1 January 2017
Core capital adequacy ratio (N1.1) Regulatory value \geq 4.5%	10.8%	12.6%
Main capital adequacy ratio (N1.2) Regulatory value \geq 6%	10.8%	12.6%
Total capital adequacy ratio (N1.0)	12.4%	12.6%

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Regulatory value \geq 8%		
Instant liquidity ratio (N2) Regulatory value \geq 15%	304.8%	140.1%
Current liquidity ratio (N3) Regulatory value \geq 50%	220.6%	234.1%
Long-term liquidity ratio (N4) Regulatory value \leq 120%	87.6%	77.8%
Maximum risk per borrower or a group of related borrowers (N6) Regulatory value \leq 25%	18.7%	16.5%
Maximum exposure to large credit risks (N7) Regulatory value \leq 800%	90.7%	83.7%
Maximum amount of loans, bank guarantees and sureties provided by the Bank to its shareholders (N9.1) Regulatory value \leq 50%	0.0%	0.0%
Aggregate insider risk of the Bank (N10.1) Regulatory value \leq 3%	0.0%	0.0%
Share of equity (capital) used to purchase shares (interests) in other legal entities (N12) Regulatory value \leq 25%	0.0%	0.0%
Maximum risk exposure per bank-related entity (group of related entities) (N25) Regulatory value \leq 20%	1.2%	2.22%

The Bank calculates prudential ratios in accordance with Instruction No.180-I.

9. Information on risks assumed by the Bank, risk assessment and risk and capital management procedures

9.1. General

Risk is inherent in the Bank's activities but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other internal controls.

In accordance with its internal risk management regulations, the most significant risks to which the Bank is exposed are the following: credit risk, liquidity risk and market risk which is in its turn classified into currency risk and interest rate risk. The Bank is also exposed to operational, legal, reputational and strategic risks.

The sources of the risk comprise the following:

- for credit risk – a debtor discharges its contractual financial obligations to the Bank in an untimely fashion or not in full.
- for liquidity risk – improper balance between the Bank's financial assets and liabilities or unforeseen need of immediate and simultaneous discharge of its financial obligations.
- for market risk – adverse changes in the market value of the financial instruments in the trading portfolio and derivative financial instruments of the Bank as well as foreign exchange rates.
- for currency risk – changes in exchange rates with respect to the Bank's open positions in foreign currencies.
- for interest rate risk – adverse changes in the market interest rates affecting the Bank's assets, liabilities and off-balance sheet instruments.
- for operational risk – inconsistency with the nature and scope of the Bank's business and/or non-compliance with applicable legislation of internal practices and procedures of banking and other transactions, their breach by the employees of the Bank and/or other persons, inappropriate (insufficient) functionalities (specifications) of IT and other systems applied by the Bank and/or their failures (malfunctions), or ensuing from the effect of external events.
- for legal risk – non-compliance with laws, regulatory requirements and signed agreements, and legal errors committed in carrying out its operations.
- for reputation risk – deterioration of the public opinion related to the Bank's financial stability, quality of its services and nature of its business in general.

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- for strategic risk – mistakes in making decisions determining the Bank's operational and development strategy.

This process of risk management is critical to the Bank's continuing profitability and each individual within the Bank is accountable for the risk exposures relating to his or her responsibilities.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Bank's strategic planning process.

Risk management structure

The Board of Directors is ultimately responsible for identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

Board of Directors

The Board of Directors is responsible for the overall risk management approach and for approving the risk strategies and principles. Credit policy and other policies relating to lending and funding operations are also approved by the Board of Directors, as well as the procedures for significant risk management, banking risk management methods and models for qualitative risk assessment.

Management Board

The Management Board implements risk management system, approves powers of the Risk, Financial, Internal Control, Operating Risks and Compliance Committees, decides whether to accept certain risk types.

Risk Committee

The Bank's Risk Committee executes control over elements of risk management system, approves acceptable risk level as part of the approved development strategy, controls compliance of operations performed by the Bank's management with principle of the credit policy and policies relating to other lending operations, develops and bears responsibility for optimization of credit risks in the context of balance between risk and profitability and performs control over risk at portfolio level in general.

Credit Committee

The Bank's Credit Committee makes decisions regarding corporate and dealer financing, which includes approval of limits of financing and change of credit risk within the scope of their authority. In addition, while making decisions the Credit Committee of the Bank bears the responsibility for appropriate balance between risk and profitability including cases when the approval from a higher-level management is needed.

Financial Committee

The Financial Committee reviews and approves key macroeconomic indicators, core financial operations and changes in relations between the Bank and other banks, fulfills and forecasts financing plan, performs financial risk monitoring (rates, liquidity, currency exchange rates, counterparties) and projections of refinancing rate. The Committee controls market, interest rate and currency risk and stress-testing.

Treasury

The Bank's Treasury is responsible for managing the Bank's assets and liabilities. It is also primarily responsible for the liquidity risk and funding risk of the Bank.

Internal Control, Operational Risks and Compliance Committee

Internal Control, Operational Risks and Compliance Committee reviews the information on the activities of the Internal Audit Function and Internal Control Function, the results of internal audits and first level control. The Committee also deals with the issues related to operational risk, development of internal control rules on anti-money laundering and counter-terrorism financing, and other issues.

Risk Management Officer

Risk Management Officer executes overall credit risk management and on a regular basis ensures the implementation of common principles and methods for identifying, measuring, managing and reporting credit risk data. Risk Management Officer develops the methodology for risk measurement and performs independent risk analysis of products and programs submitted for approval and limits on specific clients/operations, performs portfolio analysis on credit risk and exercises credit risk control function: applies limits and exercises control over them, provides reports on the level of credit risk, which are presented to the Board of Directors, the Management Board, and the Risk Committee on a regular basis.

Internal Audit Function

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Risk management processes throughout the Bank are reviewed by the Internal Audit Function that examines both the adequacy of the procedures and the Bank's compliance with the procedures.

The Internal Audit Function reports the examination results and suggests remedies for identified violations to the Board of Directors, Chairman of the Board and the Management Board and during the meeting of the Internal Control, Operational Risks and Compliance Committee. The Internal Audit Function performs an ongoing monitoring (follow-up control) over the performance of recommendations put forward by the Function based on the previous audits and over the compliance with the Action Plan to remove identified violations by the Bank's employees.

Internal Control Function

Internal Control Function is responsible for ensuring the compliance of the Bank's activities with the current legislation of the Russian Federation, the Bank's internal regulations and standards for self-regulating organizations. The Internal Control Function also reviews the Bank's documentation, performs assessment of regulatory risks, provides recommendations on risk mitigation and ensures the Bank's compliance with the Russian legislation and standards and taking measures aimed at protection of the Bank's business reputation.

The Internal Control Function reports on the work performed to the Chairman of the Management Board and to the Management Board at least once a year and communicates the performance results during the meeting of the Internal Control, Operational Risks and Compliance Committee.

Risk management system

The Bank's risk management system is based on the following components:

- strategy;
- methodology;
- procedures;
- control;
- updating.

The goal of risk management system is to maintain the overall risk accepted by the Bank at the level defined by the Bank subject to its strategic objectives. The priority is to ensure the maximum safety of assets and equity by mitigation of risk exposures which might lead to unexpected losses.

The goal of the risk management system is achieved through the use of a systemic and complex approach that focuses on the following:

- Risk identification and analysis of all risks arising in the course of the Bank's activities
- Interpretation of approach to various risk types
- Quantitative and qualitative assessment (measurement) of specific risk types
- Establishing correlation between individual risks in order to assess the impact of the actions planned to be taken to limit a particular type of risk on the increase or decrease in the level of other risks
- Performing full risk level analysis concerning operations planned and completed by the Bank to determine the total amount of risk level
- Assessment of whether the total amount of risk level is acceptable and reasonable
- Establishing a subsystem of risk monitoring at the origination phase of negative tendency and a subsystem of swift and adequate response aimed at preventing or mitigating the risk

Each risk faced by the Bank must be indicated and recognized. The risks are classified into internal and external as well as controlled or not controlled by the Bank. Risks are regularly identified due to the fast-evolving internal and external environment.

The management of the Bank determines its approach towards all indicated risks. A part of the risks which the Bank is not ready to assume must be totally excluded, while the Bank terminates activities related to the indicated risks. With regard to the risks assumed, the Bank defines the maximum acceptable risk exposure. The Bank's strategy governs its risk approach.

The Bank's management strategy is based on the break-even principle and focuses on achieving optimum correlation between profitability of the Bank's business activities and level of assumed risks.

The Bank's risk management strategy involves:

- Compliance with the Bank's strategic goals set by the Board of Directors
- Development of priority lending schemes

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- Effective capital management with the aim to maintain its adequate level

Risk management strategy implies using the whole range of risk mitigation instruments and choosing each particular instrument depending on the risk type.

Evaluation of various risk types involves various methodologies which are set out in the Bank's internal documents.

The Bank complies with the requirements set by the Bank of Russia to risk and capital management systems and internal controls.

Risk Management Officer, Head of the Internal Audit Function, Head of the Internal Control Function comply with qualification criteria established by the Bank of Russia Instructive Regulation No. 3223-U *On Requirements for Leaders of a Risk Management Function, Internal Audit Function, Internal Control Function in a Credit Institution* dated 1 April 2014 and business reputation requirements set forth in accordance with the Federal Law No. 395-1.

Risk reporting

Information on various risks relevant to the Bank is analyzed with the aim of control and early identification of risks, and subsequent communication to the Bank's management.

Risk reporting with diverse level of detail and different time intervals is performed by the Bank's departments, including the Risk Management Department and Treasury in order to provide the personnel and management of the Bank with the up-to-date and necessary information on the level of risks relevant to the Bank.

Daily reports include information on the Bank's open currency position, gap analysis of the assets and liabilities maturity gap to assess the liquidity risk, calculation of statutory liquidity ratios, calculation of the maximum risk attributable to one borrower or a group of borrowers, calculation of the Bank's capital adequacy ratios.

Monthly report on interest rate risk testing is reviewed during the Financial Committee of the Bank's Management Board and includes gap analysis of the assets and liabilities maturity gap and the results of the basic scenario testing (change in the interest rate by 100 b.p.), results of the stress testing (change in the interest rate by 300-500 b.p.), analysis of changes in the external conditions of the Bank's activities in terms of macroeconomic trends and financial markets analysis.

Monthly report on credit risk testing is reviewed during the Risk Committee of the Bank's Management Board and provides information on the quality of the Bank's loan portfolio in aggregate and broken down by interbank loans, financing to car dealers (factoring), retail lending (car loans), state and changes in major quality indicators, overdue debts, their amount, dynamics, structure and timing, the amount of created provisions, collateral quality and credit risk concentration.

Internal Control Function and Department of Financial Monitoring on the quarterly basis provide to the Internal Control, Operational Risks and Compliance Committee information on operating and/or regulatory risks identified.

9.2. Credit risk

Credit risk is the risk that the Bank will incur a loss because its borrowers or counterparties failed to discharge their contractual obligations.

The Bank has developed credit policies and procedures for the financing of individuals (including employees), banks and dealers which provide guidelines on evaluation of the borrower's financial performance, procedure for risk level decision-making, approval of limits, control over timely repayment of loans, procedure for debt collecting, procedure for accruing provisions and their classification.

Credit risk management is performed through:

- monitoring;
- setting limits;
- diversification;
- analysis.

In accordance with the requirements of the Bank of Russia, the Bank limits risk concentrations per borrower or group of related borrowers, maximum large credit risk exposure, aggregate risk on Bank's insiders, maximum amount of loans, bank guarantees and sureties provided by the Bank to its participants (shareholders).

The Bank monitors compliance with limits on accepted exposure levels on a daily basis.

Collateral used as a credit risk enhancement

The main purpose of collateral agreements is to reduce possible loan losses when settling obligations under credit agreements. Collateral motivates borrowers to timely fulfill their obligations and strengthens the Bank's position. The Bank's policy regarding collateral is as follows: the higher is probability of default, the more valuable collateral should be provided. At the same time collateral is not the key factor to approve a loan request. The Bank considers collateral as a secondary source to discharge the borrower's obligations in case the latter is unable to do it in cash.

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The amount and type of collateral required by the Bank depends on an assessment of the credit risk of the counterparty. Guidelines are implemented regarding the acceptability of types of collateral and valuation parameters.

The main types of collateral obtained are as follows:

- For corporate lending: charges over vehicles and spare parts, bank guarantees, guarantees and warranties from legal entities and individuals, the rights of claim under deposits of legal entities
- For retail lending: sureties of individuals, charges over vehicles.

	<i>1 January 2018</i>		<i>1 January 2017</i>	
	<i>Carrying amount of collateral</i>	<i>Carrying amount of loans</i>	<i>Carrying amount of collateral</i>	<i>Carrying amount of loans</i>
Financing to legal entities against assignment of receivables				
- Vehicles	20,091,017		12,166,622	
- Guarantees of credit institutions	899,936		680,860	
- Pledge of receivables related to deposits of legal entities	823,790		100,625	
- Pledge of goods in turnover	-		23,600	
- Sureties of legal entities	49,734,995		45,511,339	
- Sureties of individuals	19,094,630		13,671,020	
Total financing to legal entities against assignment of receivables	90,644,368	21,285,687	72,154,066	13,205,299
Loans to individuals				
- Vehicles	119,811,717		96,349,980	
- Sureties of individuals	69,408		91,659	
Total loans to individuals	119,881,125	49,873,088	96,441,639	43,154,438
Total loans to customers	210,525,493	71,158,775	168,595,705	56,359,737

Collateral to decrease estimated provision

<i>At 1 January 2018</i>	<i>Amount of claim</i>	<i>Estimated provision</i>	<i>Estimated provision adjusted for collateral</i>	<i>Actual provision</i>	<i>Collateral to decrease estimated provision</i>
Deposits with the Bank of Russia	5,000,000	x	x	x	x
Trading bank accounts	6	6	-	6	-
Loans to credit institutions	500,000	-	-	-	-
Financing against monetary claim assignment (factoring)	21,285,687	758,757	476,900	476,900	281,857
Loans to individuals (car loans)	49,873,088	1,398,143	1,395,434	1,395,434	2,709
Interest receivable from deposits with the Bank of Russia	2,082	x	x	x	x
Interest receivable from loans to credit institutions	192	-	-	-	-
Fees and commissions receivable from factoring transactions	290,172	33,564	33,564	33,564	-
Receivables under car loans subsidizing program	277,705	-	-	-	-
Interest receivable from loans to individuals	274,279	10,054	10,053	10,053	1
Other claims on legal entities	57,427	5,894	5,894	5,894	-
Other claims on individuals	22,510	18,299	18,299	18,299	-
Total	77,583,148	2,224,717	1,940,144	1,940,150	284,567

<i>At 1 January 2017</i>	<i>Amount of claim</i>	<i>Estimated provision</i>	<i>Estimated provision adjusted for collateral</i>	<i>Actual provision</i>	<i>Collateral to decrease estimated provision</i>
Deposits with the Bank of Russia	1,500,000	x	x	x	x

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Loans to credit institutions	3,000,000	450,000	450,000	450,000	-
Loans to legal entities	19,171	-	-	-	-
Financing against monetary claim assignment (factoring)	13,205,299	605,409	418,054	418,054	187,355
Loans to individuals (car loans)	43,154,438	1,006,509	1,003,002	1,003,002	3,507
Interest receivable from deposits with the Bank of Russia	369	x	x	x	x
Interest receivable from loans to credit institutions	1,796	269	269	269	-
Interest receivable from loans to legal entities	204	-	-	-	-
Fees and commissions receivable from factoring transactions	198,358	2,333	2,333	2,333	-
Receivables under car loans subsidizing program	51,155	51,155	51,155	51,155	-
Interest receivable from loans to individuals	221,089	7,585	7,572	7,572	13
Other claims on legal entities	59,427	3,520	3,520	3,520	-
Other claims on individuals	5,852	5,071	5,071	5,071	-
Total	61,417,158	2,131,851	1,940,976	1,940,976	190,875

The Bank assesses the quality of loans receivable and similar debt, as well as of other assets in accordance with Regulation No. 590-P and Regulation No. 283-P.

As of 1 January 2018 and 2017, loss provisions for loans and similar debt were formed in the full amount in accordance with the established quality categories and provisioning rates.

Encumbered and non-encumbered assets

Assets used as collateral for the Bank of Russia are assets for which the Bank has filed an application for the inclusion of assets accepted as collateral under a loan from the Bank of Russia, which are included in the lombard list of the Bank of Russia, and which are recognized for use as collateral under refinancing operations of the Bank of Russia in accordance with the requirements of the Regulation of the Bank of Russia No. 312-P *On the Bank of Russia's Procedure of Granting Loans Secured by Assets or Surety to Credit Institutions* dated 12 November 2007.

The information presented below on the Bank's encumbered and non-encumbered assets is based on Form 0409806 "Balance Sheet (Published Form)" (with provisions and depreciation of fixed assets) and is calculated as the arithmetical average of the relevant data at the beginning of each month of the Q4 of 2017.

Information about encumbered and non-encumbered assets

No.	Item	Carrying amount of encumbered assets		Carrying amount of non-encumbered assets	
		Total	Including those related to liabilities to the Bank of Russia	Total	Including those that can be provided to the Bank of Russia as collateral
1	Total assets, including:	-	-	78,750,337	300,080
2	Total equity securities, including:	-	-	-	-
2.1	Credit institutions	-	-	-	-
2.2	Legal entities other than credit institutions	-	-	-	-
3	Total debt securities, including:	-	-	300,080	300,080
3.1	Total credit institutions, including:	-	-	99,698	99,698
3.1.1.	with long-term credit ratings	-	-	99,698	99,698
3.1.2.	without long-term credit ratings	-	-	-	-
3.2	of legal entities other than credit institutions, including:	-	-	200,382	200,382
3.2.1.	with long-term credit ratings	-	-	200,382	200,382
3.2.2.	without long-term credit ratings	-	-	-	-
4	Balances on correspondent accounts with credit institutions	-	-	2,306,808	-
5	Interbank loans (deposits)	-	-	7,500,000	-

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6	Loans to legal entities other than credit institutions	-	-	20,061,250	-
7	Loans to individuals	-	-	47,602,167	-
8	Fixed assets	-	-	17,049	-
9	Other assets	-	-	962,983	-

During Q4 2017, the Bank had no encumbered assets.

Information on the quality of assets and the amount of estimated and actual provisions

	1 January 2018	1 January 2017
Deposits with the Bank of Russia	5,000,000	1,500,000
Total loans to credit institutions, including:	500,000	3,000,000
- Quality category I	500,000	-
- Quality category II	-	3,000,000
Total loans to legal entities, including:	-	19,171
- Quality category I	-	-
- Quality category II	-	19,171
Financing against monetary claim assignment (factoring), including:	21,285,687	13,205,299
- Quality category I	14,891,049	8,595,023
- Quality category II	3,658,829	2,041,397
- Quality category III	2,655,076	2,484,072
- Quality category IV	61,474	81,098
- Quality category V	19,259	3,709
Loans to individuals (car loans), including:	49,873,088	43,154,438
- Quality category II	48,271,878	41,682,461
- Quality category III	454,260	632,965
- Quality category IV	282,152	172,771
- Quality category V	864,798	666,241
Total loans receivable	76,658,775	60,878,908
Total interest, fees and commissions receivable, including:	566,725	421,816
- Deposits with the Bank of Russia	2,082	369
- Quality category I	246,571	182,756
- Quality category II	264,413	217,678
- Quality category III	13,995	13,762
- Quality category IV	1,667	1,684
- Quality category V	37,997	5,567
Receivables under car loans subsidizing program	277,705	51,155
- Quality category I	277,705	-
- Quality category V	-	51,155
Other assets	79,943	65,279
- Quality category I	20,963	17,019
- Quality category II	33,344	38,153
- Quality category III	34	2,812
- Quality category V	25,602	7,295
Total other receivables	924,373	538,250
Total actual provision for potential losses on loans, including:*	(1,872,334)	(1,871,056)
- Quality category II	(429,288)	(698,731)
- Quality category III	(451,530)	(456,864)
- Quality category IV	(128,178)	(76,974)
- Quality category V	(863,338)	(638,487)
Total actual provision for potential losses on other receivables, including:*	(67,816)	(69,920)
- Quality category II	(4,924)	(2,240)
- Quality category III	(2,798)	(3,984)
- Quality category IV	(813)	(596)

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- Quality category V	(59,281)	(63,100)
Loans receivable less provisions for potential losses	74,786,441	59,007,852
Other assets less provisions for potential losses	856,557	468,330

* Amounts decreasing the item

Information on loans and other assets assessed individually and on a portfolio basis

	1 January 2018	1 January 2017
Total loans receivable and similar debt, including:	77,583,148	61,417,158
- Deposits with the Bank of Russia	5,000,000	1,500,000
- Interest receivable from deposits with the Bank of Russia	2,082	369
Total loans and other receivables assessed individually for provisioning purposes, including:	23,182,387	17,156,976
- Loans to credit institutions	500,000	3,000,000
- Loans to legal entities	-	19,171
- Balances on trading accounts	6	-
- Financing against monetary claim assignment (factoring)	21,285,687	13,205,299
- Loans to individuals	774,384	622,363
- Interest receivable	296,288	205,004
- Receivables under car loans subsidizing program	277,705	51,155
- Other claims on legal entities	47,872	53,539
- Other claims on individuals	445	445
<i>Provisions for potential losses on loans and other receivables assessed individually</i>	<i>(1,041,104)</i>	<i>(1,308,510)</i>
Total debt grouped into portfolios of homogeneous loans and other receivables, including:	49,398,679	42,759,813
- Claims on legal entities	9,555	5,888
- Loans to individuals	49,098,704	42,532,075
- Receivables under car loans subsidizing program	-	-
- Interest receivable	268,355	216,443
- Other claims on individuals	22,065	5,407
<i>Provisions for potential losses on loans and other receivables assessed on a portfolio basis</i>	<i>(899,046)</i>	<i>(632,466)</i>
Total provisions for potential losses	(1,940,150)	(1,940,976)

Information on the amount and quality of loans receivable and debt with overdue payments broken down by delay period

	1 January 2018	1 January 2017
Total loans receivable, including:	76,658,775	60,878,908
- Not exposed to credit risk (deposits with the Bank of Russia)	5,000,000	1,500,000
- Quality category I	15,391,049	8,614,194
- Quality category II	51,930,707	46,723,858
- Quality category III	3,109,336	3,117,037
- Quality category IV	343,626	253,869
- Quality category V	884,057	669,950
Total loans with overdue payments	1,398,380	1,256,466
<i>Percentage of total loans</i>	<i>1.82%</i>	<i>2.06%</i>
- Up to 30 days	435,697	566,286
- From 31 to 90 days	198,038	193,294
- From 91 to 180 days	154,519	135,896
- Over 180 days	610,126	360,990
Actual provision for potential losses on loans	1,872,334	1,871,056

Information on overdue debt by type of counterparties and type of financial instruments

As of 1 January 2018

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Financial instruments	Total	Overdue debt						Estimated provision	Actual provision
		Total	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 days to 1 year	Over 1 year		
Deposits with the Bank of Russia	5,000,000	5,000,000	-	-	-	-	-	x	x
Interbank loans	500,000	-	-	-	-	-	-	-	-
Financing against monetary claim assignment (factoring)	21,285,687	23,599	13,361	2,378	4,151	-	3,709	758,757	476,900
Loans to individuals	49,873,088	514,799	17,230	14,621	21,043	71,196	390,709	1,398,143	1,395,434
Securities available for sale	595,934	-	-	-	-	-	-	x	x
Financial assets at fair value (nominal value)	16,837,443	-	-	-	-	-	-	x	x

As of 1 January 2017

Financial instruments	Total	Overdue debt						Estimated provision	Actual provision
		Total	Up to 30 days	From 31 to 90 days	From 91 to 180 days	From 181 days to 1 year	Over 1 year		
Deposits with the Bank of Russia	1,500,000	1,500,000						x	x
Interbank loans	4,500,000	-	-	-	-	-	-	450,000	450,000
Loans to legal entities	19,171	-	-	-	-	-	-	-	-
Financing against monetary claim assignment (factoring)	13,205,299	3,709	-	-	-	-	3,709	605,408	418,054
Loans to individuals	43,154,438	289,586	17,032	13,982	17,870	52,805	187,897	1,006,508	1,003,002
Securities available for sale	202,703	-	-	-	-	-	-	x	x
Financial assets at fair value (nominal value)	23,307,462	-	-	-	-	-	-	x	x

Restructured loans

As of 1 January 2018, the amount of restructured loans to individuals totaled kRUR 33,485, which is 0.07% of the total loans receivable from individuals.

As of 1 January 2017, the amount of restructured loans to individuals totaled kRUR 31,751, which is 0.07% of the total loans receivable from individuals.

For the purposes of this disclosure, a loan is considered to be a restructured loan if its material terms under the original agreement (the agreement on the basis of which the loan was issued) have been changed on the basis of additional agreements with the counterparties and if under such terms the counterparty receives the right to perform its obligations on more favorable conditions:

- Longer period for the repayment of principal
- Reduced interest rate
- Changes in the schedule for the repayment of principal or interest

Foreclosure on property pledged as collateral

In 2017, the Bank filed 514 legal suits against individuals (borrowers) for the recovery of debt under loan agreements and foreclosure on property pledged as collateral. As of 1 January 2018, the amount of these legal claims against individuals totaled kRUR 242,734.

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In 2017, the Bank filed 113 legal suits against individuals (borrowers) for the recovery of debt under loan agreements without foreclosure on property pledged as collateral. As of 1 January 2018, the amount of these legal claims totaled kRUR 52,929.

Information on large credit risks and maximum risk exposure per borrower or a group of related borrowers

<i>Item (designation)</i>	<i>1 January 2018</i>	<i>1 January 2017</i>
Total credit claims of the bank on a borrower or a group of related borrowers (Krz)	2,061,202	1,398,971
Total large credit risks (Kskr)	9,981,076	7,117,982
Equity (capital)	10,999,020	8,503,465
Maximum risk exposure per borrower, % (N6) (regulatory value <=25%)	18.7%	16.5%
Maximum exposure to large credit risks, % (N7) (regulatory value <=800%)	90.7%	83.7%

Information on large credit risk concentration (loans per borrower (a group of related borrowers)) exceeding 5% of the Bank's equity (capital)

	<i>1 January 2018</i>			<i>1 January 2017</i>		
	<i>Total</i>	<i>Balance sheet claims</i>	<i>Claims under derivative financial instruments</i>	<i>Total</i>	<i>Balance sheet claims</i>	<i>Claims under derivative financial instruments</i>
Total for borrowers other than credit institutions, including:	9,981,076	9,981,076	-	6,199,982	6,199,982	-
- Financing against monetary claim assignment (factoring)	9,981,076	9,981,076	-	6,199,982	6,199,982	-
- Other balance sheet claims	-	-	-	-	-	-
- Foreign exchange swaps	-	-	-	-	-	-
- Cross-currency interest rate swaps	-	-	-	-	-	-
Total for borrowers – credit institutions, including:	-	-	-	918,000	918,000	-
- Interbank loans	-	-	-	918,000	918,000	-
- Foreign exchange swaps	-	-	-	-	-	-
- Cross-currency interest rate swaps	-	-	-	-	-	-
Total large credit risks (Kskr)	9,981,076	9,981,076	-	7,117,982	7,117,982	-

Ten major related borrowers of the Bank comprise resident and non-resident credit institutions and legal entities.

Actual exposures against limits are monitored daily.

The Bank limits major risk concentrations for individual clients and groups of related clients through regular analysis and control of limits, and by changing these lending limits where appropriate.

9.3. Market risk

The Bank takes on exposure to market risk, which is defined as a risk of potential losses under balance sheet and off balance sheet positions due to unfavorable movements in market prices: as a result of interest rate risks related to financial instruments and currency and equity risks of the Bank. Market risk arises both from trade operations - risk of the trading portfolio, and from assets and liabilities management - risk of balance sheet structure.

The Bank's exposure to market risk arises from dealing in derivative financial instruments, attracting and placing funds at floating and fixed rates and open currency position.

The objective of market risk management is to control the risk accepted by the Bank at the appropriate level defined by the current business strategy keeping the optimum level of income generation. Market risk is calculated and controlled in accordance with the Bank of Russia's Regulation No. 511-P *On the Procedure for Market Risk Calculation by Credit Institutions* dated 3 December 2015 (hereinafter, "Regulation No. 511-P").

The market risk management system is based on a system of limits ensuring compliance of the accepted risks with the established value and equity.

The decisions on market risk management strategy are taken by the Bank's Finance Committee and implemented by the structural units of the Bank within their functional duties. The Treasury regularly monitors currency risk. Interest rate risk is monitored by the Financial Planning and Analysis Department.

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In 2017 and earlier, the Bank did not trade in equity securities, therefore as of 1 January 2018 and 2017, the Bank did not calculate equity risk.

	1 January 2018	1 January 2017
Total market risk, including:	527,363	1,604,888
Interest rate risk, including:	42,189	92,961
- <i>Specific interest rate risk</i>	684	679
- <i>General interest rate risk</i>	41,505	92,282
Equity risk, including:	-	-
- <i>General equity risk</i>	-	-
- <i>Specific equity risk</i>	-	-
Foreign currency risk	14,677	35,430

Foreign currency risk

Currency risk is the risk that the Bank may incur losses due to adverse changes in foreign exchange rates and cross rates. The Bank is exposed to currency risk which arises from mismatching assets and liabilities denominated in particular currency.

The Bank controls and limits the currency risk exposure by monitoring volatility of foreign exchange rates and by establishing limits on open positions in each foreign currency and on overall amount of open positions.

The Bank controls and limits total balance sheet and off-balance sheet positions in each currency and overall amount of open positions using the methodology established by the Bank of Russia in its Instruction No. 178-I *On Establishing Amounts (Limits) of Open Currency Positions, Calculation Methodologies and Specific Controls over their Compliance by Credit Institutions dated 28 December 2016*.

The Bank takes a conservative position to limit the accepted currency risk by maintaining minimum possible amount of open positions. The Bank has no significant currency positions opened to obtained speculative gains. Open currency positions are monitored on a daily basis.

1 January 2018	RUR	USD	EUR	JPY	Total
Assets					
Cash	10	-	-	-	10
Amounts due to credit institutions from the Bank of Russia	2,291,989	-	-	-	2,291,989
Amounts due from credit institutions	2,802	6,035	4,610	96,205	109,652
Financial assets at fair value through profit or loss	205,946	-	-	-	205,946
Net loans receivable	74,786,441	-	-	-	74,786,441
Net investments in securities and other financial assets available for sale	595,934	-	-	-	595,934
Current income tax assets	21,719	-	-	-	21,719
Deferred tax asset	356,378	-	-	-	356,378
Fixed assets, intangible assets and inventories	330,385	-	-	-	330,385
Other assets	958,049	-	-	-	958,049
Total assets	79,549,653	6,035	4,610	96,205	79,656,503
Liabilities					
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-
Amounts due to credit institutions	23,800,000	-	10,330,020	-	34,130,020
Amounts due to customers other than credit institutions	6,852,722	-	-	5,626,269	12,478,991
Financial liabilities at fair value through profit or loss	1,582,363	-	-	-	1,582,363
Debt obligations issued	15,000,000	-	-	-	15,000,000
Other liabilities	2,260,316	-	19,831	149,674	2,429,821
Total liabilities	49,495,401	-	10,349,851	5,775,943	65,621,195
Off-balance sheet claims	635,032	-	10,466,883	5,735,528	16,837,443
Off-balance sheet liabilities	19,079,300	-	-	-	19,079,300
Net balance sheet position	30,054,252	6,035	(10,345,241)	(5,679,738)	14,035,308
Net term position	(18,444,268)	-	10,466,883	5,735,528	(2,241,857)
Total balance sheet position	-	6,035	(10,345,241)	(5,679,738)	-
Total off-balance sheet position	-	-	10,466,883	5,735,528	-

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Open currency position	6,035	121,642	55,790	-
Open currency position, % of capital	0.0549	1.1059	0.5072	-
Total open currency positions				183,467
Total open currency positions, % of capital				1.6680

<i>1 January 2017</i>	<i>RUR</i>	<i>USD</i>	<i>EUR</i>	<i>JPY</i>	<i>Total</i>
Assets					
Cash	10	-	-	-	10
Amounts due to credit institutions from the Bank of Russia	444,244	-	-	-	444,244
Amounts due from credit institutions	35,239	5,745	16,965	79,889	137,838
Financial assets at fair value through profit or loss	136,743	-	-	-	136,743
Net loans receivable	59,007,852	-	-	-	59,007,852
Net investments in securities and other financial assets available for sale	202,703	-	-	-	202,703
Current income tax assets	120,225	-	-	-	120,225
Deferred tax asset	313,472	-	-	-	313,472
Fixed assets, intangible assets and inventories	437,536	-	-	-	437,536
Other assets	585,285	-	-	-	585,285
Total assets	61,283,309	5,745	16,965	79,889	61,385,908
Liabilities					
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-
Amounts due to credit institutions	13,505,000	-	13,400,331	-	26,905,331
Amounts due to customers other than credit institutions	3,596,983	-	-	9,329,832	12,926,815
Financial liabilities at fair value through profit or loss	3,097,474	-	-	-	3,097,474
Debt obligations issued	5,000,000	-	-	-	5,000,000
Other liabilities	2,201,696	-	20,927	216,093	2,438,716
Total liabilities	27,401,153	-	13,421,258	9,545,925	50,368,336
Off-balance sheet claims	-	-	13,645,872	9,661,590	23,307,462
Off-balance sheet liabilities	28,916,679	-	-	-	28,916,679
Net balance sheet position	33,882,156	5,745	(13,404,293)	(9,466,036)	11,017,572
Net term position	(28,916,679)	-	13,645,872	9,661,590	(5,609,217)
Total balance sheet position	4,965,477	5,745	(13,404,293)	(9,466,036)	-
Total off-balance sheet position	-	-	13,645,872	9,661,590	-
Open currency position		5,745	241,579	195,554	-
Open currency position, % of capital		0.0676	2.8409	2.2997	-
Total open currency positions					442,878
Total open currency positions, % of capital					5.2082

The tables below summarize the effect on the statement of income of the assumed upward and downward changes in foreign exchange interest rates. The effect on equity does not differ from the effect on the statement of income. A negative amount in the table reflects a potential net reduction in the statement of financial results or equity, while a positive amount reflects net potential increase.

<i>Currency</i>	<i>Open currency position at 1 January 2018</i>	<i>Increase in exchange rate at 1 January 2018</i>	<i>Effect on profit before tax at 1 January 2018</i>	<i>Open currency position at 1 January 2017</i>	<i>Increase in exchange rate at 1 January 2017</i>	<i>Effect on profit before tax at 1 January 2017</i>
USD	6,035	11%	664	5,745	20%	1,149
EUR	121,642	12.5%	15,205	241,579	20%	48,316
JPY	55,790	12.7%	7,085	195,554	24.5%	47,911
Total	183,467		22,954	442,878		97,376

<i>Currency</i>	<i>Open currency position at 1 January 2018</i>	<i>Decrease in exchange rate at 1 January 2018</i>	<i>Effect on profit before tax at 1 January 2018</i>	<i>Open currency position at 1 January 2017</i>	<i>Decrease in exchange rate at 1 January 2017</i>	<i>Effect on profit before tax at 1 January 2017</i>
USD	6,035	11%	(664)	5,745	20%	(1,149)

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EUR	121,642	12.5%	(15,205)	241,579	20%	(48,316)
JPY	55,790	12.7%	(7,085)	195,554	24.5%	(47,911)
Total	183,467		(22,954)	442,878		(97,376)

Debt investment risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The limit on the acceptable level of mismatch for interest rate revision is established at 200 basis points (2%). Sensitivity of fair value includes effect of expected movements in risk-free rates within a year. This parameter is assessed by reference to fair value of similar fixed rate instruments held as of 1 January 2018 and 2017. The assessment is performed based on the assumption that there are parallel shifts in the yield curve.

Currency	Increase in basis points	Change in net interest income at 1 January 2018	Change in equity at 1 January 2018	Change in net interest income at 1 January 2017	Change in equity at 1 January 2017
		RUR	200	(11,919)	(11,919)
Total	-	(11,919)	(11,919)	(4,054)	(4,054)

Currency	Decrease in basis points	Change in net interest income at 1 January 2018	Change in equity at 1 January 2018	Change in net interest income at 1 January 2017	Change in equity at 1 January 2017
		RUR	200	11,919	11,919
Total	-	11,919	11,919	4,054	4,054

Interest rate risk

Interest rate risk is the risk of financial losses due to unfavorable changes in interest rates. The Bank's net interest income and the market value of assets and liabilities that are sensitive to changes in interest rates may be subject to interest rate risk.

To calculate and control the interest rate risk, the Bank follows the methodology from Bank of Russia's Instructive Regulation No. 4336-U *On Bank Economic Position Assessment* dated 3 April 2017. In accordance with this Regulation, a report prepared on Form 0409127 *Information on Interest Rate Risk* is used as a basis for calculating separate component of the interest rate risk formula.

In accordance with this methodology, the interest rate risk is a percentage ratio of weighted opened long and short positions (not taking into account the sign of the position) to equity (capital). The resulted interest rate risk is scored as follows:

1 point – interest rate risk <20% (acceptable)

4 points – interest rate risk ≥20% (high)

Item	1 January 2018	1 January 2017
Weighted opened long positions	32,579,542	22,676,213
Weighted opened short positions	34,943,317	59,179,605
Equity (capital) (C)	10,999,020	8,503,465
Interest rate risk	0.2%	4.3%
Score	1	1

1 January 2018	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
Balance sheet assets							
Cash and cash equivalents	-	-	-	-	-	10	10
Amounts due from the Bank of Russia (other than obligatory reserves)	-	-	-	-	-	1,901,740	1,901,740
Obligatory reserves	-	-	-	-	-	390,249	390,249
Amounts due from credit institutions	-	-	-	-	-	109,652	109,652

Translation of the original Russian version

1 January 2018	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
Financial assets at fair value through profit or loss	-	-	-	-	-	205,946	205,946
Net loans receivable and similar debt	10,111,665	18,764,399	7,575,838	9,451,678	28,362,907	235,388	74,501,875
Net investments in securities and other financial assets available for sale	-	53,345	-	-	442,217	100,372	595,934
Current income tax assets	-	-	-	-	-	21,719	21,719
Deferred tax asset	-	-	-	-	-	356,378	356,378
Fixed and intangible assets	-	-	-	-	-	330,385	330,385
Other assets	1,034,795	840,361	1,206,723	1,980,980	3,696,538	331,296	9,090,693
Off-balance sheet claims							
Foreign exchange swap – foreign	3,443,340	9,955,554	10,132,743	7,200,882	2,754,672	x	33,487,191
Total balance sheet assets and off-balance sheet claims	14,589,800	29,613,659	18,915,304	18,633,540	35,256,334	3,983,135	120,991,772
Assets, cumulative total	14,589,800	44,203,459	63,118,763	81,752,303	x	x	x
Balance sheet liabilities							
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-	-	-
Amounts due to credit institutions	10,698,012	9,607,008	14,755,020	15,286,680	6,509,344	-	56,856,064
Amounts in settlements	-	-	-	-	-	420,179	420,179
Deposits of legal entities	258,695	3,107,444	4,173,518	5,734,861	-	-	13,274,518
Current accounts of individuals	-	-	-	-	-	1,853,168	1,853,168
Financial liabilities at fair value through profit or loss	-	-	-	-	-	1,582,363	1,582,363
Debt obligations issued	-	-	-	-	15,000,000	-	15,000,000
Current income tax liabilities	-	-	-	-	-	262	262
Other liabilities	417,742	719,494	995,795	1,530,347	3,281,905	1,004,077	7,949,360
Equity (capital)	-	-	-	-	-	14,035,046	14,035,046
Off-balance sheet liabilities							
Foreign exchange swap – foreign	1,360,000	5,281,200	8,904,942	5,779,800	2,948,000	-	24,273,942
Undrawn credit lines	-	-	-	-	-	54,000	54,000
Total balance sheet and off-balance sheet liabilities	12,734,449	18,715,146	28,829,275	28,331,688	27,739,249	18,949,095	135,298,902
Liabilities, cumulative total	12,734,449	31,449,595	60,278,870	88,610,558	x	x	x
Accumulated gap	1,855,351	10,898,513	(9,913,971)	(9,698,148)	7,517,085	x	x
Gap ratio (accumulated relative gap, cumulative total)	1.15	1.41	1.05	0.92	x	x	x
Change in net interest income							
+200 basis points	35,560	181,635	(123,925)	(48,491)	x	x	x
-200 basis points	(35,560)	(181,635)	123,925	44,491	x	x	x
Time ratio	0.9583	0.8333	0.625	0.25	x	x	x

1 January 2017	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
Balance sheet assets							
Cash and cash equivalents	-	-	-	-	-	10	10
Amounts due from the Bank of Russia (other than obligatory reserves)	-	-	-	-	-	414,847	414,847
Obligatory reserves	-	-	-	-	-	29,397	29,397
Amounts due from credit institutions	-	-	-	-	-	137,838	137,838
Financial assets at fair value through profit or loss	-	-	-	-	-	136,743	136,743
Net loans receivable and similar debt	6,722,050	13,045,743	5,315,881	8,513,757	25,017,172	202,387	58,816,990
Net investments in securities and other financial assets available for sale	-	-	49,897	-	52,155	100,651	202,703
Current income tax assets	-	-	-	-	-	120,225	120,225
Deferred tax asset	-	-	-	-	-	313,472	313,472
Fixed and intangible assets	-	-	-	-	-	437,536	437,536
Other assets	687,361	831,124	1,198,971	1,973,341	3,914,614	173,643	8,779,054
Off-balance sheet claims							
Foreign exchange swap – foreign	-	-	-	-	518,324	-	518,324
Total balance sheet assets and off-balance sheet claims	7,409,411	13,876,867	6,564,749	10,487,098	29,502,265	2,066,749	69,907,139

Translation of the original Russian version

1 January 2017	Up to 30 days	31 to 90 days	91 to 180 days	181 days to 1 year	More than 1 year	Not sensitive to changes in interest rate	Total
Assets, cumulative total	7,409,411	21,286,278	21,851,027	38,338,125	x	x	x
Balance sheet liabilities							
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-	-	-
Amounts due to credit institutions	5,742,999	13,157,332	15,405,331	17,400,331	16,676,553	-	68,382,546
Amounts in settlements	-	-	-	-	-	12,265	12,265
Deposits of legal entities	48,952	4,612,564	1,678,830	5,070,719	9,680,663	-	21,091,728
Current accounts of individuals	-	-	-	-	-	1,393,541	1,393,541
Financial liabilities at fair value through profit or loss	-	-	-	-	-	3,097,474	3,097,474
Debt obligations issued	-	-	-	-	5,000,000	-	5,000,000
Other liabilities	267,596	540,909	276,585	1,171,802	3,232,104	1,256,872	6,745,868
Equity (capital)	-	-	-	-	-	11,017,572	11,017,572
Off-balance sheet liabilities							
Foreign exchange swap – foreign	-	-	-	-	660,800	-	660,800
	-	-	-	-	-	829	829
Total balance sheet and off-balance sheet liabilities	6,059,547	18,310,805	17,360,746	23,642,852	35,250,120	16,778,553	117,402,623
Liabilities, cumulative total	6,059,547	24,370,352	41,731,098	65,373,950	x	x	x
Accumulated gap	1,349,864	(4,433,938)	(10,795,997)	(13,155,754)	(5,747,855)	x	x
Gap ratio (accumulated relative gap, cumulative total)	1.22	0.87	0.67	0.59	x	x	x
Change in net interest income							
+200 basis points	25,871	(73,896)	(134,950)	(65,779)	x	x	x
-200 basis points	(25,871)	73,896	134,950	65,779	x	x	x
Time ratio	0.9583	0.8333	0.6250	0.2500	x	x	x

The tables below summarize the impact on the statement of income and equity of stress-testing scenarios of the assumed increase or decrease in interest rates by 200 basis points. A negative amount in the table reflects a potential net reduction in the statement of financial results or equity, while a positive amount reflects net potential increase.

Analysis of the impact of interest rate risk on the Bank's profit before tax and equity

1 January 2018	RUR	USD	EUR	JPY	Total
Increase in basis points (+200)	103,867	-	(56,626)	(2,462)	44,779
Decrease in basis points (-200)	(103,867)	-	56,626	2,462	(44,779)

1 January 2017	RUR	USD	EUR	JPY	Total
Increase in basis points (+200)	294,133	-	(474,226)	(68,661)	(248,754)
Decrease in basis points (-200)	(294,133)	-	474,226	68,661	248,754

9.4. Liquidity risk

Liquidity risk is the risk that the Bank will be unable to meet its payment obligations when they fall due under normal and stress circumstances. Liquidity risk results from improper balance between the Bank's financial assets and financial liabilities by period.

Liquidity risk is managed by the Treasury and is an integral part of the asset and liability management system comprising two components:

- instant (short-term) liquidity management on real-time basis;
- mid- and long-term liquidity management as part of the asset and liability management process to achieve the optimal profitability/risk level.

Risk liquidity appetites are regulated by the liquidity management policy approved by the Chairman of the Bank's Management Board.

The Bank uses prudential ratios to assess liquidity risk. To minimize liquidity risk, the Bank is committed to maintain the quality of its assets by continuous monitoring.

Translation of the original Russian version

The Bank manages its liquidity risks using both conservative approach, i.e. maintaining a sufficient liquidity level to meet its obligations timely, and dynamic approach, i.e. raising funds at the capital markets due to open limits.

It is important to focus on the following liquidity management tasks:

- ensuring that the Bank can meet planned and unforeseen payment obligations at any time;
- structuring the Bank's assets and liabilities to maintain a balance between liquidity and profitability;
- assisting in increasing the Bank's profitability.

The Bank manages its liquidity risk using the below methods:

- analysis of actual values and dynamics of mandatory liquidity ratios;
- projecting the effect of performed operations on prudential ratios;
- limiting active operations by investment workstream depending on funding sources;
- gap analysis of maturities of assets and liabilities based on the most probable deadlines of their collections/repayment.

In order to fulfill these tasks, the Bank:

- sets up an organizational liquidity management structure with clearly defined roles and responsibilities;
- ensures that assets are sufficiently liquid;
- reduces risks by setting limits for the portfolio;
- ensures maximum increases in the profitability of treasury portfolios within the acceptable risk limits;
- has an action plan for unforeseen circumstances in the event of liquidity problems.

Liquidity risk is divided into three types:

- Risk of imbalance in liquidity:
The risk of mismatch between the amounts or dates of cash receipts and disbursements. The risk of imbalance in liquidity is also known as structural liquidity risk. The risk of imbalance in liquidity depends on current financial needs.
- Unforeseen liquidity risk:
The risk that future events may require a much larger amount of liquidity than that currently required by the bank. This may be due to a reduction in current funding, the need to finance new assets, difficulties with selling liquid assets or difficulties with raising new funds in the event of a liquidity crisis.
- Market liquidity risk:
The risk that an entity may not be able to easily offset or sell liquid assets serving as a liquidity cushion without losses due to insufficient activity in the market or market disruption.

The Financial Committee recommends to the Bank's Management Board the Liquidity Management Policy and the Financial Policy which sets the powers and responsibilities for carrying out the Bank's treasury transactions. The Financial Committee monitors liquidity and compliance with the set limits, taking into account the reports that contain up-to-date and detailed information for the assessment of potential risks.

The Treasury is responsible for providing liquidity reports to the CFO and for communicating liquidity problems and risks which require new decisions.

The responsibility for liquidity management and financing rests with the Bank's Treasury. The Treasury is also responsible for the day-to-day performance of treasury transactions and for their compliance with the approved instructions and risk limits.

In order to manage liquidity, the Treasury must:

- analyze the daily payment position for correspondent accounts and the long-term payment position of the Bank;
- analyze reports, assets, liabilities and prudential ratios (liquidity ratios N2, N3 and N4 of the Bank of Russia) on a regular basis;
- determine measures and strategies required for compliance with the liquidity limits in the short, medium and long term;
- support the development of liquidity management models;
- determine the cost of funding for corporate and retail lending;
- perform a comparative analysis of assets and liabilities.

Translation of the original Russian version

The head of the Treasury is responsible for communicating liquidity management issues and other risks to the CFO and the Financial Committee for subsequent decision-making.

The Bank's liquidity management process consists of the following components:

- Liquidity Policy;
- financial statements and short-term and long-term payment position management;
- financial statements and management of liquidity ratios N2, N3 and N4 of the Bank of Russia;
- Funding Policy and asset and liability management;
- funding plan;
- liquidity management plan;
- liquidity management procedure for crisis situations;
- liquidity disclosures.

The liquidity management plan is based on liquidity risk reports and contains measures required for the Bank to meet its liabilities and adhere to the Liquidity Policy. If the Bank's liquidity is not in compliance with the limits and (or) internal warning levels, the Treasury must prepare an action plan and have it approved by the CFO. If the planned measures extend beyond the Treasury's powers and limits, the draft action plan is submitted for approval to the Financial Committee and the Management Board in accordance with the Bank's Charter.

As a rule, in order to maintain liquidity, the Bank must implement one or several respective measures. The actions must be assessed for their impact on liquidity and expenses in a certain scenario.

The table below contains a brief description of the methods for reducing liquidity shortages.

Strategy	Periods	Instruments	Responsible department
Short-term	Up to 7 days	Receiving short-term and long-term interbank loans and loans from shareholders	Treasury
Medium-term	Up to 30 days	Receiving loans from the Bank of Russia (in accordance with Regulation of the Bank of Russia No. 312-P), increasing share capital, providing guaranteed credit lines, reducing general expenses	Treasury Management Board
Long-term	More than 3 months	Receiving subordinated loans, restructuring current liabilities, issuing bonds in domestic markets and taking deposits with longer maturities from new customers	Treasury Management Board
Longer-term	More than 6 months	Attracting strategic investors and increasing share capital	Shareholders

The Bank assesses the importance of each measure and its feasibility and specifies implementation deadlines. The action plan is prepared by the Treasury and is approved by the members of the Financial Committee. If the plan needs to be updated due to market conditions, it is amended accordingly.

The Bank measures and controls its liquidity risk using the Bank of Russia's Reporting Form 0409125 *The Information Relating to the Maturity of Assets and Liabilities by Maturity Dates* approved by Instructive Regulation No. 4212-U dated 24 November 2016, according to which liquid assets comprise assets of I and II quality categories less related loss provision determined in accordance with Regulation No. 590-P and Regulation No. 283-P. Assets and liabilities are also recognized including interest income (expense) accrued before expiry of the agreement. The amount of accrued interest on assets is adjusted for loss provision similar to the provision for potential losses concerning the corresponding asset.

Information on assets and liabilities concentrations by remaining maturities

1 January 2018	On demand and up to 1 month	From 1 month to 1 year	From 1 to 3 years	More than 3 years	No stated maturity	Total
Assets						
Cash	10	-	-	-	-	10
Amounts due from the Bank of Russia (other than obligatory reserves)	1,901,740	-	-	-	-	1,901,740
Obligatory reserves	-	-	-	-	390,249	390,249
Amounts due from credit institutions	109,652	-	-	-	-	109,652

Translation of the original Russian version

1 January 2018	<i>On demand and up to 1 month</i>	<i>From 1 month to 1 year</i>	<i>From 1 to 3 years</i>	<i>More than 3 years</i>	<i>No stated maturity</i>	<i>Total</i>
Financial assets at fair value through profit or loss	191,074	-	14,872	-	-	205,946
Net loans receivable and similar debt	4,695,347	36,182,815	25,605,159	2,517,409	15,461	69,016,191
Net investments in securities available for sale	-	153,717	442,217	-	-	595,934
Current income tax assets	-	21,719	-	-	-	21,719
Deferred tax asset	-	-	-	-	356,378	356,378
Fixed and intangible assets	-	63	-	-	330,322	330,385
Other assets	1,024,481	4,140,142	3,350,099	303,790	33,823	8,852,335
Total balance sheet assets	7,922,304	40,498,456	29,412,347	2,821,199	1,126,233	81,780,539
Off-balance sheet claims						
Foreign exchange contracts (SWAP)	-	13,373,988	3,463,455	-	-	16,837,443
Total balance sheet assets and off-balance sheet claims	7,922,304	53,872,444	32,875,802	2,821,199	1,126,233	98,617,982
Liabilities						
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-	-
Amounts due to credit institutions	4,500,000	23,120,676	6,509,344	-	-	34,130,020
Amounts in settlements	420,179	-	-	-	-	420,179
Deposits of legal entities	191,690	9,946,949	-	-	67,005	10,205,644
Current accounts of individuals	1,853,168	-	-	-	-	1,853,168
Financial liabilities at fair value through profit or loss	-	1,145,274	437,089	-	-	1,582,363
Debt obligations issued	-	-	5,000,000	10,000,000	-	15,000,000
Current income tax liabilities	-	262	-	-	-	262
Other liabilities	625,718	2,879,138	168,173	42,473	177,461	3,892,963
Total balance sheet liabilities	7,590,755	37,092,299	12,114,606	10,042,473	244,466	67,084,599
Off-balance sheet liabilities						
Foreign exchange contracts (SWAP)	-	14,716,484	4,308,816	-	-	19,025,300
Undrawn credit lines	-	-	-	-	54,000	54,000
Total off-balance sheet liabilities	-	14,716,484	4,308,816	-	54,000	19,079,300
Total balance sheet and off-balance sheet liabilities	7,590,755	51,808,783	16,423,422	10,042,473	298,466	86,163,899
Net liquidity gap	331,549	2,063,661	16,452,380	(7,221,274)	827,767	
Cumulative liquidity gap	331,549	2,395,210	18,847,590	11,626,316	12,454,083	

1 January 2017	<i>On demand and up to 1 month</i>	<i>From 1 month to 1 year</i>	<i>From 1 to 3 years</i>	<i>More than 3 years</i>	<i>No stated maturity</i>	<i>Total</i>
Assets						
Cash	10	-	-	-	-	10
Amounts due from the Bank of Russia (other than obligatory reserves)	414,847	-	-	-	-	414,847
Obligatory reserves	-	-	-	-	29,397	29,397
Amounts due from credit institutions	137,838	-	-	-	-	137,838
Financial assets at fair value through profit or loss	-	136,743	-	-	-	136,743
Net loans receivable and similar debt	6,513,197	24,935,373	21,695,243	2,981,818	3,744	56,129,375
Net investments in securities available for sale	-	91,205	111,498	-	-	202,703
Current income tax assets	-	120,225	-	-	-	120,225
Deferred tax asset	-	-	-	-	313,472	313,472
Fixed and intangible assets	-	23	-	-	437,513	437,536
Other assets	716,218	4,027,158	3,302,427	419,756	15,775	8,481,334
Total balance sheet assets	7,782,110	29,310,727	25,109,168	3,401,574	799,901	66,403,480
Off-balance sheet claims						
Foreign exchange contracts (SWAP)	149,306	12,216,800	10,941,356	-	-	23,307,462
Total balance sheet assets and off-balance sheet claims	7,931,416	41,527,527	36,050,524	3,401,574	799,901	89,710,942
Liabilities						
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-	-
Amounts due to credit institutions	-	15,333,666	11,571,665	-	-	26,905,331
Amounts in settlements	12,265	-	-	-	-	12,265

Translation of the original Russian version

1 January 2017	On demand and up to 1 month	From 1 month to 1 year	From 1 to 3 years	More than 3 years	No stated maturity	Total
Deposits of legal entities	8,400	4,270,493	7,201,564	-	40,552	11,521,009
Current accounts of individuals	1,393,541	-	-	-	-	1,393,541
Financial liabilities at fair value through profit or loss	-	1,503,460	1,594,014	-	-	3,097,474
Debt obligations issued	-	-	-	5,000,000	-	5,000,000
Other liabilities	485,535	2,308,445	1,211,621	-	147,390	4,152,991
Total balance sheet liabilities	1,899,741	23,416,064	21,578,864	5,000,000	187,942	52,082,611
Off-balance sheet liabilities						
Foreign exchange contracts (SWAP)	3,312,589	12,380,840	13,223,250	-	-	28,916,679
Undrawn credit lines	829	-	-	-	-	829
Total off-balance sheet liabilities	3,313,418	12,380,840	13,223,250	-	-	28,917,508
Total balance sheet and off-balance sheet liabilities	5,213,159	35,796,904	34,802,114	5,000,000	187,942	81,000,119
Net liquidity gap	2,718,257	5,730,623	1,248,410	(1,598,426)	611,959	
Cumulative liquidity gap	2,718,257	8,448,880	9,697,290	8,098,864	8,710,823	

Information on the liquidity ratios used by the Bank

Item (designation)	1 January 2018	1 January 2017
Highly liquid assets (maturing within 1 calendar day) (Lam)	8,009,052	2,155,116
Liquid assets (maturing within 30 calendar days) (Lat)	17,119,143	7,666,866
Loans receivable in more than 365 or 366 calendar days (Crd)	28,483,009	25,097,935
Liabilities payable on demand (OVM)	2,627,589	1,538,250
Liabilities payable on demand and during next 30 days (Ovt)	7,761,151	3,274,538
Liabilities payable in more than 365 or 366 calendar days (OD)	21,509,344	23,773,229
Equity (capital)	10,999,020	8,503,465
Instant liquidity ratio, % (N2) (regulatory value $\geq 15\%$)	304.8%	140.1%
Current liquidity ratio, % (N3) (regulatory value $\geq 50\%$)	220.6%	234.1%
Long-term liquidity ratio, % (N4) (regulatory value $\leq 120\%$)	87.6%	77.8%

The Bank measures and controls the liquidity ratios on a daily basis.

9.5. Information on transactions with non-resident counterparties

No.	Item	At the reporting date	At the beginning of the reporting year
1	Correspondent accounts with non-resident banks	99,460	89,285
2	Total loans to non-resident counterparties, including:	-	-
2.1	Non-resident banks	-	-
2.2	Non-resident legal entities other than credit institutions	-	-
2.3	Non-resident individuals	-	-
3	Total debt securities of non-resident issuers, including:	-	-
3.1	with long-term credit ratings	-	-
3.2	without long-term credit ratings	-	-
4	Amounts due to non-residents, including:	17,456,289	24,230,163
4.1	Non-resident banks	10,330,020	13,400,331
4.2	Non-resident legal entities other than credit institutions	7,126,269	10,829,832
4.3	Non-resident individuals	-	-

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9.6. Operational risk

Operational risk is the that the Bank will incur losses arising from unreliability of and deficiency in internal management procedures, failure of information and other systems, or external events effecting the Bank's operations, including legal risk. The operational risk does not include the strategic risk and the reputational risk.

Operational risk management is divided into several stages:

- Identification of operational risks
- Assessment of operational risks
- Mitigation of operational risks
- Monitoring of operational risks
- Operational risk control.

The operational risk management system is based on the responsibility of the heads of structural units of the Bank for risk management. When allocating powers and responsibilities between the structural units on certain aspects of operational risk management, the Bank considers its potential and actual losses from operational risk events, the number of transactions exposed to operational risk and significance of this risk for the Bank.

The Bank identifies operational risks on a regular basis by accumulating and registering operational risk events in analytical database.

The operational risk is assessed through a complex independent analysis of its basic parameters during creation (modernization) of new banking products and introduction of information systems.

To minimize operational risks, the Bank included in its internal documents certain methods and procedures to be applied at various stages of its operations.

Operational risks are monitored on a regular basis by analyzing the implementation of corrective action plans and monitoring key operational risk indicators.

In addition to monitoring key risk indicators, the Bank performs stress testing using scenarios approved by the Bank's Board of Directors. The main objective of the stress testing is to assess the effect of derived indicators on the Bank's financial performance and equity. The results of stress testing are submitted to the Bank's governance bodies for review.

To minimize the operational risk, the Bank also designed a Business Continuity and Disaster Recovery Plan (BC/DR Plan), which is tested annually in accordance with the requirements of internal documents of the Bank.

The Internal Control, Operational Risks and Compliance Committee considers various issues related to operational risk management on a quarterly basis, including operational risk map, action plan and recommendations to minimize operational risk, operational risk events, results of the BC/DR Plan testing, first level control results, monitoring results for key risk indicators, stress testing and other issues.

Information on the identified instances of external fraud, respective measures taken, a number of fraud instances prevented by the Bank, statistics on the customer requests, their reasons and respective measures taken are considered at the meetings of the Operating Committee of the Bank's Management Board on a monthly basis.

The data on risk assessments and losses incurred allow the Bank to identify risk concentration areas for the subsequent development of a set of measures reducing the level of operational risk at the Bank. The risk reduction measures are of systemic nature and are aimed at improving the existing processes and technologies used for conducting transactions. The Bank's structural units, management and collegial bodies regularly monitor the implementation status and the level of residual risk.

The Bank determines capital requirements with respect to operational risk in accordance with Regulation No. 346-P of the Bank of Russia *On the Procedure for the Calculation of Operational Risk Exposure* dated 3 November 2009.

The table below contains information on the amount of income for the purposes of calculating capital to cover operational risk:

	1 January 2018	1 January 2017
Net interest income	10,172,279	3,513,805
Net non-interest income	14,417,777	9,113,391
Net gains from financial assets at fair value through profit or loss	4,839,130	4,839,130
Net gains from dealing in foreign currencies	6,690	6,690
Net gains from foreign currency translation	4,247,931	214
Net fee and commission income	5,201,870	4,227,229
Other operating income	122,156	40,128
Total income for the purposes of calculating capital to cover operational risk	24,590,056	12,627,196
Number of years preceding the date of operational risk calculation	3	3
Average income	8,196,685	4,209,065

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Total operational risk (15%)	1,229,503	631,360
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9.7. Geographical concentration

The geographical concentration of the Bank's assets and liabilities is set out below. The Bank is a resident of the Russian Federation, operates in the Russian Federation and, as of 1 January 2018, major part of its assets and liabilities is located in the Russian Federation, except for amounts due from/to credit institutions, deposits of legal entities, and assets and liabilities under derivative financial instruments.

Geographical concentration of the Bank's assets and liabilities

1 January 2018	Russian Federation	Developed countries (OECD), total	Including France	Including Japan	Including UK	Including Netherlands	Including Italy	Including USA	Total
Assets									
Cash	10	-	-	-	-	-	-	-	10
Amounts due from the Bank of Russia (other than obligatory reserves)	1,901,740	-	-	-	-	-	-	-	1,901,740
Obligatory reserves	390,249	-	-	-	-	-	-	-	390,249
Amounts due from credit institutions	10,193	99,459	3,254	96,205	-	-	-	-	109,652
Financial assets at fair value through profit or loss	205,946	-	-	-	-	-	-	-	205,946
Net loans receivable and similar debt	74,786,441	-	-	-	-	-	-	-	74,786,441
Net investments in securities available for sale	595,934	-	-	-	-	-	-	-	595,934
Current income tax assets	21,719	-	-	-	-	-	-	-	21,719
Deferred tax asset	356,378	-	-	-	-	-	-	-	356,378
Fixed and intangible assets	330,385	-	-	-	-	-	-	-	330,385
Other assets	957,024	1,025	-	-	183	-	842	-	958,049
Total assets	79,556,019	100,484	3,254	96,205	183	-	842	-	79,656,503
Liabilities									
Amounts due to credit institutions	23,800,000	10,330,020	10,330,020	-	-	-	-	-	34,130,020
Amounts in settlements	420,179	-	-	-	-	-	-	-	420,179
Deposits of legal entities	3,079,375	7,126,269	-	5,626,269	-	-	-	1,500,000	10,205,644
Current accounts of individuals	1,853,168	-	-	-	-	-	-	-	1,853,168
Financial liabilities at fair value through profit or loss	888,400	693,963	693,963	-	-	-	-	-	1,582,363
Debt obligations issued	15,000,000	-	-	-	-	-	-	-	15,000,000
Current income tax liabilities	262	-	-	-	-	-	-	-	262
Other liabilities	2,246,231	183,590	19,831	149,675	-	-	-	14,084	2,429,821
Total liabilities	47,287,615	18,333,842	11,043,814	5,775,944	-	-	-	1,514,084	65,621,457
Equity (capital)	-	10,999,020	-	-	-	10,999,020	-	-	10,999,020
Off-balance sheet claims	11,244,429	5,593,014	5,593,014	-	-	-	-	-	16,837,443
Off-balance sheet liabilities	12,374,519	6,650,781	6,650,781	-	-	-	-	-	19,025,300

1 January 2017	Russian Federation	Developed countries (OECD), total	Including France	Including Japan	Including UK	Including Netherlands	Including Switzerland	Including USA	Including other countries	Total
Assets										
Cash	10	-	-	-	-	-	-	-	-	10
Amounts due from the Bank of Russia (other than obligatory reserves)	414,847	-	-	-	-	-	-	-	-	414,847
Obligatory reserves	29,397	-	-	-	-	-	-	-	-	29,397
Amounts due from credit institutions	48,552	89,286	9,397	79,889	-	-	-	-	-	137,838
Financial assets at fair value through profit or loss	-	136,743	136,743	-	-	-	-	-	-	136,743
Net loans receivable and similar debt	59,007,852	-	-	-	-	-	-	-	-	59,007,852
Net investments in securities available for sale	202,703	-	-	-	-	-	-	-	-	202,703
Current income tax assets	120,225	-	-	-	-	-	-	-	-	120,225
Deferred tax asset	313,472	-	-	-	-	-	-	-	-	313,472
Fixed and intangible assets	437,536	-	-	-	-	-	-	-	-	437,536
Other assets	585,085	200	-	-	200	-	-	-	-	585,285
Total assets	61,159,679	226,229	146,140	79,889	200	-	-	-	-	61,385,908
Liabilities										
Loans, deposits and other amounts due to the Bank of Russia	-	-	-	-	-	-	-	-	-	-
Amounts due to credit institutions	13,505,000	13,400,331	13,400,331	-	-	-	-	-	-	26,905,331
Amounts in settlements	12,265	-	-	-	-	-	-	-	-	12,265
Deposits of legal entities	691,177	10,829,832	-	9,329,832	-	-	-	1,500,000	-	11,521,009

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1 January 2017	Russian Federation	Developed countries (OECD), total	Including France	Including Japan	Including UK	Including Netherlands	Including Switzerland	Including USA	Including other countries	Total
Current accounts of individuals	1,393,541	-	-	-	-	-	-	-	-	1,393,541
Financial liabilities at fair value through profit or loss	687,156	2,410,318	1,730,248	-	-	-	680,070	-	-	3,097,474
Debt obligations issued	5,000,000	-	-	-	-	-	-	-	-	5,000,000
Other liabilities	2,183,490	255,226	20,927	216,093	-	-	-	18,206	-	2,438,716
Total liabilities	23,472,629	26,895,707	15,151,506	9,545,925	-	-	680,070	1,518,206	-	50,368,336
Equity (capital)	-	8,503,465	-	-	-	8,503,465	-	-	-	8,503,465
Off-balance sheet claims	5,867,638	17,439,824	13,645,872	-	-	-	3,793,952	-	-	23,307,462
Off-balance sheet liabilities	7,374,365	21,542,314	16,784,150	-	-	-	4,758,164	-	-	28,916,679

9.8. Legal risk

Legal risk is the risk that the Bank may incur financial losses or unplanned expenses, or that planned income may decrease due to the following reasons:

- Non-compliance of the Bank's organizational and administrative documents with laws, regulations and law enforcement practice;
- Disregarding (ignoring) judicial and law enforcement practices;
- Weaknesses of the legal system (contradictory legislation, lack of regulation for certain issues arising in the course of the Bank's activities);
- Lack of due diligence and care which must be exercised by lawyers in the course of activities (inadequate legal advice or improper preparation of the Bank's internal documents and contracts).

Legal risks inherent to the Bank's activities are as follows:

- Risks of performing transactions that are considered invalid in accordance with the applicable legislation of the Russian Federation;
- Risks of concluding agreements that may cause significant impairment of assets or increasing liabilities of the Bank;
- Risks of unfavorable outcome of litigations involving the Bank;
- Risks arising from changes in applicable legislation and judicial practice pertaining to key business issues of the Bank.

Legal risk management is aimed at ensuring the sustainable development of the Bank in accordance with its development strategy and compliance of the Bank's activities and products with legislation and law enforcement practice.

The main factors/events that may increase the impact and scale of legal risk are presented below:

- Changes in laws, regulations and judicial and law enforcement practices;
- Inconsistencies in judicial and law enforcement practices and conflicting regulations;
- Increasing complexity of financial instruments and strategies and/or new products and technologies.

In order to support the decision making process and respond to changes in the level of legal risk in a timely manner, the Bank prepares up-to-date and standardized reports on losses incurred as a result of legal risk, the quality of legal risk management and the current status of measures aimed at minimizing legal risk.

The level of legal risk is compared with the data for the previous reporting periods. If there are significant deviations, the Bank analyzes the causes of a sharp increase or decrease in the respective indicator and, if necessary, prepares proposals for changing banking processes.

To manage the legal risk, the Bank applies internal rules for the approval and sign-off of legally significant documents. As regards its core activities, the Bank develops and uses standard contract templates as well as regularly monitors the effective legislation and promptly communicates key changes that are significant to the Bank to its management and personnel of the business units involved. The Bank has internal rules for the approval and sign-off of the Bank's responses to certain claims (complaints) made by its customers and requests submitted by state agencies. Moreover, the Bank has a process in place ensuring that new contracts that are significant to the Bank comply with effective legislation and may check whether the counterparties that are legal entities have appropriate legal capacity. The overall law enforcement practice applicable to the Bank's operations is being established.

Existing and potential lawsuits against the Bank

The Bank makes a provision for potential litigation costs for non-credit related contingent liabilities, if a likelihood of claim is high. The Bank considers the results of analysis of all circumstances in which it will be claimed for non-fulfillment or improper fulfillment of obligations, including mandatory payments (such as litigation costs).

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As of 1 January 2018, the non-credit related provision for potential legal expenses amounted to kRUR 20,180.

9.9. Strategic risk

Strategic risk is the risk that the Bank may incur losses in more than one year as result of mistakes in making decisions determining the development strategy. Mistakes may include insufficient attention to potential threats to the Bank's operations, incorrect determination of promising business areas in which the Bank may achieve a competitive advantage and failures to receive all necessary resources and make all necessary management decisions which must ensure the attainment of strategic goals.

On 7 April 2016, the Bank approved its Development Strategy for the period 2016-2018. When developing it, the Bank analyzed possible macroeconomic scenarios, prepared several development scenarios for the Russian economy and determined the conditions of switching from one scenario to another scenario.

The Bank analyzes the "gaps" between the current and target conditions, implements initiatives aimed at eliminating them and adjusts short-term tasks within each business planning cycle based on a three-year rolling planning pattern with annual updates.

The process of determining benchmarks and goals for the Bank's development implies regular revision and, if necessary, amendment of the strategy and financial objectives due to the current state of the national economy and industry, where the Bank operates.

Analysis of deviations from the Bank's development strategy, business-plan and budget indicators is performed on a monthly basis and provided for the Management Board's consideration. The Management Board, in its turn, provides the results of the above analysis to the Board of Directors.

9.10. Reputational risk

The Bank regularly monitors reputational risk both for the Bank and for its shareholders, major customers and counterparties.

Measures to manage reputational risk include the following:

- control of compliance with the current legislation of the Russian Federation;
- control over anti-money laundering and counter-terrorism financing;
- adequate fulfillment of obligations by counterparties;
- quality control of services rendered to the customers;
- ongoing monitoring of negative references in mass media.

The Bank has consistent corporate reputation, promotes positive image of the Bank, quality of its services and nature of its business based on the actual operating results. The risk that the Bank may incur losses as a result of business reputation deterioration is assessed by management as minimal.

10. Internal control system

The Bank's internal control system corresponds to the types and scope of transactions, level and combination of assumed risks.

The objectives of the internal control in particular include the following:

- to ensure appropriate comprehensive assessment and management of risks, effective financial and business performance, asset and liability management;
- to ensure the appropriate level of reliability, safety and stability of the Bank in line with the types and scope of the Bank's transactions, protection of rights of the Bank's shareholders, clients and creditors.
- to ensure the accuracy, completeness, credibility and timeliness of preparing and presenting financial, accounting, statistical and other reports, and to ensure information security;
- to ensure compliance with regulatory legal acts, constituent documents and by-laws of the Bank;
- to ensure that neither Bank nor its employees are involved in illegal activities, including money laundering and terrorism financing, and to provide timely reports to the state agencies and the Bank of Russia.

The Bank's internal control system comprises:

- General Shareholders' Meeting
- Board of Directors
- Risks and Control Committee of the Board of Directors
- Credit Committee of the Board of Directors
- Management Board
- Chairman of the Management Board
- Audit Commission (Auditor)

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- Chief Accountant / Deputy Chief Accountant
- Committees of the Management Board
 - a) Management Committee of the Management Board
 - b) Credit Risk Committee of the Management Board
 - c) Financial Committee
 - d) Credit Committee
 - e) Internal Control, Operational Risks and Compliance Committee
 - f) Operational Committee of the Bank
 - g) Information Security Committee
- Internal Audit Function
- Department for Legal Support, Compliance Control and Financial Monitoring
- Risk Management Department
- Other personnel or divisions responsible for internal control within their scope of activities.

The Bank's internal control system includes the following areas of focus:

- Control over organization of Bank operations performed by the management bodies
- Control over functioning of the banking risk management system and banking risk assessment
- Control over distribution of powers with respect to banking operations and other transactions
- Control over data flow management (information provision and communication) and information security assurance
- Control over anti-money laundering and counter-terrorism financing
- Ongoing monitoring of internal control system to assess its compliance with the Bank's operating objectives, detection of deficiencies, proposal development, and control over enhancement of the Bank's internal control system ("monitoring of internal control system").

Control and monitoring over the system of banking risk management and internal control are performed by the Bank on a regular basis as provided in its internal regulations.

The Bank takes appropriate measures to enhance internal control aimed at ensuring its effectiveness, including changing internal and external factors that affect the Bank's activities.

Monitoring of the internal control system is performed by the management and personnel of various business units, including departments responsible for banking operations and other transactions and their recognition in accounting and reporting as well as the Internal Audit Function, Internal Control Function and auditors engaged by the Bank's shareholders.

Frequency of monitoring of various types of banking activities is defined taking into account associated banking risks, frequency and nature of changes in the areas of the Bank's activities. Audit plans of the Internal Audit Function are annually approved by the Bank's Board of Directors.

The results of the review are documented and communicated to the respective managers of the Bank and its departments.

The Bank's Internal Audit Function is formed to perform the audit and assist the Bank's management bodies in ensuring the Bank's effective operation, protecting interests of the Bank's shareholders and customers and continuous monitoring and assessing the effectiveness and adequacy of internal controls, including:

- The effectiveness of financial and operating activities
- The fairness of accounting records, accuracy, completeness and objectivity of financial statements
- The effectiveness of the risk management system
- Compliance with Russian statutory regulations, the Bank's founding and internal documents
- The effectiveness of asset and liability management, including physical asset security.

The Bank has ensured consistency, independence and objectivity of the Internal Audit Function, professional qualification of its head and personnel. Also, environment has been established for the Internal Audit Function to comply with its duties efficiently and smoothly. The Internal Audit Function operates under direct control of the Board of Directors.

The Bank has established the procedures of:

- Control (including additional audits) over measures taken to eliminate violations identified by the Internal Audit Function
- Reporting of Internal Audit Function at least semiannually on the measures taken to follow the recommendations and to eliminate the identified violations to the Board of Directors.

11. Segment information

The Bank determined operating segments based on its organizational structure.

For the purposes of this disclosure of "operating segments", the Bank applies IFRS 8 *Operating Segments*.

For the management purposes, the Bank's activities are divided into three operating segments:

Corporate banking – providing financing to car dealers and servicing term deposits provided to corporate customers.

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Retail banking – providing loans to individuals for the purchase of cars (car loans) and rendering related financial services.

In-house (internal) transactions – interbank loans, transactions with securities, foreign currencies and derivative financial instruments, and other transactions.

The Bank's management analyzes the results of each operating segment to make decisions on resource allocation and performance assessment. Information on each segment is reviewed using the methods similar to those applied in making decisions on the resource allocation between segments and performance assessment and prepared according to the same procedure as financial statements.

The table below contains the breakdown of the Bank's assets and liabilities by operating segments:

	1 January 2018	1 January 2017
Assets		
Corporate banking	21,065,395	13,002,646
Retail banking	49,014,315	42,355,565
In-house transactions	9,576,793	6,027,697
Total assets	79,656,503	61,385,908
	1 January 2018	1 January 2017
Liabilities		
Corporate banking	3,015,896	722,075
Retail banking	1,871,444	1,059,992
In-house transactions	60,734,117	48,586,269
Total liabilities	65,621,457	50,368,336

The income and expenses of the Bank by segments as of 1 January 2018 are presented below:

1 January 2018	Corporate transactions	Retail transactions	In-house transactions	Total
Interest income	2,445,356	7,089,507	441,847	9,976,710
Interest expense	(952,099)	(2,448,254)	-	(3,400,353)
<i>Net interest income / (negative interest margin)</i>	1,493,257	4,641,253	441,847	6,576,357
Fee and commission income	-	2,265,645	-	2,265,645
Fee and commission expense	-	(170,994)	-	(170,994)
Net gains from financial assets at fair value through profit or loss	(15,705)	(40,383)	-	(56,088)
Net gains from securities available for sale	-	-	(90)	(90)
Net gains from dealing in foreign currencies	(67,915)	(174,638)	(954,708)	(1,197,261)
Net gains from foreign currency translation	(274,560)	(706,013)	-	(980,573)
Provision for loan impairment	(89,057)	(369,652)	420,469	(38,240)
Operating income	51,088	-	92,482	143,570
Operating expenses	(709,162)	(1,823,560)	-	(2,532,722)
Profit before tax	387,946	3,621,658	-	4,009,604

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The income and expenses of the Bank by segments as of 1 January 2017 are presented below:

1 January 2017	Corporate transactions	Retail transactions	In-house transactions	Total
Interest income	1,958,614	6,216,849	687,123	8,862,586
Interest expense	(623,155)	(2,492,618)	-	(3,115,773)
<i>Net interest income / (negative interest margin)</i>	1,335,459	3,724,231	687,123	5,746,813
Fee and commission income	-	2,151,137	-	2,151,137
Fee and commission expense	-	(122,861)	(5,289)	(128,150)
Net gains from financial assets at fair value through profit or loss	(1,325,164)	(5,300,658)	-	(6,625,822)
Net gains from securities available for sale	-	-	(29)	(29)
Net gains from dealing in foreign currencies	-	-	(261,092)	(261,092)
Net gains from foreign currency translation	849,586	3,398,345	-	4,247,931
Provision for loan impairment	(93,167)	(434,011)	(448,460)	(975,638)
Operating income	-	-	96,922	96,922
Operating expenses	(432,313)	(1,368,993)	-	(1,801,306)
Profit before tax	334,401	2,047,190	69,175	2,450,766

12. Transactions with the related parties of the Bank

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely its organizational and legal form.

During 2017 and 2016, the Bank did not enter into any transactions with the members of the Board of Directors and the Management Board of the Bank.

The Bank entered into transactions with related parties in the ordinary course of business. There is no increased risk of overdue debts or other unfavorable events resulting from such transactions.

The Bank determined the following categories of related parties:

- shareholders
- other related parties
- key management personnel including 4 individuals (members of the Bank's Management Board)
- insiders.

	1 January 2018	1 January 2017
Shareholders	BARN B.V.	BARN B.V.
Other related parties	JSC UniCredit Bank LLC RN Finance RUS RNGM S.A. RCI Banque S.A. Nissan Financial Services Co., Ltd. Renault Finance S.A. LLC Nissan Manufacturing RUS CJSC Renault Russia DIAC NISSAN MOTOR ACCEPTANCE Corporation JSC NPF AVTOVAZ Renault Nissan Global Management S.A	JSC UniCredit Bank LLC RN Finance RUS RNGM S.A. RCI Banque S.A. Nissan Financial Services Co., Ltd. Renault Finance S.A. LLC Nissan Manufacturing RUS CJSC Renault Russia DIAC NISSAN MOTOR ACCEPTANCE Corporation JSC NPF AVTOVAZ Renault Nissan Global Management S.A

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The balances of significant transactions with related parties are disclosed below.

<i>1 January 2018</i>	Shareholders	Other related parties	Key management personnel (*)	Insiders	Total
Assets					
Amounts due from credit institutions	-	13,447	-	-	13,447
Financial assets at fair value through profit or loss	-	14,566	-	-	14,566
Net loans receivable and similar debt	-	-	-	314	314
Other assets	-	275,167	-	2	275,169
Total assets	-	303,180	-	316	303,496
Liabilities					
Amounts due to credit institutions	-	24,230,020	-	-	24,230,020
Amounts in settlements	-	385,506	-	-	385,506
Amounts due to customers (other than credit institutions)	-	7,392,269	-	-	7,392,269
Current accounts of individuals	-	-	-	16	16
Financial liabilities at fair value through profit or loss	-	1,182,076	-	-	1,182,076
Other liabilities	-	740,308	-	-	740,308
Total liabilities	-	33,930,179	-	16	33,930,195
Claims and liabilities under derivative financial instruments					
	-	21,463,733	-	-	21,463,733
Claims under derivative financial instruments	-	9,860,820	-	-	9,860,820
Liabilities under derivative financial instruments	-	11,602,913	-	-	11,602,913
<i>1 January 2017</i>	Shareholders	Other related parties	Key management personnel (*)	Insiders	Total
Assets					
Amounts due from credit institutions	-	57,950	-	-	57,950
Financial assets at fair value through profit or loss	-	136,743	-	-	136,743
Net loans receivable and similar debt	-	-	-	520	520
Other assets	-	229,243	-	4	229,247
Total assets	-	423,936	-	524	424,460
Liabilities					
Amounts due to credit institutions	-	26,900,331	-	-	26,900,331
Amounts in settlements	-	109	-	-	109
Amounts due to customers (other than credit institutions)	-	10,979,832	-	-	10,979,832
Current accounts of individuals	-	-	-	44	44
Financial liabilities at fair value through profit or loss	-	2,681,101	-	-	2,681,101
Other liabilities	-	1,174,567	-	-	1,174,567
Total liabilities	-	41,735,940	-	44	41,735,984
Claims and liabilities under derivative financial instruments					
	-	47,248,863	-	-	47,248,863
Claims under derivative financial instruments	-	21,176,568	-	-	21,176,568
Liabilities under derivative financial instruments	-	26,072,295	-	-	26,072,295

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Income and expenses from transactions with related parties are disclosed below:

1 January 2018	Shareholders	Other related parties	Key management personnel (*)	Insiders	Total
Interest income	-	1,913,037	-	91	1,913,128
Interest expense	-	(1,661,491)	-	-	(1,661,491)
Changes in provisions for potential losses on loans and other assets	-	-	-	(1)	(1)
Net gains from financial assets at fair value	-	(1,682,831)	-	-	(1,682,831)
Net gains from securities available for sale	-	(88)	-	-	(88)
Net gains (losses) from dealing in foreign currencies	-	(151)	-	-	(151)
Net fee and commission income	-	145,277	-	-	145,277
Other operating income	-	1,255	-	-	1,255
Operating expenses	-	(352,589)	(88,699)	-	(441,288)
Tax expense	-	(54,433)	-	-	(54,433)

1 January 2017	Shareholders	Other related parties	Key management personnel (*)	Insiders	Total
Interest income	-	1,569,739	-	98	1,569,837
Interest expense	-	(2 539 182)	-	-	(2,539,182)
Changes in provisions for potential losses on loans and other assets	-	-	-	(2)	(2)
Net gains from financial assets at fair value	-	(5,593,169)	-	-	(5,593,169)
Net gains from securities available for sale	-	(20)	-	-	(20)
Net gains (losses) from dealing in foreign currencies	-	(829)	-	-	(829)
Net fee and commission income	-	236,677	-	-	236,677
Other operating income	-	1,060	-	-	1,060
Operating expenses	-	(59,775)	(88,154)	-	(147,929)
Tax expense	-	(1,182)	-	-	(1,182)

(*) Information on benefits to key management personnel:

Information on benefits to key management personnel includes short-term benefit payable to the members of the Bank's Management Board during the reporting period and one year after the end of the reporting period when the employees rendered the respective services. Short-term benefit includes salary and year-end bonuses.

In 2017, the Bank did not write off any uncollectible receivables from transactions with related parties.

13. Information on compensation system

The Bank's compensation and benefit system is a key factor for motivating employees to be involved in achieving corporate objectives. The Bank's approach to compensation is focused on performance, compliance with the business strategy, securing competitiveness and efficiency of the incentive system.

Therefore, the Bank implements an action plan to develop the system of applied indicators, amend regulations governing authority and issues related to compensations to employees, including employees taking risk and employees of controlling departments.

Departments that monitor compensation, internal control and risk management systems, as well as finance and legal departments of the Bank are directly involved in this process.

Compensation system and procedures are governed by the Regulation *On Compensation to Employees*. This regulation is developed in accordance with the Labor Code of the Russian Federation, Russian law, the Bank's regulations and the Bank's local regulations. The regulation establishes procedure and system of compensations and incentives in order to increase the Bank's employees' material interest in high performance, higher efficiency and quality of work, responsibility for performance of work, as well as in order to comply with the principle of correlation between salary and personal contribution of employees to operating performance of the Bank.

The Regulation is applicable to all the Bank's employees, including:

- members of the sole executive body, members of the collective executive body and members of committees of executive body
- employees making decisions to perform operations or enter into other transactions / taking risks that may impact compliance with prudential ratios. The list of these employees is approved by the order of the Chairman of the Management Board;
- employees performing internal control functions;
- employees performing risk management functions.

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The regulation governs the procedure of calculation and payment of fixed and variable parts of compensation to employees.

Fixed part of compensation includes the amounts of the base salary, reimbursements, incentives and social payments not based on performance.

Variable part of compensation includes reimbursements, incentives and social payments based on performance.

Variable part of compensation is not guaranteed and depends on meeting target performance indicators (quantitative and qualitative) established for an employee to the extent of risks accepted by the Bank and profitability.

Compensation to employees of internal control and risk management departments is arranged in such a way that the fixed part comprises at least 50% in the total amount of compensation to employees of these departments.

All members of the executive bodies and employees performing risk taking functions are informed of short-term targets for the calendar year. The Compensation Committee analyzes annually the achievement of short-term and long-term targets at the beginning of the year following the calendar year. Following the analysis, the Bank's Board of Directors receives a recommendation for the decision to adjust and pay or not to pay the compensation depending on the achievement of short-term and long-term targets.

The Bank measures current and future risks on the basis of short-term and long-term indicators specified in the internal regulatory documents. Upon expiry of a certain period, the Bank analyzes these indicators, and the collegial body of the Bank's Board of Directors decides to confirm or adjust the variable part of compensation paid to risk-taking employees.

The characteristics and types of quantitative and qualitative indicators used by the Bank to account for these risks, including risks that are hard to assess, as well as the ways in which they impact the amount of compensation must be approved by shareholders and the Bank of Russia, and the Bank selects a confidentiality strategy for them in terms of disclosing them to third parties.

The compensation to employees of these departments is not linked to the financial performance of departments that make decisions to perform banking and other operations.

Total base salary, reimbursements, incentives and social payments are approved annually by the Bank's Board of Directors as part of annual approval of the budget and business plans.

Employees' compensation is annually aligned with the market level based on labor market review provided by an independent research company. When necessary, the compensation system, is upgraded based on recommendations.

An independent assessment of the credit institution's compensation system is performed by the Compensation Committee (representatives of the parent companies of the three shareholders of the Bank) of the Bank's Board of Directors and by the Bank's Board of Directors. The current compensation system for the Bank's employees, including certain categories of risk-taking employees, was assessed as effective and meeting all objectivity and fair payment criteria, including the criteria and requirements of the local regulator.

In 2017, the Board of Directors did not revise the Bank's compensation system.

On 25 February 2016, based on the requirements of Instruction No. 154-I of the Bank of Russia *On Assessing a Credit Institution's Compensation System and Instructing a Credit Institution to Eliminate Irregularities in Its Compensation System* dated 17 June 2014, the Bank set up, on the basis of a decision of the Board of Directors, the Compensation Committee which is a permanent collegial body of the Board of Directors. The Compensation Committee is to organize,

monitor and control the compensation system and to help the Board of Directors make decisions related to the organization, operation and assessment of the Bank's compensation system.

The Compensation Committee is responsible for the following matters:

Translation of the original Russian version

- 1) preparation of the decisions of the Board of Directors for the approval of documents on the procedure for determining the amounts of the base salary, reimbursements, incentives and social payments not based on performance (fixed pay)
for the sole executive body and members of the collegial executive body (hereinafter, "members of the executive bodies")
- 2) preparation of the decisions of the Board of Directors for the approval of documents on the procedure for determining the amounts, forms and accruals of reimbursements and incentives based on performance (variable pay) for the members of the executive bodies and other managers (employees) who make decisions on the Bank's operations and transactions
that could affect the Bank's compliance with prudential ratios or lead to situations threatening the interests of depositors and creditors, including grounds for taking measures to prevent the Bank's insolvency (bankruptcy),
and for the employees of departments engaged in internal control and departments engaged in identifying and assessing risks, determining their maximum values
and the capital needed to cover them and monitoring compliance with the above limits at the level of individual portfolios, business activities and the Bank as a whole;
- 3) preparation of the decisions of the Board of Directors for the approval of the amount of the Bank's payroll;
- 4) preliminary review of suggestions made by departments engaged in internal control and risk management for improving the compensation system and preparation of the decisions of the Board of Directors, if necessary;
- 5) preliminary review of reports on the monitoring of the compensation system and preparation of the decisions of the Board of Directors with respect to its consideration;
- 6) preparation of information for the Board of Directors on large compensation payments recognized as such under the internal documents establishing the compensation system.

As of 1 January 2018, the Compensation Committee of the Bank comprises four (4) members:

- Mikhail Yurievich Alexeev – Chairman of the Board of Directors
- Gianluca De Ficchy – member of the Board of Directors
- Graziano Cameli – member of the Board of Directors
- Rakesh Kochhar – member of the Board of Directors

In 2017, the Compensation Committee held two meetings, and no compensation was paid to its members.

In 2017, the Bank paid termination benefits and deferred benefits.

The Bank has an approved list of positions taking risks and employees that perform control and risk management functions.

As of 1 January 2018, the Bank has 8 risk-taking employees (4 of them are members of the Management Board).

Information on the Bank's structure of payments in 2017

Total amount of payments including bonuses and compensations	454,046
Fixed part of compensation to risk-taking employees	116,057
Variable short-term part of compensation to risk-taking employees	21,836
Variable long-term part of compensation to risk-taking employees	16,494
Severance pay to risk-taking employees	1,720

In 2017, no adjustments were made to compensation and large payments to risk-taking employees.

Chairman of the Management Board

Bruno Kintzinger

Chief Accountant

Daria Vladislavovna Dolgorukova

Seal

19 March 2018

