Independent auditor's report
on the annual financial statements of
Joint Stock Company RN Bank
for 2019

March 2020

Translation of the original Russian version

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

Translation of the original Russian version

Contents

Page

Independent auditor's report

Translation of the original Russian version

To the soul Shareholder and Board of Directors of
Joint Stock Company of 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 2019, statement of income (published form) for the period from 1 January to 31 December 2019, 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 2020, information on mandatory ratios, financial leverage indicator of short-term liquidity and ratios (published form) as of 1 January 2020, statement of cash flows (published form) as of 1 January 2020 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 2019 and its financial performance and its cash flows for 2019 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 (including International Independence Standards) (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.

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.

Translation of the original Russian version

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
Allowance for expected credit losses	
Estimation of the allowance for expected credit losses is a key area of judgment for the Bank's management. The identification of indications of a significant increase in credit risk, assessment of the probability of a borrower's default and estimation of the allowance require the significant use of professional judgment, the use of assumptions and analysis of various factors. The use of different models and assumptions can significantly affect the level of the allowance for expected credit losses. Due to the significant amounts of loans issued, and because the allowance estimation process involves an extensive use of judgment that is subjective, estimation of the allowance for expected credit losses was a key audit matter. The information on the allowance for expected credit losses on loans to customers, and the Bank's management approach to assessing and managing credit risk is provided in Notes 7 and 17 to the financial statements.	Our audit procedures included the analysis of the methodology for assessing expected credit losses on loans to customers. In testing the allowance for expected credit losses, we analysed the underlying statistical models, key inputs and assumptions, as well as forecasts used to calculate expected credit losses. For the selected significant loans to legal entities, we tested their classification by stage, credit risk factor and internal credit rating assigned. For loans to individuals, we analysed their classification by stage, probability of default calculated on the basis of the migration model, loss given default, including the value of collateral, and information on any amounts overdue. We performed procedures in respect of the information on expected credit losses on loans to customers disclosed in the notes to the financial statements.

Other information included in the Bank's 2019 Annual Report

Other information consists of the information included in the 2019 Annual Report, other than the 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.

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.

Translation of the original Russian version

Responsibilities of management and the 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.

The Board of Directors is 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;
- 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.

Translation of the original Russian version

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

We also provide the 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 the 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.

In accordance with the requirements of Article 42 of 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 financial statements for the year ended 31 December 2019, we determined:

1) Whether the Bank complied as at 1 January 2020 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 2020 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 2019, the Bank's internal audit function 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.
- We found that the Bank's internal documents effective as at 31 December 2019 that establish the methodologies for detecting and managing credit risk, market risk, interest rate risk of the banking book, operational risk (including legal risk), liquidity risk and concentration risk that are significant to the Bank and stress-testing had 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 2019, the Bank had a reporting system pertaining to credit risk, market risk, operational risk (including legal risk), liquidity risk, concentration risk and interest rate risk of the banking book 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 function during the year ended 31 December 2019 with regard to the management of credit risk, market risk, operational risk (including legal risk), interest rate risk of the banking book, liquidity risk and concentration risk 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 function in respect of the effectiveness of the relevant risk management methodologies.
- We found that, as at 31 December 2019, 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 2019, 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.

Translation of the original Russian version

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 – A.F. Lapina.

A.F. LAPINA
Partner
Ernst & Young LLC

12 March 2020

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, 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-regulatory organization of auditors Association "Sodruzhestvo".
Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 12006020327.

Bank reporting forms

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

BALANCE SHEET
(published form)

as of 31 December 2019

Full or abbreviated corporate name of the credit institution **Joint Stock Company RN Bank**
Address (location) of the credit institution **109028, Moscow, Serebryanicheskaya nab., 29**

OKUD form code 0409806
Quarterly (Annual)

No.	Item	Explanatory note	For the reporting period, kRUR	For the previous reporting year, kRUR
1	2	3	4	5
	I. ASSETS			
1	Cash	11,1	10	10
2	Amounts due to the credit institution from the Central Bank of the Russian Federation	11,1	2 677 187	1 460 349
2.1	Obligatory reserves	11,1	490 450	318 510
3	Amounts due from credit institutions	11,1	56 322	47 117
4	Financial assets at fair value through profit or loss	11,2	868 323	1 082 686
5	Net loans receivable at amortized cost	11,3	102 148 706	x
5a	Net loans receivable	11,3	x	90 849 247
6	Net investments in financial assets at fair value through other comprehensive income	11,5	1 004 477	x
6a	Net investments in securities and other financial assets available for sale	11,5	x	439 780
7	Net investments in securities and other financial assets at amortized cost (other than loans receivable)		0	x
7a	Net investments in securities held to maturity		x	0
8	Investments in subsidiaries and associates		0	0
9	Current income tax asset		207 732	0
10	Deferred tax asset		256 052	163 383
11	Fixed assets, intangible assets and inventories	11,11	219 760	229 996
12	Non-current assets held for sale		0	0
13	Other assets	11,7	145 475	281 304
14	Total assets		107 584 044	94 553 872
	II. LIABILITIES			
15	Loans, deposits and other amounts due to the Central Bank of the Russian Federation		0	0
16	Amounts due to customers at amortized cost	11,8	44 747 964	54 594 578
16.1	Amounts due to credit institutions	11,8	32 978 689	42 686 949
16.2	Amounts due to customers other than credit institutions	11,8	11 769 275	11 907 629
16.2.1	Deposits of (amounts due to) individuals, including individual entrepreneurs	11,8	2 547 423	2 134 824
17	Financial liabilities at fair value through profit or loss	11,2	154 064	279 679
17.1	Deposits of (amounts due to) individuals, including individual entrepreneurs		0	0
18	Debt securities issued	11,9	39 258 988	18 808 178
18.1	At fair value through profit or loss		0	0
18.2	At amortized cost	11,9	39 258 988	18 808 178
19	Current income tax liabilities		730	41 428
20	Deferred tax liabilities		0	0
21	Other liabilities	11.10	1 846 983	1 225 570
22	Provisions for potential losses on credit-related contingent liabilities, other potential losses and transactions with offshore residents	11,11	549 313	0
23	Total liabilities		86 558 042	74 949 433
	III. EQUITY			
24	Shareholders' (participants') equity	11.13	6 069 000	6 069 000
25	Treasury shares		0	0
26	Share premium	11.13	5 780 800	5 780 800
27	Reserve fund	16	308 369	308 369
28	Fair value re-measurement of financial assets at fair value through other comprehensive income decreased by deferred tax liability (increased by deferred tax asset)	13	2 142	-703
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	Change in the fair value of a financial liability due to a change in credit risk		0	0
34	Allowances for expected credit losses	13	301	0
35	Unutilized profit (loss)	13	8 865 390	7 446 973
36	Total equity		21 026 002	19 604 439
	IV. OFF-BALANCE SHEET LIABILITIES			
37	Irrevocable liabilities of the credit institution		22 586 250	15 963 754
38	Guarantees and sureties issued by the credit institution		0	0
39	Non-credit related contingent liabilities		0	0

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp **12 March 2020**

Bank reporting forms

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

STATEMENT OF INCOME
(published form)

for the year ended 31 December 2019

Full or abbreviated corporate name of the credit institution **Joint Stock Company RN Bank**

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

OKUD form code 0409807
Quarterly (Annual)

Section 1. Profit or loss

No.	Item	Explanatory note	For the reporting period, kRUR	For the corresponding period of the prior year, kRUR
1	2	3	4	5
1	Total interest income, including from:	12,1	13 037 103	11 894 686
1.1	Deposits placed with credit institutions	12,1	488 235	460 580
1.2	Loans issued to customers other than credit institutions	12,1	12 516 825	11 401 781
1.3	Finance lease services	12,1	0	0
1.4	Investments in securities	12,1	32 043	32 325
2	Total interest expense, including for:	12,2	5 655 100	4 523 420
2.1	Funds raised from credit institutions	12,2	2 627 415	2 665 871
2.2	Funds raised from customers other than credit institutions	12,2	357 393	506 809
2.3	Securities issued	12,2	2 670 292	1 350 740
3	Net interest income (negative interest margin)		7 382 003	7 371 266
4	Total change in provision for potential losses and allowance for expected credit losses on loans receivable and similar debt, amounts placed on correspondent accounts and accrued interest income, including:	12,5	-526 750	-1 099 557
4.1	Change in provision for potential losses and allowance for expected credit losses on accrued interest income	12,5	-32 358	9 070
5	Net interest income (negative interest margin) after provision for potential losses		6 855 253	6 271 709
6	Net gains from financial assets at fair value through profit or loss	12,3	-907 888	1 777 524
7	Net gains from financial liabilities at fair value through profit or loss		0	0
8	Net gains from securities at fair value through other comprehensive income	12,4	-200	x
8a	Net gains from securities available for sale	12,4	x	634
9	Net gains from securities at amortized cost		0	x
9a	Net gains from securities held to maturity		x	0
10	Net gains from dealing in foreign currencies	12,6	-270 726	-426 636
11	Net gains from foreign currency translation	12,7	1 327 876	-2 436 869
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	12,8	151 272	17 540
15	Fee and commission expense	12,8	3 413	15 064
16	Change in provision for potential losses and allowance for expected credit losses on securities at fair value through other comprehensive income		-168	x
16a	Change in provision for potential losses on securities available for sale		x	0
17	Change in provision for potential losses and allowance for expected credit losses on securities at amortized cost		0	x
17a	Change in provision for potential losses on securities held to maturity		x	0
18	Change in provision for other losses	12,5	-92 424	15 712
19	Other operating income	12,9	54 971	57 679
20	Net income (expense)		7 114 553	5 262 229
21	Operating expenses	12,1	1 705 374	1 614 561
22	Profit (loss) before tax		5 409 179	3 647 668
23	Tax benefit (expense)	12,11	678 234	1 075 251
24	Profit (loss) from continuing operations		4 730 945	2 572 417
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period		4 730 945	2 572 417

Section 2. Other comprehensive income

No.	Item	Explanatory note	For the reporting period, kRUR	For the corresponding period of the prior year, kRUR
1	2	3	4	5
1	Profit (loss) for the reporting period		4 730 945	2 572 417
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 and intangible 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:	13,1	3 856	-3 781
6.1	Change in revaluation reserve for financial assets at fair value through other comprehensive income	13,1	3 856	x
6.1a	Change in revaluation reserve for financial assets available for sale	13,1	x	-3 781
6.2	Change in revaluation reserve for financial liabilities at fair value through profit or loss		0	0
6.3	Change in cash flow hedge reserve		0	0
7	Income tax relating to items to be reclassified to profit or loss	13,1	711	-757
8	Other comprehensive income (loss) to be reclassified to profit or loss, less income tax	13,1	3 145	-3 024
9	Other comprehensive income (loss) less income tax	13,1	3 145	-3 024
10	Financial result for the reporting period		4 734 090	2 569 393

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp **12 March 2020**

Bank reporting forms

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

STATEMENT OF CAPITAL ADEQUACY TO COVER RISKS
(published form)
as of 1 January 2020

Full or abbreviated corporate name of the credit institution **Joint Stock Company RN Bank**

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

OKUD form code 0409808
Quarterly (Annual)

Section 1. Information on capital adequacy

No.	Instrument (indicator)	Explanatory note	Value of instrument (indicator) at the reporting date, kRUR	Value of instrument (indicator) at the beginning of the reporting year, kRUR	Item of the balance sheet (published form) used as a source of capital components
1	2	3	4	5	6
Core capital					
1	Total share capital and share premium, including:		11 849 800	11 849 800	24, 26
1.1	Ordinary shares (interests)		11 849 800	11 849 800	24, 26
1.2	Preferred shares		0	0	
2	Retained earnings (loss):		7 446 973	4 874 556	35
2.1	Prior years		7 446 973	4 874 556	35
2.2	Reporting year		0	0	
3	Reserve fund		308 369	308 369	27
4	Parts of share capital to be gradually excluded from the calculation of equity (capital)		Not applicable	Not applicable	Not applicable
5	Core capital instruments of subsidiaries, held by third parties		Not applicable	Not applicable	Not applicable
6	Total core capital (line 1 +/– line 2 + line 3 – line 4 + line 5)		19 605 142	17 032 725	
Items decreasing core capital					
7	Adjustment of the value of a financial instrument		0	0	
8	Goodwill less deferred tax liabilities		0	0	
9	Intangible assets (except for goodwill and mortgage loan servicing rights) less deferred tax liabilities		166 441	169 006	11
10	Deferred tax assets that depend on future profit		0	0	
11	Cash flow hedge reserves		0	0	
12	Shortfall of provisions for potential losses		0	0	
13	Gain from securitization		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
15	Defined benefit pension plan assets		Not applicable	Not applicable	Not applicable
16	Investments in treasury shares		0	0	
17	Mutual cross-holdings of core capital instruments		0	0	
18	Insignificant investments in core capital instruments of financial institutions		0	0	
19	Significant investments in core capital instruments of financial institutions		0	0	
20	Mortgage loan servicing rights		Not applicable	Not applicable	
21	Deferred tax assets that are not dependent on future profit		0	0	
22	Total aggregate amount of significant investments and deferred tax assets exceeding 15% of core capital, including:		0	0	
23	Significant investments in core capital instruments of financial institutions		0	0	
24	Mortgage loan servicing rights		Not applicable	Not applicable	
25	Deferred tax assets that are not dependent on future profit		0	0	
26	Other items decreasing core capital, established by the Bank of Russia		1 439 234	1 241 572	
27	Negative amount of additional paid-in capital		0	0	
28	**Total for items decreasing core capital (sum of lines from 7 to 22 and lines 26 and 27)**		**1 605 675**	**1 410 578**	
29	**Total core capital (line 6 – line 28)**	**16**	**17 999 467**	**15 622 147**	
Additional paid-in capital					
30	Total for additional paid-in capital instruments and share premium, including:		0	0	
31	Classified as capital		0	0	
32	Classified as liabilities		0	0	
33	Additional paid-in capital instruments to be gradually excluded from the calculation of equity (capital)		0	0	
34	Total for additional paid-in capital instruments of subsidiaries, held by third parties, including:		Not applicable	Not applicable	
35	Additional paid-in capital instruments of subsidiaries to be gradually excluded from the calculation of equity (capital)		Not applicable	Not applicable	
36	**Total additional paid-in capital (line 30 + line 33 + line 34)**		**0**	**0**	
Items decreasing additional paid-in capital					
37	Investments in treasury additional paid-in capital instruments		0	0	
38	Mutual cross-holdings of additional paid-in capital instruments		0	0	
39	Insignificant investments in additional paid-in capital instruments of financial institutions		0	0	
40	Significant investments in additional paid-in capital instruments of financial institutions		0	0	
41	Other items decreasing additional paid-in capital, established by the Bank of Russia		0	0	
42	Negative amount of additional capital		0	0	
43	Total for items decreasing additional paid-in capital (sum of lines from 37 to 42)		0	0	

44	**Total additional paid-in capital (line 36 – line 43)**		**0**	**0**	
45	**Total main capital (line 29 + line 44)**	**16**	**17 999 467**	**15 622 147**	
Additional capital					
46	Additional capital instruments and share premium		579 334	2 558 465	
47	Additional capital instruments to be gradually excluded from the calculation of equity (capital)		0	0	
48	Total for additional capital instruments of subsidiaries, held by third parties, including:		Not applicable	Not applicable	
49	Additional capital instruments of subsidiaries to be gradually excluded from the calculation of equity (capital)		Not applicable	Not applicable	
50	Provisions for potential losses		0	0	
51	**Total additional capital (line 46 + line 47 + line 48 + line 50)**	**16**	**579 334**	**2 558 465**	
Items decreasing additional capital					
52	Investments in treasury additional capital instruments		0	1 521 384	
53	Mutual cross-holdings of additional capital instruments		0	0	
54	Insignificant investments in additional capital instruments and other instruments ensuring the general ability to absorb losses of financial institutions		0	0	
54a	Investments in other instruments ensuring the general ability to absorb losses of financial institutions		0	0	
55	Significant investments in additional capital instruments and other instruments ensuring the general ability to absorb losses of financial institutions		0	0	
56	Total for other items decreasing additional capital, established by the Bank of Russia, including:		0	0	
56.1	Accounts receivable past due by more than 30 calendar days		0	0	
56.2	Excess of the total amount of loans, bank guarantees and sureties provided to shareholders (participants) and insiders over the maximum amount		0	0	
56.3	Investments in the development and purchase of fixed assets and inventories		0	0	
56.4	Difference between the actual value of the withdrawing participants' interest and the value at which the interest was sold to another participant		0	0	
57	**Total for items decreasing additional capital (sum of lines from 52 to 56)**		**0**	**1 521 384**	
58	**Total additional capital (line 51 – line 57)**	**16**	**579 334**	**1 037 081**	
59	**Total equity (capital) (line 45 + line 58)**	**16**	**18 578 801**	**16 659 228**	
60	**Risk weighted assets:**		**X**	**X**	**X**
60.1	Required to determine the core capital adequacy ratio	16	120 656 986	107 724 358	
60.2	Required to determine the main capital adequacy ratio	16	120 656 986	107 724 358	
60.3	Required to determine the equity (capital) adequacy ratio	16	120 656 986	107 724 358	
Equity (capital) adequacy ratios and markups for equity (capital) adequacy ratios, %					
61	Core capital adequacy ratio (line 29 : line 60.1)	16	14,918	14,502	
62	Main capital adequacy ratio (line 45 : line 60.2)	16	14,918	14,502	
63	Equity (capital) adequacy ratio (line 59 : line 60.3)	16	15,398	15,465	
64	Total markups for core capital adequacy ratio, including:	16	2,25	1,875	
65	Capital conservation buffer	16	2,25	1,875	
66	Countercyclical buffer		0	0	
67	GSIB surcharge		Not applicable	Not applicable	
68	Core capital available for maintaining markups for equity (capital) adequacy ratios		10,418	7,465	
Equity (capital) adequacy ratios, %					
69	Core capital adequacy ratio	16	4,5	4,5	
70	Main capital adequacy ratio	16	6,0	6,0	
71	Equity (capital) adequacy ratio	16	8,0	8,0	
Items not exceeding established materiality thresholds and not decreasing capital					
72	Insignificant investments in capital instruments and other instruments ensuring the general ability to absorb losses of financial institutions		0	0	
73	Significant investments in core capital instruments of financial institutions		0	0	
74	Mortgage loan servicing rights		Not applicable	Not applicable	
75	Deferred tax assets that are not dependent on future profit		0	0	
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	Not applicable	
77	Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital when using the standardized approach		Not applicable	Not applicable	
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	0	
79	Restrictions on the inclusion of provisions for potential losses in the calculation of additional capital when using an approach based on internal models		0	0	
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	0	
81	Part of instruments not included in core capital due to the restriction		0	0	
82	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in additional paid-in capital		0	0	
83	Part of instruments not included in additional paid-in capital due to the restriction		0	0	
84	Current restriction on the inclusion of instruments to be gradually excluded from the calculation of equity (capital) in additional capital		0	0	
85	Part of instruments not included in additional capital due to the restriction		0	0	

Note.

The balance sheet data used to prepare section 1 of the statement is explained in table 1.1 of section 3 "Information on the equity (capital) structure and applicable risk and capital management procedures, disclosed in accordance with Instructive Regulation No. 4482-U of the Bank of Russia "On the Form and Procedure for a Credit Institution (Parent Credit Institution of a Banking Group) to Disclose Information on Risks Assumed, Risk Assessment Procedures and Risk and Capital Management Procedures" of 7 August 2017 in section "Disclosure of information for regulatory purposes" at the Bank's website www.rn-bank.ru.

Section 4. Key characteristics of capital instruments

No.	Characteristics	Description
1	2	3
1	Short corporate name of the capital instrument issuer	JSC RN Bank
2	Identification number of the instrument	10200170B
3	Applicable law	Russia
	Regulatory framework	
4	Tier of capital in which the instrument is included during the Basel III transition period	Core capital
5	Tier of capital in which the instrument is included after the Basel III transition period	Core capital
6	Level of consolidation at which the instrument is included in capital	Not applicable
7	Type of instrument	Ordinary shares
8	Value of the instrument included in the capital calculation	11 849 800
9	Nominal value of the instrument	6 069 000
10	Classification of the instrument for accounting purposes	Share capital
11	Date of issuing (raising, placing) the instrument	20 February 2004, 7 August 2006, 7 August 2007, 19 August 2013, 23 October 2014, 9 June 2018
12	Term of the instrument	Perpetual
13	Maturity date of the instrument	No stated maturity
14	Right to early redemption (repayment) of the instrument, as agreed with the Bank of Russia	Not applicable
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
16	Subsequent date (dates) of exercising the right to early redemption (repayment) of the instrument	Not applicable
	Interest/dividends/coupon	
17	Type of the instrument rate	Not applicable
18	Rate	Not applicable
19	Terms for terminating dividend payments on ordinary shares	No
20	Mandatory nature of dividend payments	Partially at the discretion of the credit institution
21	Terms for increasing payments on the instrument or other incentives for early redemption (repayment) of the instrument	Not applicable
22	Nature of payments	Non-cumulative
23	Convertibility of the instrument	Not applicable
24	Terms under which the instrument is converted	Not applicable
25	Full or partial conversion	Not applicable
26	Conversion rate	Not applicable
27	Mandatory nature of conversion	Not applicable
28	Tier of capital into an instrument of which the instrument is converted	Not applicable
29	Short corporate name of the issuer of an instrument into which the instrument is converted	Not applicable
30	Option to write off the instrument to cover losses	Yes
31	Terms under which the instrument is written off	By law, in accordance with Federal Law No. 2002 “On the Central Bank of the Russian Federation (Bank of Russia)” of 10 July 2002 provided that there is a requirement of the Bank of Russia to align the amounts of equity (capital) and share capital when equity (capital) decreases below share capital
32	Full or partial write-off	Not applicable
33	Permanent or temporary write-off	Not applicable
34	Reversal mechanism	Not applicable
35	Subordination of the instrument	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
37	Description of noncompliances	

Chairman of the Management Board	**Xavier Derot**
Chief Accountant	**Daria Vladislavovna Dolgorukova**
Stamp	**12 March 2020**

Bank reporting forms

OKATO territory code	Code of credit institution (branch)	
	OKPO	Registration number (/index number)
045286	09808583	1025500003737

STATEMENT OF CHANGES IN EQUITY OF THE CREDIT INSTITUTION
(published form)
as of 1 January 2020

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 0409810
Quarterly (Annual)
kRUR

No.	Item	Explanatory note	Share capital	Treasury shares	Share premium	Fair value re-measurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)	Revaluation of fixed assets and intangible assets decreased by deferred tax liability	Increase (decrease) in liabilities (claims) for the payment of long-term post-employment employee benefits on revaluation	Revaluation of hedging instruments	Reserve fund	Funds in the form of debt-free financing (contributions to assets)	Change in the fair value of a financial liability due to a change in credit risk	Allowances for expected credit losses	Retained earnings (loss)	Total equity
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1	At the beginning of the previous reporting year		3 269 000		5 580 800	2 322				157 584				5 025 340	14 035 046
2	Effect of changes in accounting policies														
3	Effect of correction of errors														
4	At the beginning of the previous reporting year (corrected)		3 269 000		5 580 800	2 322				157 584				5 025 340	14 035 046
5	Comprehensive income for the previous reporting period:					- 3 025				150 785				2 421 633	2 569 393
5.1	Profit (loss)									150 785				2 421 633	2 572 418
5.2	Other comprehensive income	13.1				- 3 025									- 3 025
6	Issue of shares:		2 800 000		200 000										3 000 000
6.1	Nominal value		2 800 000												2 800 000
6.2	Share premium				200 000										200 000
7	Treasury shares:														
7.1	Purchases														
7.2	Sales														
8	Change in the value of fixed and intangible assets														
9	Dividends declared and other payments to shareholders (participants) on:														
9.1	Ordinary shares														
9.2	Preferred shares														

1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
10	Other contributions by shareholders (participants) and distribution to shareholders (participants)														
11	Other movements														
12	For the corresponding reporting period of the prior year		6 069 000		5 780 800	- 703				308 369				7 446 973	19 604 439
13	At the beginning of the reporting year		6 069 000		5 780 800	- 703				308 369				7 446 973	19 604 439
14	Effect of changes in accounting policies														
15	Effect of correction of errors														
16	At the beginning of the reporting year (corrected)		6 069 000		5 780 800	- 703				308 369				7 446 973	19 604 439
17	Comprehensive income for the reporting period:					2 845							301	1 418 417	1 421 563
17.1	Profit (loss)													1 418 417	1 418 417
17.2	Other comprehensive income	13.1				2 845							301		3 146
18	Issue of shares:														
18.1	Nominal value														
18.2	Share premium														
19	Treasury shares:														
19.1	Purchases														
19.2	Sales														
20	Change in the value of fixed and intangible assets														
21	Dividends declared and other payments to shareholders (participants) on:														
21.1	Ordinary shares														
21.2	Preferred shares														
22	Other contributions by shareholders (participants) and distribution to shareholders (participants)														
23	Other movements														
24	For the reporting period		6 069 000		5 780 800	2 142				308 369			301	8 865 390	21 026 002

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp

12 March 2020

Bank reporting forms

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

STATEMENT OF PRUDENTIAL RATIOS, LEVERAGE RATIO AND LIQUIDITY COVERAGE RATIO

(published form)

as of 1 " January 2020 г.

Full or abbreviated corporate name of the credit institution **Joint Stock Company RN Bank**

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

OKUD form code 0409813
Quarterly (Annual)

Section 1. Information on the key performance indicators of the credit institution (banking group)

No.	Item	Explanatory note	Actual value				
			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	At the date four quarters off the reporting date
1	2	3	4	5	6	7	8
CAPITAL, kRUR							
1	Core capital	16	17 999 467	17 718 331	17 365 977	16 951 050	15 622 147
1a	Core capital with full application of the expected credit losses model without considering the effect of transition measures		16 126 173	16 179 323	16 178 643	16 164 644	15 622 147
2	Main capital	16	17 999 467	17 718 331	17 365 977	16 951 050	15 622 147
2a	Main capital with full application of the expected credit losses model		16 126 173	16 179 323	16 178 643	16 164 644	15 622 147
3	Equity (capital)	16	18 578 801	18 586 428	17 529 706	18 100 524	16 659 228
3a	Equity (capital) with full application of the expected credit losses model		20 854 955	19 829 397	18 686 752	17 749 076	16 659 228
RISK WEIGHTED ASSETS, kRUR							
4	Risk weighted assets	16	120 656 986	114 635 537	111 468 045	113 457 633	107 724 357
CAPITAL ADEQUACY RATIOS, %							
5	Core capital adequacy ratio N1.1 (N20.1)	16	14,918	15,456	15,579	14,940	14,502
5a	Core capital adequacy ratio with full application of the expected credit losses model		13,365	14,114	14,514	14,247	14,502
6	Main capital adequacy ratio N1.2 (N20.2)	16	14,918	15,456	15,579	14,940	14,502
6a	Main capital adequacy ratio with full application of the expected credit losses model		13,365	14,114	14,514	14,247	14,502
7	Equity (capital) adequacy ratio N1.0 (N1cc, N1.3, N20.0)	16	15,398	16,213	15,726	15,954	15,465
7a	Equity (capital) adequacy ratio with full application of the expected credit losses model		17,284	17,298	16,764	15,644	15,465
MARKUPS FOR CORE CAPITAL (as a percentage of risk weighted assets), %							
8	Capital conservation buffer	16	2,250	2,125	2,000	1,875	1,875
9	Countercyclical buffer		0	0,000	0,000	0,000	0,000
10	GSIB surcharge		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable
11	Total markups for equity (capital) adequacy ratios (line 8 + line 9 + line 10)		2,250	2,125	2,000	1,875	1,875
12	Core capital available for maintaining markups for equity (capital) adequacy ratios		10,418	10,956	11,079	10,440	10,002
LEVERAGE RATIO							
13	Amount of on-balance sheet assets and off-balance sheet claims at risk, used to calculate the leverage ratio, kRUR		112 502 480	108 661 546	104 249 676	98 966 097	95 750 131
14	Leverage ratio of the bank (N1.4) or the banking group (N20.4), %		15,999	16,306	16,658	17,128	16,316
14a	Leverage ratio with full application of the expected credit losses model, %		14,334	14,890	15,519	16,334	16,316
LIQUIDITY COVERAGE RATIO							
15	Highly-liquid assets, kRUR						

1	2	3	4	5	6	7	8
16	Net expected cash outflow, kRUR						
17	Liquidity coverage ratio N26 (N27), %						
STRUCTURAL LIQUIDITY RATIO (NET STABLE FUNDING RATIO)							
18	Available stable funding (ASF), kRUR						
19	Required stable funding (RSF), kRUR						
20	Structural liquidity ratio (net stable funding ratio) N28 (N29), %						
RATIOS RESTRICTING SOME TYPES OF RISKS, %							
21	Instant liquidity ratio N2	15,3	244,241	181,815	248,434	135,151	229,360
22	Current liquidity ratio N3	15,3	130,191	118,901	190,051	106,126	234,218
23	Long-term liquidity ratio N4	15,3	67,325	60,389	65,778	64,241	72,137
24	Maximum risk per borrower or group of related borrowers N6 (N21)	15,1	Maximum value: 20,790 Number of violations: 0 Duration:	Maximum value: 15,147 Number of violations: 0 Duration:	Maximum value: 18,022 Number of violations: 0 Duration:	Maximum value: 15,996 Number of violations: 0 Duration:	Maximum value: 13,580 Number of violations: 0 Duration:
25	Maximum exposure to large credit risks N7 (N22)	15,1	79,774	57,600	80,646	107,827	74,208
26	Aggregate insider risk N10.1		0,015	0,003	0,004	0,004	0,005
27	Share of equity (capital) used to purchase shares (interests) in other legal entities N12 (N23)						
28	Maximum risk per bank-related entity (group of bank-related entities) N25		Maximum value: 5,230 Number of violations: 0 Duration:	Maximum value: 4,310 Number of violations: 0 Duration:	Maximum value: 3,190 Number of violations: 0 Duration:	Maximum value: 3,430 Number of violations: 0 Duration:	Maximum value: 1,460 Number of violations: 0 Duration:
29	Adequacy of total resources of the central counterparty N2cc						
30	Adequacy of the individual clearing collateral of the central counterparty N3cc						
31	Liquidity ratio of the central counterparty N4cc						
32	Maximum concentration risk N5cc						
33	Liquidity ratio of the non-banking credit institution entitled to transfer funds without opening bank accounts and to perform other related banking transactions N15.1						
34	Maximum aggregate loans to customers that are parties to settlements for completing the settlements N16						
35	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						
36	Maximum amount of non-banking settlement credit institutions' liabilities under promissory notes N16.2						
37	Minimum ratio of mortgage value to mortgage-backed bonds N18						

Section 2. Information on the leverage ratio calculation (N1.4)

Subsection 2.1. Calculation of the amount of on-balance sheet assets and off-balance sheet claims at risk, used to calculate the leverage ratio (N1.4)

No.	Item	Explanatory note	Amount, kRUR
1	2	3	4
1	Total assets per balance sheet (published form)		108 192 184
2	Adjustment for investments in the capital of credit, financial, insurance and other entities whose reporting data is 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		510 993
5	Adjustment for securities lending		0
6	Adjustment for credit-related contingent liabilities aligned to credit equivalent		3 659 799
7	Other adjustments		139 504
8	Total amount of on-balance sheet assets and off-balance sheet claims at risk, as adjusted, used to calculate the leverage ratio		112 502 480

Subsection 2.2. Calculation of the leverage ratio (N1.4)

No.	Item	Explanatory note	Amount, kRUR
1	2	3	4
	Risk related to on-balance sheet assets		
1	Total on-balance sheet assets		107 629 806
2	Downward adjustment for the items reducing the amount of main capital		166 441
3	Total on-balance sheet assets at risk, as adjusted (difference between line 1 and line 2)		107 463 365
	Risk related to derivative financial instruments		
4	Total current credit risk related to derivative financial instruments (less variable margin received and/or taking into account positions netted, if applicable)		868 323
5	Total potential counterparty credit risk related to derivative financial instruments		510 993
6	Adjustment for the nominal amount of collateral provided for derivative financial instruments to be written off the balance sheet		Not applicable
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 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)		1 379 316
	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		7 407 032
18	Adjustment for credit equivalent ratios		3 747 234
19	Total risk related to credit-related contingent liabilities, as adjusted (difference between line 17 and line 18)		3 659 799
	Capital and risks		
20	Main capital		17 999 467
21	Total on-balance sheet assets and off-balance sheet claims at risk, used to calculate the leverage ratio (sum of lines 3, 11, 16 and 19)		112 502 480
	Leverage ratio		
22	Leverage ratio of the bank (N1.4) or the banking group (N20.4), % (line 20 : line 21)		15,999

Section 3. Information on the liquidity coverage ratio calculation

No.	Item	Explanatory note	Data at ____________	
			Amount of claims (liabilities), kRUR	Weighted amount of claims (liabilities), kRUR
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	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	Liquidity coverage ratio of the banking groups (N26) or the credit institution (N27), %		X	

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp **12 March 2020**

Bank reporting forms

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

STATEMENT OF CASH FLOWS
(published form)
as of 1 January 2020

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 0409814
Quarterly (Annual)
(kRUR)

No.	Item	Explanatory note	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the prior year
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:		3 322 318	3 817 929
1.1.1	Interest received		12 145 971	10 073 449
1.1.2	Interest paid		-5 359 635	-4 530 329
1.1.3	Fees and commissions received		151 272	3 342 711
1.1.4	Fees and commissions paid		-3 413	-199 586
1.1.5	Gains less losses from financial assets at fair value through profit or loss available for sale		-819 340	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		-270 726	-826 741
1.1.8	Other operating income		107 688	55 310
1.1.9	Operating expenses		-1 702 855	-2 829 396
1.1.10	Tax expense (benefit)		-926 644	-1 267 489
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		-1 787 128	-7 651 344
1.2.1	Net increase (decrease) in obligatory reserves with the Bank of Russia		-171 940	71 739
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		-14 970 601	-16 332 727
1.2.4	Net increase (decrease) in other assets		907 537	360 499
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Bank of Russia		0	0
1.2.6	Net increase (decrease) in amounts due to other credit institutions		-9 011 618	6 410 197
1.2.7	Net increase (decrease) in amounts due to customers other than credit institutions		498 982	-1 879 543
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		20 450 810	3 431 228
1.2.10	Net increase (decrease) in other liabilities		509 702	287 263
1.3	Total for section 1 (line 1.1 + line 1.2)	14	1 535 190	-3 833 415
2	**Net cash from (used in) investing activities**			
2.1	Purchase of securities and other financial assets designated as available for sale		-958 479	155 643
2.2	Proceeds from sale and redemption of securities and other financial assets designated as available for sale		439 699	-724
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		31 675	-155 482
2.6	Proceeds from sale of fixed assets, intangible assets and inventories		0	-1 161
2.7	Dividends received		0	0
2.8	Total for section 2 (sum of lines from 2.1 to 2.7)	14	-487 105	-1 724
3	**Net cash from (used in) financing activities**			
3.1	Contributions of shareholders (participants) to share capital		0	3 000 000
3.2	Purchase of treasury shares		0	0
3.3	Sale of treasury shares		0	0
3.4	Dividends paid		0	0
3.5	Total for section 3 (sum of lines from 3.1 to 3.4)	14	0	3 000 000
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**	14	0	12 704
5	Increase (decrease) in cash and cash equivalents	14	1 048 085	-822 436
5.1	Cash and cash equivalents at the beginning of the reporting year	14	1 188 966	2 011 402
5.2	Cash and cash equivalents at the end of the reporting period	14	2 237 051	1 188 966

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**
Stamp

12 March 2020

Translation of the original Russian version

Explanatory notes
to the annual financial statements of
Joint Stock Company RN Bank
for 2019

1. Introduction

These explanatory notes:

- Constitute an integral part of the annual financial statements of JSC RN Bank for the year 2019, starting on 1 January 2019 and ending on 31 December 2019 (inclusive), prepared in accordance with the applicable legislation of the Russian Federation;
- 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. 4927-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 8 October 2018 and other forms of JSC RN Bank (hereinafter, the "Bank");
- Take into consideration events after the reporting date.

The annual statements of the Bank comprise:

- The balance sheet (published form) for 2019;
- The statement of income (published form) for 2019;
- The statement of capital adequacy to cover risks (published form) as of 1 January 2020;
- The statement of changes in equity of the credit institution (published form) as of 1 January 2020;
- Information on prudential ratios, the leverage ratio and the current liquidity ratio (published form) as of 1 January 2020;
- The statement of cash flows (published form) as of 1 January 2020;
- The explanatory notes to the annual financial statements for 2019.

The annual financial statements are available on the Bank's official website at www.rn-bank.ru in the *Reporting* section.

Information on the assumed risks, procedures for their assessment, risk and capital management, as well as the information on the provisions for potential losses, their changes and impact on the credit risk is disclosed on the Bank's official website at www.rn-bank.ru in *Disclosures for Regulatory Purposes* sub-section of the *Investors* section within the time frames established by Instructive Regulation No. 4482-U of the Bank of Russia.

In accordance with the requirements of the Bank of Russia, in 2019, in calculating prudential ratios and determining the amount of equity, the Bank applied regulatory approaches effective before the introduction of IFRS 9 principles to the Russian accounting. Calculation of the prudential ratios and determining of the amount of equity by the Bank included provisions for potential losses formed in accordance with Regulation No. 590-P of the Bank of Russia *On the Procedure for Creating Provisions for Potential Losses on Loans Receivable and Equivalent Debt by Credit Institutions* dated 28 June 2017 (hereinafter, "Regulation No. 590-P") and Regulation No. 611-P of the Bank of Russia *On the Procedure for Creating Provisions for Potential Losses by Credit Institutions* (hereinafter, "Regulation No. 611-P").

2. General information

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

Abbreviated corporate name of the Bank: JSC RN Bank.

The registered office is located at 109028, Russia, Moscow, Serebryanicheskaya nab., 29.

The Bank made no changes to the above details in 2019.

3. Reporting period and measurement units in the annual statements

The annual statements were prepared as of 1 January 2020 for the period beginning on 1 January 2019 through 31 December 2019.

For the balance sheet, the statement of capital adequacy to cover risks and information on prudential ratios, the comparable data are reported as of 1 January 2019 (beginning of the reporting year).

For the statement of income, the statement of changes in equity and the statement of cash flows, data for 2018 is used as the comparable data.

The annual statements are presented in thousands of Russian rubles ("kRUR"), unless otherwise indicated.

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

	Units	*31 December 2019*	*31 December 2018*
RUR/USD	1/1	61.9057	69.4706
RUR/EUR	1/1	69.3406	79.4605
RUR/JPY	1/100	56.7032	62.9976

4. Information on the banking group in which the Bank is a member

The Bank is a member (an associate) of a banking group with JSC UniCredit Bank as a parent.

The composition of the banking group with JSC UniCredit Bank as a parent is as follows:

- A subsidiary LLC UniCredit Leasing whose subsidiary is LLC UniCredit Garant (JSC Locat Leasing Russia before reorganization in January 2019). Both companies operate in the Russian market. LLC UniCredit Leasing is involved in finance leasing and LLC UniCredit Garant is involved in support activities in the financial services and insurance sector.
- BARN B.V. (the Netherlands), an associate and the sole shareholder acting as a holding company to JSC RN Bank.

The consolidated financial statements of the banking group of JSC UniCredit Bank are available on the official website of JSC UniCredit Bank at www.unicreditbank.ru.

5. Corporate information

Principal activities

The Bank (former CJSC Bank Sibir) was formed in the Russian Federation (the city of Omsk) on 9 March 1989 In 1998, in order to align the legal structure with the legislation, the Bank was reorganized into a limited liability company – LLC OCB Sibir. In 2002, the Bank changed its legal form to a closed joint stock company. In May 2013, the Bank changed its registered and actual address to Moscow. On 5 September 2013, following the decision of the sole shareholder (Decision No. 1 dated 5 September 2013), the Bank changed its name as follows: full corporate name of the Bank: Closed Joint Stock Company RN Bank; abbreviated name: CJSC RN Bank. In order to align the Bank's legal structure with the new requirements of the Civil Code of the Russian Federation, in 2014 the Bank changed its legal form and corporate name to Joint Stock Company RN Bank or JSC RN Bank.

The Bank is a member of the international Renault-Nissan-Mitsubishi Alliance (hereinafter, the "Alliance").

The Bank's principal business activities include providing loans to individuals to purchase cars manufactured by the Alliance, providing financing to the Alliance's dealers and providing related financial services to customers.

The Bank operates in the Russian Federation and provides services in significant number of regions (as of 1 January 2020, the Bank provides services in 79 regions).

The Bank has no separate business units, branches or representative offices in the Russian Federation.

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

In 2019, the Bank made no changes to equity instruments.

In 2019, the following changes took place in the composition of the Bank's Board of Directors:

According to decision of the Bank's sole shareholder dated 26 June 2019, Mr. George Leondis was elected to the Bank's Board of Directors and the powers of Mr. Laurent Frank Christian David as a member of the Bank's Board of Directors were terminated.

According to decision of the Bank's sole shareholder dated 4 December 2019, Mr. Joao Miguel Leonardo Dos Santos was elected to the Bank's Board of Directors and the powers of Mr. Bruno Robert Louis Kintzinger as a member of the Bank's Board of Directors were terminated.

The Bank carries out its activities in accordance with the Federal Law *On Banks and Banking Activity* based on the following licenses:

- License No. 170 issued on 6 December 2014 to carry out banking operations in rubles and foreign currencies (without the right to accept deposits from individuals);
- License No. 170 issued on 6 December 2014 to accept deposits from individuals denominated in rubles and foreign currencies.

Since 2005, the Bank is a member of the state deposit insurance system.

The Bank is not a professional participant of the securities market.

The Bank has no subsidiaries or associates.

As of 1 January 2020, the average headcount of the Bank was 259 employees (1 January 2019: 208 employees).

Key performance indicators and factors affecting financial results of the credit institution in the reporting year

The Bank's key performance indicators and ratios are as follows:

Financial indicators	***Change (%)***	***1 January 2020***	***1 January 2019***
Equity (capital)	11.5	18,578,801	16,659,228
Profit after tax	83.9	4,730,945	2,572,417
Total assets	13.8	107,584,044	94,553,872
Loans receivable	12.5	105,558,275	93,831,287
Loans to legal entities	*31.3*	*42,679,479*	*32,512,200*
Loans to individuals	*11.7*	*58,938,347*	*52,761,784*
Borrowed funds	14.4	84,006,952	73,402,756
Amounts due to customers	*(18.0)*	*44,747,964*	*54,594,578*
Bonds issued	*108.7*	*39,258,988*	*18,808,178*
Net interest income	0.1	7,382,003	7,371,266
Operating expenses	5.6	1,705,374	1,614,561

Financial ratios (%)	***1 January 2020***	***1 January 2019***
Equity (capital) adequacy ratio	15.4	15.5
Overdue loan / loan portfolio	0.8	0.8
Allowance for expected credit losses (*) / loan portfolio	3.2	3.2

(*) As of 1 January 2019 – provision for potential losses.

In 2019, major transactions mostly affecting the Bank's financial result included transactions to provide loans to individuals to purchase motor vehicles and transactions to provide financing to legal entities (factoring and lending transactions).

As of 1 January 2020, the Bank's assets increased by 13.8% as compared with 1 January 2019. The increase resulted from the increase in the Bank's loan portfolio. In 2019, the amount of loans to legal entities increased year-on-year by 31.3%, or kRUR 10,167,279; the amount of retail loans increased by 11.7%, or kRUR 6,176,563, respectively. In 2019, the amount of loans receivable increased year-on-year by 12.5%, or kRUR 11,726,988.

As of 1 January 2020, the amount of borrowed funds increased by 14.4%, or kRUR 10,604,196, as compared with 1 January 2019. In 2019, the Bank diversified its funding structure by reducing the share funds raised at the interbank market and increasing the share of borrowings at the capital market. As of 1 January 2020, amounts due to customers (including amounts due to credit institutions) decreased by 18%, or kRUR 9,846,614; the amount of bonds issued increased by 108.7%, or kRUR 20,450,810.

The Bank successfully completed the year 2019 and earned net profit of kRUR 4,730,942. As of 1 January 2020, the Bank's net profit increased by 83.9%, or kRUR 2,158,525, as compared with 1 January 2019.

Like in previous years, the Bank's net profit for 2019 primarily comprise net interest income after the provisions for potential losses. Profit for 2019 was also positively impacted by net gains from foreign currency revaluation partially compensated by negative result from operations with financial assets at fair value through profit or loss.

Increase in the Bank's net profit in 2019 as compared with 2018 was also due to the adoption of IFRS 9, in particular, due to the recognition of the adjustments to equal statutory provisions to estimated credit losses within the financial result. Significant change in the ruble exchange rate in 2019 was also one of the factors of significant increase in the Bank's profit as compared with 2018 through the increase of net gains from foreign currency revaluation. In 2019, increase in the Bank's operating income was insignificant as compared with 2018.

In 2019, the Bank's total capital increased by 11.5%, or kRUR 1,919,573. Increase in the Bank's capital was due to the following diverse factors: increase in the audited prior year profit by kRUR 2,572,417; decrease in intangible assets decreasing capital by kRUR 2,565; increase in income not recognized as a source of capital by kRUR 197,662; decrease in the audited current year profit by kRUR 457,747.

Total capital adequacy ratio as of 1 January 2020 was 15.4% (1 January 2019: 15.5%).

Ratings assigned to the Bank by international and national agencies

- **Standard & Poor's** international agency

Long-term credit rating of issuer	BB+
Outlook	Stable
Date of change (confirmation)	24 April 2019

- **ACRA** national agency

National credit rating	AAA(RU)
Rating of exchange-traded bond issues	AAA(RU)
Outlook	Stable
Date of change (confirmation)	28 February 2019

Decision on profit distribution

The decision on the distribution of net profit for 2019, including dividend payment, will be made by the sole shareholder after approval of the Bank's annual statements for 2019.

6. Basis of preparation of the annual statements and summary of significant accounting policies

6.1. Principles and methods for assessing and accounting for significant transactions and events, effective from 1 January 2019

The Bank maintains its accounting records in accordance with the applicable legislation of the Russian Federation, 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 activities of credit institutions.

The Bank maintains its accounting records and prepares its annual financial statements based on the primary principles of going concern, recognition of income and expense on accrual basis, consistency of the accounting rules and comparability of the applied accounting principles and rules, prudence, timely recognition of transactions, separate recognition of assets and liabilities, continuity of the balance sheet, substance over form and transparency.

Adoption of new standards and interpretations

The Bank adopted IFRS 9 *Financial Instruments* on 1 January 2019. The Bank elected to apply the standard without restating comparatives and recognized adjustments to the carrying amount of assets and liabilities from 1 January 2019, i.e. the date of the first application of the standard, within retained earnings at the beginning of the current year.

Financial assets and liabilities

Initial recognition

All regular way purchases and sales of financial assets and liabilities are recognized on the trade date i.e. the date that the Bank commits to purchase the asset or liability. Regular way purchases or sales are purchases or sales of financial assets and liabilities under a contract that require delivery of assets and liabilities within the period generally established by regulation or convention in the marketplace.

Initial measurement

Financial instruments are initially measured at their fair value. In most cases, fair value at initial recognition comprises consideration paid or received for the respective financial instrument. At initial recognition of a financial instrument, the Bank evaluates the terms of the agreement for compliance with market conditions.

At initial recognition, the gross carrying amount of a financial instrument or the amortized cost of a financial liability equals the fair value of this financial instrument adjusted for the transaction costs, except in the case of financial assets and financial liabilities recorded at fair value through profit or loss.

Measurement categories of financial assets and liabilities

The Bank classifies financial instruments at initial recognition based on the contractual terms and business model for managing the financial instruments, as measured at either:

- Amortized cost;
- Fair value through other comprehensive income (FVOCI);
- Fair value through profit or loss (FVPL).

Classification in one of the above-mentioned categories is based on the principles underlying the respective business models:

- “Held to collect contractual cash flows” business model;
- “Held to collect contractual cash flows or to sell” business model;
- “Other” business model.

Business model assessment

A business model reflects how the Bank manages its assets to generate cash flows. The Bank’s business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity’s key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How the effectiveness of the portfolio management is assessed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected);
- The expected frequency, value and timing.

The business model assessment is based on reasonably expected scenarios without taking ‘worst case’ or ‘stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank’s original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

On an annual basis, the Bank performs business model testing for compliance with principles underlying the description of the Bank's business models.

Under the "held to collect contractual cash flows" business model, financial instruments are subsequently measured at amortized cost. The financial instrument is included in this business model if both of the following conditions are met:

- The financial asset is held solely to collect contractual cash flows;
- Cash flows are solely payments of principal and interest on the principal amount outstanding.

Despite the fact that the objective of the Bank's business model could be to hold financial instruments in order to collect contractual cash flows, it is not necessary for the Bank to hold all of these instruments to maturity. Therefore, the Bank may use the "held to collect contractual cash flows" business model even when the financial assets are sold or are expected to be sold.

Assessment of the sale of assets included in the "held to collect contractual cash flows" business model should consider the following cash flows:

- Historical frequency, timing and significance of sales;
- Reasons for sales (such as deterioration in credit risk);
- Expectations/forecasts on future sales.

Sales does not in itself determine the business model and, therefore, may not be considered separately. Information on past sales and sales expected in the future is more likely to support the Bank's objective in managing financial assets, in particular, the way the cash flows are realized and value is created. Credit risk management aimed at reducing potential losses due to deteriorated credit position does not contradict the "held to collect contractual cash flows" business model.

Cash flows measurement procedure

For financial assets that are held to collect contractual cash flows and those that are held to collect contractual cash flows or to sell, there is a procedure for measuring cash flows that are solely payments of principal and interest (hereinafter, the "SPPI criterion", the "SPPI test").

The SPPI test is aimed at determining of whether the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest.

If the financial asset does not meet the SPPI criterion, it is classified as measured at fair value through profit or loss and is subsequently measured at fair value through profit or loss.

Financial assets that are held to collect contractual cash flows or to sell within the Bank's business model and that meet the SPPI criterion are subsequently measured at amortized cost.

Measurement categories of financial instrument

At initial recognition, the Bank classifies financial instruments as follows:

Cash on the correspondent accounts of the Bank of Russia and/or other banks, for which fair value approximates carrying amount due to immaterial discounting effect, are measured by the Bank at amortized cost without applying the EIR method.

The Bank determines factoring transactions as "held to collect contractual cash flows" and classifies them as measured at amortized cost.

The Bank concludes agreements with individuals on the basis of the standard loan agreements. The terms of the standard agreement are same for all customers. The Bank determines car loans to individuals as "held to collect contractual cash flows" and classifies them as measured at amortized cost. The Bank performs the SPPI test for standard credit facility agreements. Subsequent assessments for meeting the SPPI criterion are performed when new agreements are prepared and when amendments are introduced to the effective standard agreements that result in changes in cash flows.

The Bank also enters into credit facility agreements with legal entities and individuals. The Bank determines such credit facilities as "held to collect contractual cash flows" and classifies them as measured at amortized cost. No fees are applied to the opening and servicing of the credit facilities. The Bank performs the SPPI test for standard credit facility agreements. Subsequent assessments for meeting the SPPI criterion are performed when new agreements are prepared and when amendments are introduced to the effective standard agreements that result in changes in cash flows, or when specific amendments are made for certain customers.

The following financial liabilities of the Bank are classified at initial recognition as measured at amortized cost:

- Amounts due to credit institutions (term deposits);
- Amounts due to customers (term deposits);
- Debt securities issued.

Reclassification of financial instruments

After initial recognition, the Bank does not reclassify its financial assets, apart from exceptional cases, when the business model for managing financial assets changes. Financial liabilities are never reclassified. In 2019, the Bank did not reclassify any of its financial instruments.

Method to determine amortized cost of financial instruments

Amortized cost of financial assets is determined as the amount in which financial asset or financial liability is measured at initial recognition minus payments of principal amount, plus or minus cumulative amortization of other income and expenses calculated using the effective interest rate (EIR) method and, for financial assets, adjusted for the allowance for expected credit losses.

When calculating the amortized cost of the financial asset on a straight-line basis, the Bank follows the principles of generating income identical to those followed in the calculation using the EIR method. In other words, any consideration forming an integral part of the EIR and all transaction expenses are included in the calculation of the amortized cost. Other income and expenses on transaction are recognized on a straight-line basis based on the expected maturity (redemption) of the financial instrument. For the calculation purposes, the amount of monthly amortization of other income/expenses is linked to the amount of accrued interest under the agreement.

The Bank identifies consideration that is an integral part of the EIR of the financial instrument and defines its composition using the professional judgment.

Renegotiated loans

Where possible, the Bank seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions.

When introducing these modifications, the Bank assesses their significance in accordance with the established criterion.

If the new terms of the financial asset are substantially different, the modification results in derecognition. Modified asset is recognized as a new asset and is initially recognized at fair value plus the respective transaction costs. Derecognition of a financial asset actually results in profit or loss being the difference between:

- The amortized cost of the original asset; and
- The fair value of the modified asset decreased by the amount of the expected credit losses initially recognized as the allowance for impairment of the modified asset.

In case of modification that is not substantial according to the professional judgment, costs/other income are continued to be amortized considering the new terms of the financial assets.

Changes in the amount of cash flows on significant financial assets or financial liabilities are not considered as a modification if they result from the effective terms of the agreement.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, amounts due from the CBR, excluding obligatory reserves, and amounts due from credit institutions that mature within ninety days of the date of origination and are free from contractual encumbrances.

Derivative financial instruments

Derivative financial instruments of the Bank are as follows:

- Transactions designated as derivative financial instruments in accordance with Federal Law No. 39-FZ *On Securities Market* dated 22 April 1996;
- Contracts designated as derivative financial instruments in accordance with the foreign law, international treaty or normal business practices and in relation to which the foreign law or international treaty ensures judicial protection;
- Contracts designated as derivative financial instruments in accordance with Appendix A to IFRS 9 *Financial Instruments.*

In the normal course of business, the Bank enters into over-the-counter derivative financial instruments, including interest rate and cross currency interest rate swaps. Such financial instruments are not held for trading and are entered into to hedge interest rate and currency risks.

Derivative financial instruments are recorded when entered into. Derivatives are initially recognized at fair value. Fair value is subsequently measured and recognized by the Bank on a daily basis. Derivatives are derecognized upon derecognition of assets and liabilities in accordance with the contract. The difference between the aggregate value of assets and liabilities under derivative financial instruments is taken to financial result of the current year.

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. The fair value is determined in accordance with the Bank's internal methodology.

Nominal values of assets and liabilities under all transactions recorded at fair value (including settlement derivative financial instruments) are recorded on the off-balance sheet account of Chapter D "Accounts for assets and liabilities from derivative financial instruments and other contracts (transactions) under which settlements and delivery are made no earlier than the next day after the day of entering into a contract (transaction)". Transactions are recorded on Chapter D accounts from the date the contract was entered into until the first date of settlement.

Fair value measurement

The Bank measures financial instruments carried at FVPL and FVOCI at fair value.

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. 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 principal or the most advantageous market must be accessible by the Bank. 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.

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. 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 assets and liabilities that are recognized in the financial statements on a recurring basis, the Bank determines whether transfers should occur between levels in the hierarchy by re-assessing classification (based on the lowest level inputs that are significant to the fair value measurement as a whole) at the end of each reporting period.

Allowance for credit losses on financial instruments

For financial assets measured at amortized cost or at FVOCI, adjustments to equal total provisions on the asset to the allowance for ECL in accordance with IFRS 9 are recognized in the accounting records in addition to the prudential provisions for potential losses in accordance with Regulation No. 590-P of the Bank of Russia *On the Procedure for Creating Provisions for Potential Losses on Loans Receivable and Equivalent Debt by Credit Institutions* (hereinafter, “Regulation No. 590-P”) dated 28 June 2017 and Regulation No. 611-P *On the Procedure for Creating Provisions for Potential Losses by Credit Institutions* (hereinafter, “Regulation No. 611-P”) dated 23 October 2017.

Previous approach to creating provisions for potential losses in accordance with Regulation No. 590-P and Regulation No. 611-P continues to be applied as part of prudential oversight and for taxation purposes in calculating current income tax. Expected credit losses, comprising the provisions for potential losses in accordance with Regulation No. 590-P and Regulation No. 611-P and adjustments to equal provisions for potential losses to the amount of expected credit losses, is recognized in the accounting records.

Derecognition of financial instruments

Financial assets are derecognized where:

- The outstanding debt under the financial asset is repaid, including, in particular, using compensation or collateral;
- Decision to write off debt against previously accrued provision for potential losses when deemed uncollectible is made;
- The right of claim under the debt is assigned to third parties or the financial asset is realized (sold).

When securities of one issue or securities with identical ISINs are disposed of (realized), securities are written off from the balance sheet account using FIFO method by business model, i.e., for securities of one issue and within one business model irrespective of the ledger account on which they were recorded. Under FIFO method, the value of securities disposed of (realized) includes the value of securities which were recognized first.

A financial liability is derecognized when the obligation under the liability is discharged or canceled or expires.

Criteria used to write off assets against provisions for potential losses

General principles of classifying debt by the elements of provision for potential losses (hereinafter, the “PPL”) as bad debt and criteria for writing off such debt against available provisions are established in the Bank’s internal document regulating debt creation, use and management by the Bank, according to which:

- The PPL is used to cover bad debt by the elements of the PPL estimation base;
- Bad debt is written off against available provision;
- Writing-off of bad debt from the Bank’s balance sheet by the PPL elements is considered viable only after the Bank takes all necessary and economically feasible measures to collect such debt;
- Bad debt is written off upon decision of the Bank’s Management Board only if such debt is recognized as uncollectible and at least one of the following conditions is met:
    - Regulations issued by the governmental authorities that are required and sufficient to decide on the write-off of bad debt against the available PPL were received;
    - The Bank’s estimated costs to take further measures to collect bad debt will exceed the outcome.

Taxation

Current income tax is calculated in accordance with the Russian tax legislation.

Deferred tax assets and liabilities are calculated in respect of temporary differences using the statement of calculation of deferred tax liabilities and deferred tax assets providing the comparison of balances on active (passive) balance sheet accounts at the end of the reporting period and their tax base considered when calculating income tax at the end of the reporting period.

Net tax asset or tax liability is calculated on the basis of taxable and deductible temporary differences calculated in the statement, and is recorded in the Bank’s balance sheet.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

When calculating value added tax (VAT) payable to the budget, the Bank applies provisions of paragraph 4 of article 170 of the Russian Tax Code, in accordance to which the Bank separately accounts for VAT imposed and determines the following amounts of VAT:

- Recorded within the cost of purchased goods (works, services) used to perform transactions exempt from VAT;
- Deductible in settlements with the budget on goods (works, services) used to perform transaction subject to VAT;
- Deductible or included in cost of goods (works, services) in the proportion in which they are used for the production and (or) provision of services, whose sale is taxable (exempt from taxation); on goods (works, services) used to carry out taxable and non-taxable (exempt from taxation) activities.

Non-deductible VAT and other taxes payable, other than income tax, are recorded by the Bank within operating expenses.

Fixed assets

A fixed asset is determined by the Bank as 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, the historical cost of which can be measured reliably and exceeds kRUR 100 net of VAT.

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.

Fixed assets are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and any accumulated impairment.

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.

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.

When determining the useful lives of fixed assets, the Bank determines the period, during which an item will be available for use in order to receive economic benefits, considering the useful lives established by Decree No. 1 of the Government of the Russian Federation *On the Classification of Fixed Assets Included in Depreciation Groups* dated 1 January 2002.

The Bank identifies the following groups of homogeneous fixed assets with the following estimated useful lives:

Fixed assets	***Useful life***
Furniture	5-7 years
Equipment	2-5 years
Computers	2 years
Capital investments in leased fixed assets	3-6 years
Cars	3 years
Other fixed assets	3-5 years

Depreciation of fixed assets is accrued on a straight-line basis over their useful lives.

Intangible assets

Intangible assets are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

Intangible assets should be tested for impairment at the end of each reporting year. Losses from impairment of intangible assets should be recognized when identified.

Intangible assets with definite useful lives are amortized over their useful lives. Amortization is charged to profit or loss on a straight-line basis over their estimated 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.

The Bank identifies the following groups of homogeneous intangible assets with the following estimated useful lives:

Intangible assets	***Useful life***
Software and intellectual property items	5 years
Acquired non-exclusive rights to intellectual products	In accordance with terms of the purchase agreement

Amortization of intangible assets is calculated on a straight-line basis over their estimated useful lives.

Instruments and subjects of labor received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined

The Bank recognizes in its accounting records instruments of labor received under pledge agreements and whose purpose is undefined, due to discontinued liabilities of borrowers under the agreements for lending (depositing) cash.

At the date of initial recognition, instruments of labor received under pledge agreement and whose purpose is undefined, are recorded at fair value.

If the fair value of items received under pledge agreements cannot be reliably measured, such items are valued in the amount determined in accordance with the laws of the Russian Federation and the regulations of the Bank of Russia.

Instruments of labor received under pledge agreements and whose purpose is undefined are measured annually at the lower of:

- The historical cost at the date when the assets were recognized as subjects of labor which were received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined;
- The expected price at which subjects of labor received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined may be sold less costs to sell (net realizable value) at the measurement date, i.e., measurement should reflect market conditions.

The Bank does not have any subjects of labor which were received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined due to the nature of its activities.

Inventories

Tangible assets with historical cost of less than kRUR 100 and/or with short useful lives (less than 1 year) are recognized within inventories and are taken to operating expenses when put into use.

Costs to maintain assets with historical cost of less than kRUR 100 recorded within inventories as a lump sum are also to be included in current expenses of the reporting period.

Costs to purchase assets with historical cost and commissioning expenses exceeding in aggregate kRUR 40 are written off to expenses of the Bank as a lump sum without being recognized within inventories.

Credit-related contingent liabilities

The Bank issues loan commitments by opening credit facilities to legal entities and individuals.

Opening of a credit facility is a conclusion of the agreement (contract) under which borrowers are provided with the right to receive and use cash during the specified period, provided that the total amount of cash provided to a borrower does not exceed the maximum amount under the agreement (contract) (drawdown limit) or outstanding debt of borrowers at any time does not exceed the limits established in the agreement (contract) (credit limit), or the respective agreement (contract) contains both conditions (drawdown limit and credit limit).

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 are recorded if there is a high probability of claims.

The Bank recognizes a non-credit related provision for potential losses in litigations, if its analysis of all circumstances and conditions shows that the probability of claims against the Bank for the non-performance or inadequate performance of its obligations, including those related to mandatory payments (including legal costs) exceeds 50%.

Other non-credit related provisions include the provision for undetermined tax liabilities calculated in accordance with the interpretation of applicable tax legislation and practices. The Bank recognizes such provisions if its analysis of all circumstances and conditions shows that the probability of claims against the Bank for the non-performance or inadequate performance of its tax obligations, including fines, exceeds or equals 60%.

Government grants

Government grants are the government aid in the form of resources provided to an entity in exchange for the fulfillment of certain past or future conditions related to operating activities of such entity.

IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* should be taken into account when depositing cash, for which grants are provided under government support programs from the federal budget, the budgets of constituent entities of the Russian Federation and local budgets.

The Bank participates in government support programs in accordance with Government Decree No. 364 *On Providing Grants from the Federal Budget to Russian Credit Institutions in Compensation of Shortfalls in Income on Loans Issued by Credit Institutions in 2015-17 to Individuals for the Purchase of Cars and Partial Compensation of Costs on Loans Issued in 2018-20 for the Purchase of Cars* (hereinafter, “Decree No. 364”).

Under Decree No. 364, the Bank participates in the following programs:

- Program to compensate shortfalls in income on loans issued by credit institutions in 2015-17 to individuals for the purchase of cars (hereinafter, the “program to compensate shortfall in income”);
- Program to partially compensate costs on loans issued in 2018-20 for the purchase of cars (hereinafter, the “program to partially compensate costs on initial installment payment”).

For the program to compensate shortfall in interest income

Pursuant to Clarification No. 18-1-1-11/942 of the Bank of Russia dated 4 June 2018, when recognizing programs for subsidizing from the federal budget of interest rates on deposited cash, at initial recognition of a financial asset subsequently measured at amortized cost, the Bank recognizes interest at market interest rate determined at the date of initial recognition of the financial asset. Market interest rate is determined taking into consideration contractual interest rate and the amount of a grant. The Bank recognizes income on grants in the annual financial statements within interest income in the statement of income. Settlements on the program to compensate shortfall in interest income are recorded by the Bank on accounts No. 47443 “Settlements on other income related to lending (depositing) cash” and No. 47441 “Other income related to lending (depositing) cash.” Receivables for compensation of shortfall in interest income is disclosed by the Bank in the annual financial statements within loans receivable measured at amortized cost in the statement of financial position.

For the program to partially compensate costs on of initial installment payment

Receivables for partial compensation of costs on initial installment payment is recorded by the Bank on account No. 47423 “Receivables under other transactions” and is disclosed in the annual financial statements within other assets in the statement of financial position.

Assets and liabilities denominated in foreign currency

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.

Income and expense recognition

Pursuant to Regulation No. 579-P of the Bank of Russia, income and expenses are recognized on an “accrual” basis, one of the key accounting principles.

Under this principle, 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 is recognized in the accounting records if all of the following criteria are met:

- The Bank is entitled to income on a contractual or other basis;
- The amount of income is measurable;
- There is no uncertainty that the income will be received;
- As a result of an operation to supply (realize) an asset, perform works and render services, the Bank transferred to the buyer control over the supplied (realized) asset, the works were accepted by the customer and the services were rendered (this condition is applicable to income, other than interest income).

If, in respect to cash or other assets actually received by the Bank, except for interest income, at least one of the above-mentioned conditions is not met or conditions to recognize interest income are not met, liability rather than income is recognized in the accounting records, including in form of accounts payable.

Income from the performance of works (provision of services), including in the form of fee and commission income received or receivable, are recognized in the accounting records at the date of acceptance of works (provision of services) set by the terms of the contract (including the payment date) or supported by other primary accounting documents.

Interest income on loans issued to legal entities and individuals and on purchased securities classified as measured at FVOCI or amortized cost are recognized under the straight-line method using a contractual interest rate and a straight-line distribution of expenses and other income depending on contractual maturity, as the difference between the amortized cost of such financial assets determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

Interest income on interbank loans and deposits maturing more than in a year as of the date of initial recognition, designated as measured at amortized cost are recognized under the straight-line method using the contractual interest rate and straight-line distribution of expenses and other income depending on contractual maturity, as the difference between the amortized cost of such financial assets determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

Fee and commission are generally accounted for on an “accrual” basis and are recognized on a straight-line basis during the period when services are rendered to customers who simultaneously receive and consume benefits provided the Bank’s financial performance.

Expenses are recognized in the accounting records if all of the following criteria are met:

- The expense is incurred (arises) in accordance with a contract, legislative and regulatory requirements and normal business practices;
- The amount of the expense is measurable;
- There is certainty that the expense will be recognized.

If in respect to any paid cash or supplied assets at least one of the above-mentioned conditions is not met, the respective asset, rather than expense, is recognized in the accounting records, including in the form of accounts receivable.

Recoverable costs are not recognized as expenses but are included in accounts receivable.

For works and services where the Bank acts as the client (recipient, consumer, customer), there is no uncertainty on expense recognition from the date of acceptance of works or rendering of services.

Interest expense on bonds issued maturing less than in a year as of the date of initial recognition, designated as measured at amortized cost are recognized under the straight-line method using the contractual interest rate and straight-line distribution of expenses and other income depending on contractual maturity, as the difference between the amortized cost of such financial liabilities determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

Interest expense on attracted interbank loans and deposits maturing less than in a year as of the date of initial recognition, designated as measured at amortized cost are recognized under the straight-line method using the contractual interest rate and straight-line distribution of expenses and other income depending on contractual maturity, as the difference between the amortized cost of such financial liabilities determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

Fee and commission expenses are generally accounted for on an “accrual” basis and are recognized on a straight-line basis during the period when services are rendered to the Bank’s counterparties.

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

Estimation uncertainty

The Bank applies a number of assumptions and estimates which affect the amounts of assets and liabilities reported in the annual financial 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 annual 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.

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values.

Provision for potential losses on loans receivable and equivalent debt

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

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 (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.

Provision for potential losses

The Bank creates provisions for potential losses in accordance with Regulation No. 611-P of the Bank of Russia *On the Procedure for Creating Provisions for Potential Losses by Credit Institutions* dated 23 October 2017 (hereinafter, “Regulation No. 611-P”). In order to calculate provision for potential losses, the Bank applies individual classification and classifies elements of the provision estimation base into homogenous claims/guarantees/contingent liabilities.

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. 611-P of the Bank of Russia.

Allowance for expected credit losses

The measurement of impairment losses across all categories of financial assets requires judgment, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Bank’s ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank’s internal credit grading model, which assigns PDs to the individual grades;
- The Bank’s criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulae and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs;
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

Taxation

A significant part of the Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation currently in force is not clear and unambiguous enough, which often results in varying interpretations, selective and inconsistent application, as well as frequent and, at times, highly unpredictable changes, which may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activities of the Bank may be challenged by the regional and federal authorities. The tax authorities may be taking a more assertive position in their interpretation and application of the legislation and in performing tax reviews. As a result, the Bank's approaches to tax liability calculations that have not been challenged in the past may be challenged during future tax audits. As such, significant additional taxes, penalties and interest may be assessed by the authorities.

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. Security transactions, payments and receipts of interest on debt, as well as derivative transactions are subject to special transfer pricing rules. In 2019, the Bank determined its tax liabilities arising from these "controlled" transactions using actual transaction prices.

The majority of the Bank's transactions with related parties are not deemed controlled under the effective legislation.

Management believes that the Bank complies with the requirements of the Russian transfer pricing legislation with regard to transactions that qualify for recognition as 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 the existing Russian tax legislation, the Bank may classify derivative transactions as hedging transactions on condition that the proper documentation is in place to confirm, inter alia, the nature and rationale for hedging transactions. Management believes that the Bank has sufficient evidence to recognize hedging transactions for taxation purposes.

Currently, the Russian tax legislation requires compliance with the taxation rules for controlled foreign companies and the concept of tax residency of legal entities; in addition, foreign entities receiving income from Russian sources must have an actual right to such income. Overall, the adoption of these concepts should increase the administrative and, in some cases, tax burden on Russian taxpayers that form part of an international group and/or conduct transactions with foreign companies. In some cases, the Bank paid income to foreign entities using reduced rates of the Russian withholding tax based on the provisions of international tax treaties concluded by the Russian Federation. Due to the fact that the above rules are not applied consistently with regard to the confirmation of foreign entities' actual right to such income, there is uncertainty regarding the procedure for the application of these rules and their possible interpretation by the Russian tax authorities and the effect on the amount of the tax liabilities. Management believes it possible that with the evolution of these rules and changes in the approach of the Russian tax authorities and/or courts to their interpretation and enforcement, additional taxes and related fines and penalties may be assessed, which could negatively impact the financial position of the Bank.

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 the potential impact the adoption of these norms will have and the 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 of 1 January 20120, the Bank's management applies a conservative approach when interpreting applicable legislation and creates a provision for undetermined tax liabilities.

Changes in accounting policy for the next year

Major changes in accounting policy for 2020 as compared with accounting policy for 2019 were due to the adoption of the following documents from 1 January 2020:

- Regulation No. 659-P of the Bank of Russia *On Accounting for Lease Agreements by Credit Institutions* dated 12 November 2018;
- Instructive Regulation No. 4965-U of the Bank of Russia *On Amending Regulation No. 579-P of the Bank of Russia dated 27 February 2017 "On the Chart of Accounts for Credit Institutions and the Procedure for Its Application"* dated 12 November 2018;
- Instructive Regulation No. 4858-U of the Bank of Russia *On Amending Regulation No. 446-P of the Bank of Russia "On the Procedure for Determining Income, Expenses and Other Comprehensive Income of Credit Institutions"* dated 9 July 2018.

The Bank's accounting policy for 2020 was approved on 9 January 2020.

Provided below are major changes in the Bank's accounting policy for 2020 related to the introduction of the above-mentioned regulations.

By the above-mentioned regulations the Bank of Russia establishes the new lease accounting procedure for lessee and lessors that are credit institutions. This procedure is based on the requirements of IFRS 16 *Leases*. The new accounting procedure becomes effective on 1 January 2020 and replaces the current procedure for lease accounting established by Regulation No. 579-P. The Bank enters into leases where it acts as a lessee. Leases where the Bank acts as a lessee.

The new lease accounting procedure introduces a single lessee accounting model which requires all leases to be brought onto the balance sheet. Under this model, a lessee recognizes a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

There is a recognition exemption for short-term leases and leases of low-value items. The Bank applies the recognition exemption for short-term leases (i.e., leases that have a contractual lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets to lease contracts for office equipment with a deemed low value (i.e. less than kRUR 300). Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over lease term.

The Bank adopted IFRS 16 on 1 January 2020 in accordance with Regulation No. 659-P of the Bank of Russia O*n Accounting for Lease Agreements by Credit Institutions* dated 12 November 2018. The Bank elected to apply the standard without restating comparatives and recognized right-of-use assets and lease liabilities from the first business day of 2020 within the financial result of 2020 in accordance with paragraph 4.1. of Informational Letter No. IN-012/17/68 of the Bank of Russia O*n Certain Matters Related to the Entry into Force of the Accounting Regulations of the Bank of Russia on 1 January 2020* dated 27 August 2019.

Effect of adoption of IFRS 16

When transiting to new accounting rules from 1 January 2020, the Bank recognized the effect of transition within the financial result for the current (2020) year on account 706. Cumulative negative effect of transition to IFRS 16 recognized on the account for recognizing expenses for 2020 (including payments and advances paid and recognized in accounting records as of 1 January 2020) amounted to kRUR 15,782.

7. Information on non-adjusting events after the reporting date

On 21 February 2020, Analytical Credit Rating Agency (ACRA) confirmed the national credit rating of the Bank at AAA(RU) with a stable outlook. The ratings of the Bank's exchange-traded bond issues were also confirmed at AAA(RU).

8. Information on adjusting events after the reporting date

Pursuant to Instructive Regulation No. 3054-U of the Bank of Russia *On the Procedure for the Preparation of Financial Statements by Credit Institutions* dated 4 September 2019, an event after the reporting date (hereinafter, "EARD") 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.

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*
Net interest income (expense)	7,382,003	7,392,647	(10,644)
Net gains (losses) from financial assets at fair value through profit or loss	(907,888)	(907,888)	–
Net gains from securities at fair value through other comprehensive income	(200)	(200)	–
Net gains (losses) from dealing in foreign currencies	(270,726)	(270,726)	–
Net gains (losses) from foreign currency translation	1,327,876	1,327,876	–
Fee and commission income	151,272	151,272	–
Fee and commission expense	(3,413)	(3,389)	(24)
Change in provision for potential losses on loans receivable and equivalent debt, without considering adoption of IFRS 9	(3,466,620)	(3,461,613)	(5,007)
Change in provision for other losses, without considering adoption of IFRS 9	(330,630)	(332,060)	1,430
Other operating income	54,971	54,971	–
Other operating expenses	(1,705,374)	(1,682,620)	(22,754)
Profit before tax, without considering adoption of IFRS 9	**2,231,271**	**2,268,270**	**(36,999)**
Net gains from adjustments to equal provisions for potential losses to the amount of allowance for expected credit losses	3,177,908	3,177,908	–
Profit before tax, considering adoption of IFRS 9	**5,409,179**	**5,446,178**	**(36,999)**
Tax benefit (expense)	(678,234)	(325,526)	(352,708)
Profit after tax	**4,730,945**	**5,120,652**	**(389,707)**
Other comprehensive income, without considering adoption of IFRS 9	**3,856**	**3,856**	**–**
Income tax relating to items that might be reclassified to profit or loss	711	251	460
Other comprehensive income, considering adoption of IFRS 9	**3,145**	**3,605**	**(460)**
Financial result for the reporting period	**4,734,090**	**5,124,257**	**(390,167)**

9. Material misstatements in annual statements

According to the Bank's accounting policy, a misstatement shall be deemed material if it could, individually or together with other misstatements for the same reporting period, influence the economic decisions that users make on the basis of the financial statements prepared for that reporting period. The Bank developed the criteria of misstatement materiality in accordance with the requirements of paragraph 7 of IAS 1 *Presentation of Financial Statements.*

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.

10. Transition to IFRS 9 and clarifications

The Bank adopted IFRS 9 on 1 January 2019. The Bank selected the approach without restating comparatives and recognized adjustments to the carrying amount of financial assets and liabilities on 1 January 2019, i.e. the date of the first application, within retained earnings at the beginning of the current period.

Effect of adoption of IFRS 9

In accordance with Information Letter No. IN-18-18/21 of the Bank of Russia *On Certain Matters Related to the Entry into Force of the Accounting Regulations of the Bank of Russia on 1 January 2019* dated 23 April 2018, when adopting new accounting rules, the Bank recorded the results of transition to IFRS 9 in account 10801 *Retained earnings*. The cumulative negative effect from transition to IFRS 9 recorded in the prior-year financial results account amounted to kRUR 3,312,528, including:

- Loss from adjustment of provisions for potential losses to allowances for expected credit losses in the amount kRUR 444,631;
- Loss from adjustment of the carrying amount of financial assets to the amortized cost in the amount of kRUR 2,870,892;
- Gain from recognition of interest income receivable adjusted for the provision for potential losses on these receivables in the amount of kRUR 2,995.

The table below provides information reflecting the effect of transition to IFRS 9 on the balance sheet as of 1 January 2019:

	RAS measurement category	*IFRS 9 measurement category*	*Amount before transition to IFRS 9*	*Reclassification*	*Effect of adoption of IFRS 9*	*Amount after transition to IFRS 9*
Assets						
Cash	Cash	Cash	10	–	–	10
Amounts due to credit institutions from the Central Bank of the Russian Federation	Amounts due to credit institutions from the Central Bank of the Russian Federation	Amounts due to credit institutions from the Central Bank of the Russian Federation	1,460,349	–	–	1,460,349
Obligatory reserves	Obligatory reserves	Obligatory reserves	318,510	–	–	318,510
Amounts due from credit institutions	Amounts due from credit institutions	Amounts due from credit institutions	47,117	–	11	47,128
Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	Financial assets at fair value through profit or loss	1,082,686	–	–	1,082,686
Loans and placed funds	Net loans receivable	Net loans receivable at amortized cost	90,027,021	–	(2,674,097)	87,352,924
Accrued and overdue interest on loans and placed funds	Other assets	Net loans receivable at amortized cost	–	286,087	–	286,087
Claims for reimbursement of interest on subsidized loans to individuals	Other assets	Net loans receivable at amortized cost	–	152,402	–	152,402
Factoring fees	Other assets	Net loans receivable at amortized cost	–	383,737	–	383,737
Net investments in securities and other financial assets available for sale	Net investments in securities and other financial assets available for sale	Net investments in financial assets at fair value through other comprehensive income	439,780	–	–	439,780
Current income tax assets	Current income tax assets	Current income tax assets	–	–	–	0
Deferred tax asset	Deferred tax asset	Deferred tax asset	163,383	–	–	163,383
Fixed assets, intangible assets and inventories	Fixed assets, intangible assets and inventories	Fixed assets, intangible assets and inventories	229,996	–	–	229,996
Other assets	Other assets	Other assets	1,103,530	(822,226)	50	281,354
Total assets			**94,553,872**	**–**	**(2,674,036)**	**91,879,836**
Liabilities						
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	–	–	–	–
Amounts due to customers		Amounts due to customers at amortized cost	53,578,905	–	–	54,594,578
Deposits and amounts due to credit institutions	Amounts due to credit institutions	Amounts due to credit institutions	41,816,840	–	–	41,816,840

	RAS measurement category	*IFRS 9 measurement category*	*Amount before transition to IFRS 9*	*Reclassifi-cation*	*Effect of adoption of IFRS 9*	*Amount after transition to IFRS 9*
Accrued interest on amounts due to credit institutions	Other liabilities	Amounts due to credit institutions	–	870,109	–	870,109
Deposits and amounts due to customers other than credit institutions	Amounts due to customers other than credit institutions	Amounts due to customers other than credit institutions	11,762,065	–	–	11,762,065
Accrued interest on deposits and amounts due to customers other than credit institutions	Other liabilities	Amounts due to customers other than credit institutions	–	145,564	–	145,564
Amounts due to individuals	Deposits of (amounts due to) individuals, including individual entrepreneurs	Deposits of (amounts due to) individuals, including individual entrepreneurs	2,134,824	–	–	2,134,824
Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Financial liabilities at fair value through profit or loss	279,679	–	–	279,679
Debt obligations issued	Debt obligations issued	Issued debt securities at amortized cost	18,431,228	–	–	18,431,228
Accrued interest (coupon) income on debt obligations issued	Other liabilities	Issued debt obligations at amortized cost	–	376,950	–	376,950
Current income tax liabilities	Current income tax liabilities	Current income tax liabilities	41,428	–	–	41,428
Deferred tax liability	Deferred tax liability	Deferred tax liability	–	–	–	–
Other liabilities	Other liabilities	Other liabilities	2,618,193	(1,392,623)	–	1,225,570
Provisions for potential losses on credit-related commitments, other potential losses and transactions with offshore residents	Provisions for potential losses on credit-related commitments, other potential losses and transactions with offshore residents	Provisions for potential losses on credit-related commitments, other potential losses and transactions with offshore residents	–	–	638,360	638,360
Total liabilities			**74,949,433**	**–**	**638,360**	**75,587,793**
Equity						
Shareholders' (participants') equity	Shareholders' (participants') equity	Shareholders' (participants') equity	6,069,000	–	–	6,069,000
Share premium	Share premium	Share premium	5,780,800	–	–	5,780,800
Reserve fund	Reserve fund	Reserve fund	308,369	–	–	308,369
Fair value remeasurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)	Fair value remeasurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)	Remeasurement of financial assets at fair value through other comprehensive income decreased by deferred tax liability (increased by deferred tax asset)	(703)	–	–	(703)
		Allowances for expected credit losses	x	–	132	132
Retained earnings (uncovered losses) of prior years	Retained earnings (uncovered losses) of prior years		4,874,556	–	–	x
Unutilized profit (loss) for 2018	Unutilized profit (loss) for 2018		2,572,417	–	–	x
		Retained earnings (loss)	7,446,973	–	(3,312,528)	4,134,445
Total equity			**19,604,439**	**–**	**(3,312,396)**	**16,292,043**
Total liabilities and equity			**94,553,872**	**–**	**(2,674,036)**	**91,879,836**
Off-balance sheet liabilities						
Irrevocable liabilities of the credit institution	Irrevocable liabilities of the credit institution	Irrevocable liabilities of the credit institution	15,963,754	-	-	15,963,754

Effect of transition to IFRS 9 on the balance sheet at 1 January 2019:

Assets	
Amounts due to credit institutions, including:	**11**
- Adjustment of provision for potential losses to ECL allowance	11
Net loans receivable, including:	**(2,674,097)**
- Provisions for potential losses on interest income transferred from off-balance sheet account 91604	2,995
- Adjustment of provision for potential losses to ECL allowance	193,800
- Costs on loans to individuals at amortized cost	778,923
- Other income on loans to individuals at amortized cost	(3,649,815)
Other assets, including:	**50**
- Adjustment of provision for potential losses to ECL allowance	50
Total assets	**(2,674,036)**

Liabilities and equity	
Provisions for potential losses on credit-related commitments, other potential losses and transactions with offshore residents, including:	**638,360**
- Adjustment of provision for potential losses to ECL allowance	638,360
Equity	
Allowances for expected credit losses, including:	**132**
- On securities measured through other comprehensive income	132
Retained earnings (loss)	**(3,312,528)**
Total liabilities and equity	**(2,674,036)**

The adoption of IFRS 9 had an effect on the algorithm of statement 0409806 *Balance sheet (published form).* The changes are due to the reclassification of balance sheet interest accounts from other assets and other liabilities to the respective asset and liability items that include financial instruments on which interest was accrued.

The effect of transition to IFRS 9 on retained earnings and equity (capital):

Retained earnings	*1 January 2019*
Balance before transition to IFRS 9	**7,446,973**
Adjustments of provisions for potential losses to ECL allowances	(444,631)
Measurement of financial assets at amortized cost, including:	
- Reversal of costs on loans to individuals – increase in carrying amount	778,923
- Reversal of other income on loans to individuals – decrease in carrying amount	(3,649,815)
Recording of interest income previously recognized in off-balance sheet account 91604	2,995
Changes in equity due to adoption of IFRS 9	**(3,312,528)**
Balance after transition to IFRS 9	**4,134,445**

11. Accompanying information for the balance sheet items

11.1. Cash and cash equivalents

	1 January 2020	*1 January 2019*
Cash on hand	10	10
Balances on accounts with the Bank of Russia	2,186,737	1,141,839
Balances on correspondent accounts with credit institutions established in:	56,339	47,128
- Russian Federation	9,269	7,174
- Other countries	47,070	39,954
Carrying amount of cash and cash equivalents	**2,243,086**	**1,188,977**
ECL allowances (*)	(17)	(11)
Total cash and cash equivalents	**2,243,069**	**1,188,966**

(*) As of 1 January 2019 – provisions for potential losses.

Obligatory reserves with the Bank of Russia are not included in cash and cash equivalents, since the Bank's ability to withdraw such reserves is significantly restricted by statutory legislation.

Cash and cash equivalents are neither impaired nor past due.

11.2. Financial instruments 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 underlying asset, derivative or currency:

	1 January 2020	*1 January 2019*
Swaps, including:	**868,323**	**1,082,686**
Foreign currency and interest rate (cross-currency interest rate swaps), including	–	1,082,686
- EUR	–	551,612
- JPY	–	531,074
Interest rate (interest rate swaps)	868,323	–
Total financial assets at fair value through profit or loss	**868,323**	**1,082,686**

The table below presents the structure of financial liabilities at fair value through profit or loss by type of underlying asset, derivative and currency:

	1 January 2020	*1 January 2019*
Swaps, including:	**154,064**	**279,679**
Foreign currency and interest rate (cross-currency interest rate swaps), Including:	154,064	164,191
- EUR	117,879	164,191
- JPY	36,185	–
Interest rate (interest rate swaps)	–	115,488
Total financial liabilities at fair value through profit or loss	**154,064**	**279,679**

Below are the fair values of derivative financial instruments recognized in assets or liabilities and their nominal values as of 1 January 2020.

	Nominal value		*Fair value*	
1 January 2020	*Claims*	*Liabilities*	*Asset*	*Liabilities*
Cross currency interest rate swaps	10,219,852	11,577,516	–	154,064
Interest rate swaps	4,033,622	3,311,710	868,323	–
Total	**14,253,474**	**14,889,226**	**868,323**	**154,064**

Below are the fair values of derivative financial instruments recognized in assets or liabilities and their nominal values as of 1 January 2019.

	Nominal value		*Fair value*	
1 January 2019	*Claims*	*Liabilities*	*Asset*	*Liabilities*
Cross currency interest rate swaps	13,111,414	13,510,012	1,082,686	164,191
Interest rate swaps	1,813,348	1,737,551	–	115,488
Total	**14,924,762**	**15,247,563**	**1,082,686**	**279,679**

The nominal value of derivative financial instrument is the value of the derivative's underlying asset or the nominal value to which a reference rate or an index is applied and which serves as a basis upon which changes in the value of derivatives are measured. The nominal value indicates the amount of transactions which are not settled at the end of the reporting period but is not the exposure to market or credit risks.

Derivative financial assets are recognized at fair value. Derivatives are carried as assets (claims) when their fair value is positive and as liabilities when it is negative. The Bank determines the fair value of derivative financial instruments using valuation techniques based on observable market inputs.

As of 1 January 2020, the Bank entered into derivative transactions with four counterparties. As of 1 January 2019, the Bank entered into derivative transactions with four counterparties (where 78.5% of transactions are with resident counterparties and 21.5% – with non-resident counterparties).

11.3. Net loans receivable at amortized cost

Net loans receivable comprise deposits with the Bank of Russia, interbank loans, loans receivable from legal entities and individuals, and other equivalent debt. The Bank issues loans to residents of the Russian Federation.

As of 1 January 2019, the amount of net loans receivable was calculated in accordance with the itemized statement for balance sheet (published form) preparation in accordance with Instructive Regulation No. 4212-U of the Bank of Russia of 24 November 2016 effective before 1 January 2019, and totaled kRUR 90,027,021.

In order to present comparative information in the Notes, the amount of net loans receivable as of the beginning of the reporting period was recalculated based on the algorithm stated in the itemized statement for balance sheet (published form) preparation in accordance with Instructive Regulation No. 4927-U of the Bank of Russia of 8 August 2018 effective since 1 January 2019, and totaled kRUR 90,849,247.

The table below presents net loans receivable at amortized cost:

	1 January 2020	*weight, %*	*1 January 2019*	*weight, %*
Deposits with the Bank of Russia	3,600,000	3.41	6,400,000	6.82
Interbank loans	–	0.0	2,004,901	2.14
Loans receivable from legal entities, including:	42,679,479	40.43	32,512,200	34.65
Factoring	42,512,383	40.27	32,479,180	34.6
Loans to legal entities	167,096	0.16	33,020	0.04
Loans receivable from individuals (car loans)	58,938,347	55.84	52,761,784	56.23
Claims for reimbursement of interest on subsidized loans to individuals	340,449	0.32	152,402	0.16
Loans receivable at amortized cost before allowance	**105,558,275**	**100.0**	**93,831,287**	**100.0**
ECL allowance (*)	(3,409,569)		(2,982,040)	
Net loans receivable at amortized cost	**102,148,706**		**90,849,247**	

(*) As of 1 January 2019 – provision for potential losses.

A detailed analysis of loans receivable by quality class is presented in Note 15.

1 January 2020	*Loans receivable*	*ECL allowance*	*Net loans receivable*
Deposits with the Bank of Russia	3,600,000	–	3,600,000
Interbank loans	–	–	–
Loans receivable from legal entities, including:	*42,679,479*	*(1,278,649)*	*41,400,830*
Factoring	42,512,383	(1,273,335)	41,239,048
Loans to legal entities	167,096	(5,314)	161,782
Loans receivable from individuals (car loans)	*58,938,347*	*(1,960,696)*	*56,977,651*
Claims for reimbursement of interest	340,449	(170,224)	170,225
on subsidized loans to individuals	–	–	–
Loans receivable at amortized cost	**105,558,275**	**(3,409,569)**	**102,148,706**

1 January 2019	*Loans receivable*	*Provision for possible losses*	*Net loans receivable*
Deposits with the Bank of Russia	6,400,000	–	6,400,000
Interbank loans	2,004,901	–	2,004,901
Loans receivable from legal entities, including:	*32,512,200*	*(900,573)*	*31,611,627*
Factoring	32,479,180	(896,732)	31,582,448
Loans to legal entities	33,020	(3,841)	29,179
Loans receivable from individuals (car loans)	*52,761,784*	*(2,081,467)*	*50,680,317*
Claims for reimbursement of interest	152,402	–	152,402
on subsidized loans to individuals	–	–	–
Loans receivable at amortized cost	**93,831,287**	**(2,982,040)**	**90,849,247**

The table below presents loans receivable by remaining maturity:

	1 January 2020	*1 January 2019*
Loans receivable, including:	**107,450,998**	**92,991,502**
- Past due	793,608	714,947
- With indefinite maturity (on demand)	–	17
- Up to 30 days	5,811,764	12,123,918
- From 31 to 90 days	12,128,747	28,387,769
- From 91 to 180 days	28,991,534	11,358,367
- From 181 days to 1 year	3,832,764	9,031,114
- Over 1 year	55,892,581	31,375,370
Interest claims	833,497	687,383
Claims for reimbursement of interest on subsidized loans to individuals	340,449	152,402
Adjustment for expenses and other income from provision (placement) of funds	(3,066,669)	–
ECL allowance (*)	(3,409,569)	(2,982,040)
Net loans receivable at amortized cost	**102,148,706**	**90,849,247**

(*) As of 1 January 2019 – provision for potential losses.

The table below presents past due loans receivable as of 1 January 2020:

1 January 2020	*Loans receivable*	*Provision for possible losses*	*ECL allowance adjustment, %*	*Net loans receivable*
Deposits with the Bank of Russia	3,600,000	–	–	3,600,000
Loans receivable and equivalent debt individually determined to be impaired	**48,808,161**	**(5,114,606)**	**3,025,259**	**46,718,814**
Loans receivable from legal entities	**42,679,479**	**(2,362,292)**	**1,083,643**	**41,400,830**
- Not past due	42,669,863	(2,362,292)	1,083,971	41,391,542
- Less than 30 days past due	9,616	–	(328)	9,288
Loans receivable from individuals	**5,788,233**	**(2,411,865)**	**1,771,551**	**5,147,919**
- Not past due	5,182,158	(1,823,831)	1,632,621	4,990,948
- Less than 30 days past due	57,981	(40,277)	18,485	36,189
- From 31 to 90 days past due	25,449	(25,112)	11,554	11,891
- From 91 to 180 days past due	48,953	(48,953)	10,202	10,202
- Over 180 days past due	473,692	(473,692)	98,689	98,689
Claims for reimbursement of interest on subsidized loans to individuals				
- Over 180 days past due	340,449	(340,449)	170,225	170,225
Loans receivable and equivalent debt not individually determined to be impaired	**56,216,783**	**(1,275,732)**	**(44,490)**	**54,896,561**
Loans receivable from individuals	**56,216,783**	**(1,275,732)**	**(44,490)**	**54,896,561**
- Not past due	55,392,732	(739,009)	(123,734)	54,529,989
- Less than 30 days past due	217,082	(31,404)	(10,710)	174,968
- From 31 to 90 days past due	110,220	(42,502)	20,440	88,158
- From 91 to 180 days past due	94,954	(69,905)	(5,272)	19,777
- Over 180 days past due	401,795	(392,912)	74,786	83,669
Adjustment for expenses and other income related to provision (placement) of funds	(3,066,669)	–	(160)	(3,066,829)
Loans receivable at amortized cost	**105,558,275**	**(6,390,338)**	**2,980,769**	**102,148,706**

(*) The information is prepared on the basis of reporting form 0409115 “Information on the quality of a credit institution's assets”.

The table below presents concentrations of loans receivable by location:

	1 January 2020	*Weight, %*	*1 January 2019*	*Weight, %*
Loans receivable, Russia, including:	**107,450,998**		**92,991,502**	
Moscow	17,308,781	16.40	20,496,847	21.85
Moscow region	7,676,302	7.27	5,610,468	5.98
St. Petersburg	6,122,604	5.80	4,590,944	4.89
Republic of Tatarstan	5,696,764	5.40	4,520,621	4.82
Sverdlovsk region	4,746,733	4.50	3,780,224	4.03
Republic of Bashkortostan	4,236,531	4.01	3,930,770	4.19
Perm region	4,023,993	3.81	2,784,475	2.97
Chelyabinsk region	3,953,230	3.75	3,396,112	3.62
Samara region	3,572,926	3.38	2,897,510	3.09
Tyumen region	3,095,961	2.93	2,637,993	2.81
Nizhny Novgorod region	3,033,552	2.87	2,178,069	2.32
Krasnodar region	2,722,552	2.58	2,659,728	2.83
Rostov region	2,655,136	2.52	1,892,122	2.02
Leningrad region	2,016,691	1.91	1,963,734	2.09
Volgograd region	1,970,183	1.87	1,501,323	1.60
Kemerovo region	1,954,125	1.85	1,520,940	1.62
Tula region	1,476,376	1.40	834,958	0.89
Orenburg region	1,455,927	1.38	1,201,192	1.28
Omsk region	1,419,193	1.34	1,207,173	1.29
Saratov region	1,368,101	1.30	998,783	1.06
Udmurt region	1,210,901	1.15	1,062,428	1.13
Khanty-Manses autonomous district	1,209,487	1.15	1,190,562	1.27
Tver region	1,155,260	1.09	849,583	0.91
Ulyanovsk region	1,135,731	1.08	854,650	0.91
Novosibirsk region	1,128,279	1.07	1,033,458	1.10
Penza region	1,096,024	1.04	837,707	0.89
Irkutsk region	1,027,308	0.97	800,234	0.85
Other Russian regions	18,982,347	17.98	15,758,894	16.80
Interest claims	833,497	0.79	687,383	0.73
Claims for reimbursement of interest on subsidized loans to individuals	340,449	0.32	152,402	0.16
Adjustment for transaction costs and other income from provision (placement) of funds	(3,066,669)	(2.91)	–	–
Loans receivable at amortized cost	**105,558,275**	**100.0**	**93,831,287**	**100.0**
ECL allowance (*)	(3,409,569)		(2 982 040)	
Net loans receivable at amortized cost	**102,148,706**		**90,849,247**	

(*) As of 1 January 2019 – provision for potential losses.

As of 1 January 2020 and 2019, the Bank issued loans to legal entities engaged in trade in vehicles.

11.4. Fair value disclosure

The Bank uses the following hierarchy to determine and disclose the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques for which the inputs that are significant to the fair value measurement is unobservable data.

The table below shows the analysis of financial assets and liabilities broken down by hierarchy level as of 1 January 2020:

	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value				
Net investments in financial assets at fair value through other comprehensive income	1,004,477	–	–	1,004,477
Financial assets at fair value through profit or loss	–	868,323	–	868,323
Total assets measured at fair value	**1,004,477**	**868,323**	**–**	**1,872,800**
Assets for which fair values are disclosed				
Cash	–	10	–	10
Amounts due to the credit institution from the Central Bank of the Russian Federation	–	2,677,187	–	2,677,187
Amounts due from credit institutions	–	–	56,322	56,322
Net loans receivable at amortized cost	–	–	97,577,918	97,577,918
Other assets	–	–	145,475	145,475
Total assets for which fair values are disclosed	**–**	**2,677,197**	**97,779,715**	**100,456,912**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	154,064	–	154,064
Total liabilities measured at fair value	**–**	**154,064**	**–**	**154,064**
Liabilities for which fair values are disclosed				
Amounts due to customers at amortized cost	–	–	45,058,798	45,058,798
Debt securities issued	–	40,339,981	–	40,339,981
Other liabilities	–	–	1,846,983	1,846,983
Total liabilities for which fair values are disclosed	**–**	**40,339,981**	**46,905,781**	**87,245,762**

The table below presents the comparative information on the analysis of financial assets and liabilities broken down by hierarchy level as of 1 January 2019:

	Quoted prices in active markets (Level 1)	*Significant observable inputs (Level 2)*	*Significant unobservable inputs (Level 3)*	*Total*
Assets measured at fair value				
Net investments in financial assets at fair value through other comprehensive income	439,780	–	–	439,780
Financial assets at fair value through profit or loss	–	1,082,686	–	1,082,686
Total assets measured at fair value	**439,780**	**1,082,686**	**–**	**1,522,466**
Assets for which fair values are disclosed				
Cash	–	10	–	10
Amounts due to the credit institution from the Central Bank of the Russian Federation	–	1,460,349	–	1,460,349
Amounts due from credit institutions	–	–	47,117	47,117
Net loans receivable at amortized cost	–	–	87,516,411	87,516,411
Other assets	–	–	281,304	281,304
Total assets for which fair values are disclosed	**–**	**1,460,359**	**87,844,832**	**89,305,191**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	279,679	–	279,679
Total liabilities measured at fair value	**–**	**279,679**	**–**	**279,679**
Liabilities for which fair values are disclosed				
Amounts due to customers at amortized cost	–	–	54,940,717	54,940,717
Debt securities issued	–	19,016,357	–	19,016,357
Other liabilities	–	–	1,225,570	1,225,570
Total liabilities for which fair values are disclosed	**–**	**19,016,357**	**56,166,287**	**75,182,644**

Set out below is a comparison by class of the carrying amounts and fair values of the Bank's financial instruments that are not carried at fair value in the statement of financial position. The table does not include the fair values of non-financial assets and non-financial liabilities.

	31 December 2019			*31 December 2018*		
	Carrying amount	***Fair value***	***Unrecognized gain/(loss)***	***Carrying amount***	***Fair value***	***Unrecognized gain/(loss)***
Financial assets						
Cash	10	10	–	10	10	–
Amounts due to the credit institution from the Central Bank of the Russian Federation	2,677,187	2,677,187	–	1,460,349	1,460,349	–
Amounts due from credit institutions	56,322	56,322	–	47,117	47,117	–
Net loans receivable at amortized cost	102,148,706	97,577,918	(4,570,788)	90,849,247	87,516,411	(3,332,836)
Other assets	145,475	145,475	–	281,304	281,304	–
Total financial assets	**105,027,700**	**100,456,912**	**(4,570,788)**	**92,638,027**	**89,305,191**	**(3,332,836)**
Financial liabilities						
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	–	–	–	–	–	–
Amounts due to customers at amortized cost	44,747,964	45,058,798	(310,834)	54,594,578	54,940,717	(346,139)
Debt securities issued	39,258,988	40,339,981	(1,080,993)	18,808,178	19,016,357	(208,179)
Other liabilities	1,846,983	1,846,983	–	1,225,570	1,225,570	–
Total financial liabilities	**85,853,935**	**87,245,762**	**(1,391,827)**	**74,628,326**	**75,182,644**	**(554,317)**
Total unrecognized change in fair value	**–**	**–**	**(5,962,615)**	**–**	**–**	**(3,887,153)**

Financial instruments are transferred from Level 2 and Level 3 to Level 1 where they became actively traded and their fair value can therefore be determined based on quoted prices in active markets.

Financial instruments are transferred from Level 1 to Level 2 where they cease to be actively traded, the market for such instruments is insufficiently active to use quoted prices for their valuation, therefore, the fair value is determined using valuation techniques for which all significant inputs that have a significant effect on the recorded fair value are observable in an active market.

Financial instruments are transferred to Level 3 where they cease to be actively traded and it is impossible to use valuation techniques with inputs observable in an active market.

In 2019 and 2018, the Bank did not transfer financial instruments between levels of the fair value hierarchy.

The following describes the techniques and assumptions used to determine fair values of financial instruments.

Derivative financial instruments

Derivative financial instruments measured using techniques applied by information systems widely known in the market and based on observable inputs comprise cross-currency interest rate swaps and interest rate swaps.

Financial instruments for which fair value approximates carrying amount

For financial assets and financial liabilities that are liquid or have a short-term maturity (less than one year), it is assumed that their carrying amounts approximate their fair values. This assumption is also applied to demand deposits, amounts due from the Bank of Russia and credit institutions, other financial assets and liabilities.

Financial instruments carried at amortized cost

The fair value of unquoted instruments, in particular loans to customers, customer deposits, amounts due to credit institutions maturing in more than a year, debt securities issued, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

11.5. Financial assets at fair value through other comprehensive income

Securities previously classified as available for sale were reclassified as securities at fair value through other comprehensive income in accordance with IFRS 9 without changing the valuation technique.

The table below presents information on types of securities by remaining maturity.

	1 January 2020	*1 January 2019*
Russian State bonds (OFZ), including:	**1,004,477**	**439,780**
- from 31 to 90 days	–	–
- from 181 days to 1 year	–	439,780
- from 1 to 3 years	1,004,477	–
Investments in financial assets measured at fair value through other comprehensive income	**1,004,477**	**439,780**

Below is the information on the maturity and coupon income by type of securities in the Bank's portfolio as of 1 January 2020:

	Maturity		*Coupon rate, %*	
Type of securities	***Minimum***	***Maximum***	***Minimum***	***Maximum***
OFZ	14 April 2021	18 August 2021	7.5	7.6

Below is the information on the maturity and coupon income by type of securities in the Bank's portfolio as of 1 January 2019:

Type of securities	***Maturity***	***Coupon rate, %***
OFZ	11 December 2019	6.8

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

As of 1 January 2020 and 2019, securities at fair value through other comprehensive income 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 2020 and 2019, the Bank had no securities provided as collateral under sale and repurchase agreements.

11.6. Fixed assets, intangible assets and inventories

The table below presents information by type of fixed assets, intangible assets and inventories as of 1 January 2020.

	Office equipment and computers	*Automotive vehicles*	*Inventories*	*Intangible assets (software and intellectual property items)*	*Intangible assets (acquired non-exclusive rights to intellectual products)*	*Capital investments*	*Total*
Cost at 1 January 2019	133,585	5,967	99	50,657	769,467	10,941	**970,716**
Accumulated depreciation/amortization	(76,077)	(2,584)	–	(9,807)	(652,252)	–	**(740,720)**
Net book value at 1 January 2019	**57,508**	**3,383**	**99**	**40,850**	**117,215**	**10,941**	**229,996**
Additions	23,570	–	13,097	25,296	100,149	140,611	**302,723**
Disposals at cost	(979)	–	(13,103)	–	–	(132,657)	**(146,739)**
Disposals of accumulated depreciation/amortization	979	–	–	–	–	–	**979**
Depreciation and amortization charges	(29,497)	(1,738)	–	(11,729)	(124,235)	–	**(167,199)**
Net book value at 1 January 2020	**51,581**	**1,645**	**93**	**54,417**	**93,129**	**18,895**	**219,760**
Cost at 1 January 2020	156,176	5,967	93	75,953	869,615	18,895	**1,126,699**
Accumulated depreciation/amortization	(104,595)	(4,322)	–	(21,536)	(776,486)	–	**(906,939)**

The table below presents information by type of fixed assets, intangible assets and inventories as of 1 January 2020.

	Office equipment and computers	*Automotive vehicles*	*Inventories*	*Intangible assets (software and intellectual property items)*	*Intangible assets (acquired non-exclusive rights to intellectual products)*	*Capital investments*	*Total*
Cost at 1 January 2018	65,382	5,457	63	6,217	702,729	22,445	**802,293**
Accumulated depreciation/amortization	(51,168)	(3,699)	–	(2,821)	(414,220)	–	**(471,908)**
Net book value at 1 January 2018	**14,214**	**1,758**	**63**	**3,396**	**288,509**	**22,445**	**330,385**
Additions	68,271	2,812	12,430	44,441	66,737	10,941	**205,632**
Disposals at cost	(68)	(2,302)	(12,394)	–	–	(22,445)	**(37,209)**
Disposals of accumulated depreciation/amortization	68	2,302	–	–	–	–	**2,370**
Depreciation/amortization charges	(24,977)	(1,187)	–	(6,987)	(238,031)	–	**(271,182)**
Net book value at 1 January 2019	**57,508**	**3,383**	**99**	**40,850**	**117,215**	**10,941**	**229,996**
Cost at 1 January 2019	133,585	5,967	99	50,657	769,467	10,941	**970,716**
Accumulated depreciation/amortization	(76,077)	(2,584)	–	(9,807)	(652,252)	–	**(740,720)**

As of 1 January 2020 and 2019, there were no research and development costs recognized as expenses during the reporting period.

11.7. Other assets

As of 1 January 2019, the amount of other assets was calculated in accordance with the itemized statement for balance sheet (published form) preparation in accordance with Instructive Regulation No. 4212-U of the Bank of Russia of 24 November 2016 effective before 1 January 2019, and totaled kRUR 1,103,530.

In order to present comparative information in the Notes, the amount of other assets as of the beginning of the reporting period was recalculated based on the algorithm stated in the itemized statement for balance sheet (published form) preparation in accordance with Instructive Regulation No. 4927-U of the Bank of Russia of 8 August 2018 effective since 1 January 2019, and totaled kRUR 281,304.

The information by type of other assets is presented in the table below:

	1 January 2020	*1 January 2019*
Other financial assets, including:	**60,948**	**41,368**
Other receivables	60,948	41,368
Other non-financial assets, including:	**187,174**	**286,209**
Taxes and payroll settlements	46,760	38,433
Social insurance and security settlements	1,493	1,164
Settlements with suppliers (advance payments)	137,614	231,567
Prepaid expenses	0	13,249
Amounts received under accord and satisfaction agreements	1,307	1,796
Other assets before allowance	**248,122**	**327,577**
Allowance for ECL (*)	(102,650)	(46,273)
Total other assets	**145,472**	**281,304**

(*) As of 1 January 2019 – provision for potential losses.

The table below presents information on other assets by remaining maturity:

	1 January 2020	*1 January 2019*
Other assets, including:	**248,122**	**327,577**
- Up to 1 year	243,743	323,198
- More than 1 year	4,379	4,379

Other assets maturing more than in 12 months are represented by security deposits under leases for premises.

As of 1 January 2020 and 2019, other assets are represented by RUR-denominated receivables.

11.8. Amounts due to customers at amortized cost

Amounts due to credit institutions

The table below presents amounts due to credit institutions by remaining maturity:

	1 January 2020	*1 January 2019*
Deposits from credit institutions, including	**32,978,689**	**42,686,949**
- Up to 1 year	27,206,209	41,181,740
- Over 1 year	5,772,480	1,505,209

As of 1 January 2020, the Bank raised kRUR 28,807,685 (2018: kRUR 36,322,599) as deposits from resident banks and kRUR 4,171,004 (2018: kRUR 6,364,350) as deposits from non-resident banks.

Amounts due to customers other than credit institutions

The table below presents amounts due to customers other than credit institutions by type and maturity:

	1 January 2020	*1 January 2019*
Current accounts and demand deposits, including	2,640,992	2,228,393
- Corporate customers	93,569	93,569
- Retail customers	2,547,423	2,134,824
Term deposits of legal entities, including:	8,903,152	9,479,115
- maturing within 1 year	3,232,832	2,574,755
- maturing after 1 year	5,670,320	6,904,360
Amounts in settlements	23,520	54,557
Interest payable	201,611	145,564
Total amounts due to customers other than credit institutions	**11,769,275**	**11,907,629**

The table below presents amounts due to customers other than credit institutions by economy sector:

	1 January 2020	**1 January 2019**
Amounts due to legal entities, including:	9,221,852	9,772,805
- Trade in automotive vehicles	303,838	1,244,477
- Financing activities	8,918,014	8,528,328
Amounts due to individuals	2,547,423	2,134,824
Total amounts due to customers other than credit institutions	**11,769,275**	**11,907,629**

As of 1 January 2020, the Bank raised kRUR 3,474,260 (2018: kRUR 3,358,770) as deposits from resident legal entities and kRUR 5,724,072 (2018: kRUR 6,359,478) as deposits from non-resident legal entities.

11.9. Debt securities issued

The table below presents bonds issued by remaining maturity:

	1 January 2020	*1 January 2019*
Bonds issued, including:	**39,258,988**	**18,808,178**
- Up to 1 year	10,827,760	376,950
- Over 1 year	28,431,228	18,431,228

The table below presents information on bonds issued as of 1 January 2020:

Bonds *Series*	*Number*	*Date of placement*	*Date of maturity*	*Coupon rate, per annum, %*	*Nominal amount, kRUR*	*Interest and coupon payable, kRUR*
01	40100170B	5 July 2016	9 July 2021 *Known offers: 01. 7 January 2020, date of redemption – 15 January 2020*	For 1-4 coupon periods the coupon rate is 10.4% For 5-7 coupon periods the coupon rate is 7.9% For 8-10 coupon periods the coupon rate is 6.45%	3,431,228	131,450
БО-001Р-01	4B020100170B001P	14 April 2017	16 April 2020	For 1-6 coupon periods the coupon rate is 9.45%	5,000,000	99,700
БО-001Р-02	4B020200170B001P	12 October 2017	14 October 2020	For 1-6 coupon periods the coupon rate is 8.45%	5,000,000	91,450
БО-001Р-03	4B020300170B001P	20 November 2018	22 November 2021	For 1-6 coupon periods the coupon rate is 9.25%	5,000,000	51,950
БО-001Р-04	4B020400170B001P	14 February 2019	16 February 2022	For 1-6 coupon periods the coupon rate is 9.15%	5,000,000	172,950
БО-001Р-05	4B020500170B001P	23 April 2019	25 April 2022	For 1-6 coupon periods the coupon rate is 8.9%	8,000,000	136,480
БО-001Р-06	4B020600170B001P	24 September 2019	26 September 2022	For 1-6 coupon periods the coupon rate is 7.65%	7,000,000	143,780
Total					**38,431,228**	**827,760**

The table below presents information on bonds issued as of 1 January 2019:

Bonds *Series*	*Number*	*Date of placement*	*Date of maturity*	*Coupon rate, per annum, %*	*Nominal amount, kRUR*	*Interest and coupon payable, kRUR*
01	40100170B	5 July 2016	9 July 2021 *Known offers: 1. 7 January 2020, date of redemption – 15 January 2020*	For 1-4 coupon periods the coupon rate is 10.4% For 5-7 coupon periods the coupon rate is 7.9% The rate for the 8-10 coupon periods will be determined in accordance with the issuance documents	3,431,228	131,450
БО-001Р-01	4B020100170B001P	14 April 2017	16 April 2020	For 1-6 coupon periods the coupon rate is 9.45%	5,000,000	100,950
БО-001Р-02	4B020200170B001P	12 October 2017	14 October 2020	For 1-6 coupon periods the coupon rate is 8.45%	5,000,000	92,600
БО-001Р-03	4B020300170B001P	20 November 2018	22 November 2021	For 1-6 coupon periods the coupon rate is 9.25%	5,000,000	51,950
Total					**18,431,228**	**376,950**

11.10. Other liabilities

The information by type of other liabilities is presented in the table below:

	1 January 2020	*1 January 2019*
Other financial liabilities, including:	**26,551**	**13,304**
Other accounts payable	26,551	13,304
Other non-financial liabilities, including:	**1,820,432**	**1,212,266**
Payroll payable	107,423	83,403
Taxes payable	304,234	329,479
Trade payables	1,160,371	564,440
Social insurance and security settlements	17,743	14,490
Payables to the Deposit Insurance Agency	–	130
Long-term employee benefits payable	125,975	83,410
Non-credit related provisions	104,686	136,914
Total other liabilities	**1,846,983**	**1,225,570**

The table below presents other liabilities by remaining maturity:

	1 January 2020	*1 January 2019*
Other liabilities, including	**1,846,983**	**1,225,570**
- Up to 1 year	1,710,237	1,225,570
- Over 1 year	136,746	–

As of 1 January 2020 and 2019, other liabilities are represented by RUR-denominated payables.

11.11. Information on leases

As of 1 January 2020, contractual liabilities comprise operating lease commitments. The Bank is a lessee in lease and sublease agreements for fixed assets (office premises and vehicles) and other assets (computers and computer equipment).

The table below presents information on the amount of future minimum lease payments:

	1 January 2020	*1 January 2019*
Operating lease commitments, including	**446,026**	**404,926**
- up to 1 year	125,323	100,156
- more than 1 year	320,703	304,770

In 2017, the Bank re-entered into an operating lease agreement for the office premises that are the Bank's location and business address. In accordance with the agreement, the total lease period is 5 years with the options of renewal upon expiry and early termination. Lease payments increase annually in line with the market trends.

In 2019, the Bank concluded a sublease agreement for additional office premises for the Bank's operating activities. The leased premises are located at the same address as the Bank's head office. The agreement is concluded for less than a year with an automatic prolongation option, unless either party notifies the other on its intent to terminate the agreement. The agreement does not stipulate changes to lease payments which may be increased upon prolongation.

Lease agreements for vehicles are generally concluded for 2 years, but there are agreements for 3 years.

Lease agreements for computer equipment do not have an established lease term due to short useful lives of such equipment. Based on the professional judgment, the Bank establishes a 5-year lease term for computer equipment.

During 2019, operating lease expense in the statement of income comprised the minimum payment with respect to:

- lease of kRUR 72,662 (2018: kRUR 70,249);
- Sublease of kRUR 6,214 (2018: no subleases).

Contingent lease payments comprising utilities payments for leased premises recognized as expense in the reporting period are as follows:

- Lease of kRUR 13,828 (2018: kRUR 13,185);
- Sublease of kRUR 54 (2018: no subleases).

11.12. Share capital

The structure of the share capital is presented in the following table below:

	1 January 2020		*1 January 2019*	
	Number of shares	*Nominal amount*	*Number of shares*	*Nominal amount*
Ordinary shares	4,335,000	6,069,000	4,335,000	6,069,000
Total	**4,335,000**	**6,069,000**	**4,335,000**	**6,069,000**

As of 1 January 2020 and 2019, all shares are authorized, issued and fully paid.

The Bank did not declare or pay any dividends in 2019 and 2018.

11.13. Information on contingent liabilities

The table below presents information on credit-related commitments:

	1 January 2020	*1 January 2019*
Credit-related commitments, including:		
- Undrawn credit facilities of legal entities	7,482,849	73,164
- Undrawn credit facilities of individuals	214,175	643,027
Total credit-related commitments before ECL allowance	**7,697,024**	**716,191**
ECL allowance (*)	98,424	–
Total credit-related commitments after ECL allowance	**7,598,600**	**716,191**

(*) As of 1 January 2019 – provision for potential losses.

12. Accompanying information for the statement of income

12.1. Interest income by type of asset

	1 January 2020	*1 January 2019*
Interest income	**13,037,103**	**11,894,686**
Interest income on debt financial assets at amortized cost, including:	**13,005,060**	**11,862,361**
- Loans issued to resident credit institutions	256,380	172,695
- Deposits with the Bank of Russia	231,855	287,885
- Loans to legal entities, including:	4,306,722	2,807,856
Factoring	4,298,345	2,807,324
Loan facilities	8,377	532
- Loans to individuals	8,210,103	8,593,925
Interest income on debt financial assets at fair value through other comprehensive income, including:	**32,043**	**32,325**
- Investments in securities	32,043	32,325
Total interest income	**13,037,103**	**11,894,686**

Interest income on loans issued to legal entities and individuals and on purchased securities designated as measured at FVOCI or amortized cost are recognized under the straight-line method using a contractual interest rate and a straight-line distribution of expenses and other income subject to contractual maturity, as the difference between the amortized cost of such financial assets determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

Interest income on interbank loans and deposits maturing more than in a year as of the date of initial recognition, designated as measured at amortized cost, are recognized under the straight-line method using the contractual interest rate and straight-line distribution of expenses and other income subject to contractual maturity, as the difference between the amortized cost of such financial assets determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

12.2. Interest expense by type of funds raised

	1 January 2020	*1 January 2019*
Interest expense		
Interest income on financial liabilities at amortized cost	**5,655,100**	**4,523,420**
- Amounts due to credit institutions	2,627,415	2,665,871
- Term deposits of legal entities	357,393	506,809
- Debt securities issued	2,670,292	1,350,740
Total interest expense	**5,655,100**	**4,523,420**

Interest expense on interbank loans and deposits maturing more than in a year as of the date of initial recognition, designated as measured at amortized cost, are recognized under the straight-line method using the contractual interest rate and straight-line distribution of expenses and other income depending on contractual maturity, as the difference between the amortized cost of such financial liabilities determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

Interest expense on bonds issued maturing less than in a year as of the date of initial recognition, designated as measured at amortized cost, are recognized under the straight-line method using the contractual interest rate and straight-line distribution of expenses and other income depending on contractual maturity, as the difference between the amortized cost of such financial liabilities determined using the EIR method and amortized cost determined using the straight-line method is insignificant.

12.3. Net financial result from financial assets at fair value through profit or loss

	1 January 2020	*1 January 2019*
Income on derivatives (swaps)	898,040	1,908,427
Expense on derivatives (swaps)	(1,805,928)	(130,903)
Total net gain (loss) from financial assets at fair value through profit or loss	**(907,888)**	**1,777,524**

12.4. Net financial result from financial assets at fair value through other comprehensive income

	1 January 2020	*1 January 2019*
Income on debt securities (OFZ)	84	867
Expense on debt securities (OFZ)	(284)	(233)
Total net gain (loss) on financial assets at fair value through profit or loss (*)	**(200)**	**634**

(*) As of 1 January 2019 – net gain (loss) on securities available for sale.

12.5. Information on losses and amounts of impairment reversal for each type of assets

The table below presents information on changes in provisions ***for loans receivable and equivalent debt***:

	1 January 2020	*1 January 2019*
Charge of provisions for potential losses, including:	**(3,466,620)**	**(1,099,557)**
Reversal	23,959,840	15,354,981
Charge	(27,426,460)	(16,454,538)
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**2,939,870**	**–**
Positive adjustments	21,509,493	–
Negative adjustments	(18,569,623)	–
Total provisions for potential losses on loans receivable and equivalent debt	**(526,750)**	**(1,099,557)**

The table below presents information on changes in provisions ***for accrued interests***:

	1 January 2020	*1 January 2019*
Charge (reversal) of provisions for potential losses, including:	**(382,285)**	**9,070**
Reversal	740,228	1,064,901
Charge	(1,122,513)	(1,055,831)
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**349,927**	**–**
Positive adjustments	525,885	–
Negative adjustments	(175,958)	–
Total charge (reversal) of provisions for accrued interests	**(32,358)**	**9,070**

The table below presents information on movements in provisions for ***securities at fair value through other comprehensive income***:

	1 January 2020	*1 January 2019*
Charge of provisions for potential losses, including:	**–**	**–**
Reversal	–	–
Charge	–	–
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**(168)**	**–**
Positive adjustments	4	–
Negative adjustments	(172)	–
Total provisions for securities at fair value through other comprehensive income	**(168)**	**–**

The table below presents information on changes in provisions ***for other losses***:

	1 January 2020	*1 January 2019*
Charge (reversal) of provisions for potential losses, including:	**(330,630)**	**15,712**
Reversal	1,523,916	173,957
Charge	(1,854,546)	(158,245)
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**238,206**	**–**
Positive adjustments	1,727,652	–
Negative adjustments	(1,489,446)	–
Total charge (reversal) of provisions for other losses	**(92,424)**	**15,712**

12.6. Net gains from dealing in foreign currencies

	1 January 2020	*1 January 2019*
Gains from purchase and sale of foreign currency by electronic transfer	102	224,256
Losses from purchase and sale of foreign currency by electronic transfer	(270,828)	(650,892)
Total net gains from dealing in foreign currencies	**(270,726)**	**(426,636)**

12.7. Net gains from foreign currency revaluation

	1 January 2020	*1 January 2019*
Gains from foreign currency revaluation	5,903,275	9,311,079
Losses from foreign currency revaluation	(4,575,399)	(11,747,948)
Total net gains from foreign currency revaluation	**1,327,876**	**(2,436,869)**

12.8. Fee and commission income and expense

	1 January 2020	*1 January 2019*
Fee and commission income		
Fees on agency services	151,272	17,074
Other transactions	–	466
Fee and commission income	**151,272**	**17,540**
Fee and commission expense		
Money transfer services	(1,048)	(13,996)
Cash and settlement services	(2,246)	(934)
Depositary services	(12)	(27)
Other transactions	(107)	(107)
Fee and commission expense	**(3,413)**	**(15,064)**
Net fee and commissions income	**147,859**	**2,476**

12.9. Other operating income

	1 January 2020	*1 January 2019*
Reversal of provisions after annual bonus has been paid	48,725	–
Penalty on claim assignment	–	6,535
Other income	6,246	51,144
Total other operating income	**54,971**	**57,679**

12.10. Operating expenses

	1 January 2020	*1 January 2019*
Expense (except interest) on bonds issued	62,666	17,727
Personnel costs	781,752	697,743
Depreciation and amortization	167,199	271,181
Organizational and administrative expenses, including:	628,610	572,773
Lease	79,065	65,282
Fees for the right to use intellectual property items	10,753	7,469
Expenses related to write-off of inventories	9,170	7,190
Business trips	20,274	21,573
Security	1,662	1,582
Advertising	9,924	10,670
Entertainment	11,209	15,224
Communications, telecommunications and IT services	58,488	52,137
Audit	13,371	20,842
Insurance	11,202	7,749
Other organizational and administrative expenses	403,492	363,055
Other operating expenses	65,147	55,137
Total operating expenses	**1,705,374**	**1,614,561**

12.11. Information on compensation

	1 January 2020	*1 January 2019*
Payroll expenses, including bonuses	563,970	506,303
Other compensation	21,704	20,244
Insurance contributions related to compensation	152,920	132,945
Personnel training and development	2,449	1,434
Other personnel costs	40,709	36,817
Total personnel costs	**781,752**	**697,743**

12.12. Tax expense and net income

	1 January 2020	1 January 2019
Income tax, including:	**377,136**	**778,652**
(Current) income tax	470,517	584,900
Increase in income tax by deferred tax	593,246	193,752
Decrease in income tax by deferred tax	(686,626)	–
VAT	279,955	274,971
Property tax	8	18
Transport tax	139	74
Other taxes and levies	20,995	21,536
Total tax expense	**678,234**	**1,075,251**

Decrease in income tax by deferred tax comprises deferred tax assets of kRUR 663,105 calculated with respect to transactions performed to transfer to IFRS 9 and should be recognized through deferred taxes in the financial results of the current year in accordance with the clarifications of the Accounting and Reporting Department of the Bank of Russia.

Beginning 1 January 2019, the VAT rate increased by 2 p.p., from 18% to 20%.

In 2019, the current income tax rate applicable to the majority of the Bank's income is 20% (2018: 20%). A reconciliation between the expected and the actual taxation charge is provided in the table below:

	1 January 2020	1 January 2019
Profit before tax (including taxes other than income tax)	**5,108,081**	**3,351,070**
Statutory tax rate	20%	20%
Income tax at the applicable income tax rate	**1,021,616**	**670,214**
Non-deductible expenditures and non-taxable income	19,956	20,655
Deferred tax related to transfer to IFRS 9 from 1 January 2019	(663,105)	–
Movements in unrecognized deferred tax assets	–	–
Other	270	89,293
Income taxed at a lower rate	(1,601)	(1,510)
Income tax carried forward not recognized as deferred tax asset	–	–
Income tax expense	**377,136**	**778,652**

In 2019 and 2018, deferred income tax expense and its movements comprised the following:

	1 January 2019	Recognized in profit or loss	Recognized in other comprehensive income	1 January 2020
Allowance for impairment	22,027	(405,920)	–	(383,895)
Derivative financial instruments	80,840	(245,899)	–	(165,059)
Other assets	(3,098)	738,572	711	736,185
Other liabilities	63,614	5,207	–	68,821
Total deferred tax assets (liabilities)	**163,383**	**91,960**	**711**	**256,052**

	1 January 2018	Recognized in profit or loss	Recognized in other comprehensive income	1 January 2019
Allowance for impairment	20,407	1,620	–	22,027
Derivative financial instruments	201,195	(120,355)	–	80,840
Other assets	107,415	(109,756)	(757)	(3,098)
Other liabilities	27,361	36,253	–	63,614
Total deferred tax assets (liabilities)	**356,378**	**(192,238)**	**(757)**	**163,383**

13. Accompanying information for the statement of changes in equity

The table below presents information on the Bank's total comprehensive income for the reporting period, a reconciliation of the equity instruments' value at the beginning and end of the reporting period, including changes, and comparable information for the corresponding period of the prior year.

	Share capital	*Share premium*	*Fair value re-measurement of securities available for sale decreased by deferred tax liability (increased by deferred tax asset)*	*Statutory reserve*	*Allowance for expected credit losses*	*Retained earnings (loss)*	*Total equity*
1 January 2018	**3,269,000**	**5,580,800**	**2,322**	**157,584**	**–**	**5,025,340**	**14,035,046**
Comprehensive income for 2018	–	–	(3,025)	150,785	–	2,421,633	2,569,393
Profit (loss)	–	–	–	150,785	–	2,421,633	2,572,418
Other comprehensive income	–	–	(3,025)	–	–	–	(3,025)
Issue of shares:	2,800,000	200,000	–	–	–	–	3,000,000
Nominal value	2,800,000	–	–	–	–	–	2,800,000
Share premium	–	200,000	–	–	–	–	200,000
1 January 2019	**6,069,000**	**5,780,800**	**(703)**	**308,369**	**–**	**7,446,973**	**19,604,439**
Comprehensive income for 2019	–	–	2,845	–	301	1,418,417	1,421,563
Profit (loss)	–	–	–	–	–	1,418,417	1,418,417
Other comprehensive income	–	–	2,845	–	301	–	3,146
1 January 2020	**6,069,000**	**5,780,800**	**2,142**	**308,369**	**301**	**8,865,390**	**21,026,002**

13.1. Other comprehensive income

The table below presents information on components of other comprehensive income:

	1 January 2020	*1 January 2019*
Increase in fair value of securities at FVOCI (*)	5,635	–
Decrease in fair value of securities at FVOCI (*)	(2,163)	–
Reclassification of accumulated decrease in fair value of securities at FVOCI to profit or loss	84	6,196
Reclassification of accumulated decrease in fair value of securities at FVOCI to profit or loss	–	(9,173)
Increase in other comprehensive income due to changes in credit risk, financial liabilities at fair value through profit or loss	–	42
Decrease in other comprehensive income due to changes in credit risk, financial liabilities at fair value through profit or loss	–	(846)
Expense from adjustments of provision for potential losses	300	–
Income tax relating to items that might be reclassified to profit or loss	711	(757)
Total other comprehensive income	**3,145**	**(3,024)**

(*) As of 1 January 2019 – financial assets available for sale.

14. Accompanying information for the statement of cash flows

	1 January 2020	*1 January 2019*
Net cash from (used in) operating activities	1,535,190	(3,833,415)
Net cash from (used in) investing activities	(487,105)	(1,724)
Net cash from (used in) financing activities	–	3,000,000
Effect of changes in official foreign exchange rates against the ruble set by the Bank of Russia, on cash and cash equivalents	–	12,704
Increase (decrease) in cash and cash equivalents	**1,048,085**	**(822,436)**
Cash and cash equivalents at the beginning of the period	1,188,966	2,011,402
Cash and cash equivalents at the end of the period	**2,237,051**	**1,188,966**

In 2019 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.

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.

The information on cash and cash equivalents disclosed in the statement of cash flows is consistent with the corresponding items of the accounting balance sheet, except for Cash and cash equivalents, which were adjusted for the effect of official foreign exchange rates.

15. Risk management

Introduction

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. 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 Bank is exposed to non-financial and financial risks. The Bank’s non-financial risks include strategic risk, reputational risk, compliance (regulatory) risk and operational risk (risk, threat). The Bank’s financial risks include credit risk, market risk, interest rate risk of the banking book, liquidity risk and concentration risk.

Various risks that the Bank is exposed to can be interrelated, i.e. once materialized, a certain risk may cause another risk to change or materialize.

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.

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

15.1. Internal control system

The objectives of internal control in particular include the following:

- To ensure appropriate comprehensive assessment and management of risks, effective financial and business performance and effective 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.

Internal control is performed by the following bodies within the scope of their powers as set forth in the Bank's founding and internal documents:

- General Shareholders’ Meeting;
- Board of Directors;
- Management Board;
- Chairman of the Management Board;
- Audit Commission (Auditor);
- Chief Accountant / Deputy Chief Accountant;
- Internal Control, Operational Risks and Compliance Committee of the Management Board;

- Internal Audit Function of the Bank;
- Internal Control Function/Head of the Internal Control Function;
- The Bank’s officer and division responsible for anti-money laundering and counter-terrorism financing;
- 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 the Bank’s 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 (hereinafter, “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 and the Internal Control and Operational Risk Department responsible for internal control functions.

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 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 and 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 by the 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.

Internal Control and Operational Risk Department (ICORD)

ICORD 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. ICORD also reviews the Bank's documentation, performs assessment of regulatory risks, provides recommendations on risk mitigation and the Bank's compliance with the Russian legislation and standards, and takes measures aimed at the protection of the Bank's business reputation.

ICORD 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 current performance results during meetings of the Internal Control, Operational Risks and Compliance Committee.

Internal Control, Operational Risks and Compliance Committee

The Internal Control, Operational Risks and Compliance Committee of JSC RN Bank is a standing committee of the Bank's Management Board established by decision of the Bank's Management Board to control the reliability and efficiency of the Bank's internal control, operational risks management and compliance with Russian legislative and regulatory acts.

Within its competence and functions, the Internal Control, Operational Risks and Compliance Committee reviews the information on the activities of the Internal Audit Function and ICORD, the results of external audits and first level control procedures performed by heads of the Bank's units, the Bank's regulatory and operational risk management issues, the results of testing the Bank's business continuity and/or disaster recovery plan ('BC/DR plan'), issues related to establishing internal control over anti-money laundering and counter-terrorism financing, the Bank's information security issues and other issues.

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:

- Identification and analysis of all risks arising in the course of the Bank's activities;
- Interpretation of the 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 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;
- Effective capital management with the aim to maintain its adequate level.

The risk management strategy implies using a 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 control.

The Deputy Chairman of the Management Board, the Risk Management and Compliance Director (acting as the Head of the Risk Management Function), the Head of the Internal Audit Function and the Head of ICORD comply with the qualification criteria established by the Bank of Russia and the business reputation requirements set forth by 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, and 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.

ICORD provides regular reports to the Internal Control, Operational Risks and Compliance Committee of the Management Board on operational and/or regulatory risks identified.

Risk mitigation

As part of its overall risk management, the Bank uses derivatives and other instruments to manage exposures resulting from changes in interest rates, foreign exchange rates and credit risk.

The Bank actively uses collateral to reduce its credit risk.

Excessive risk concentration

The aggregate maximum level of concentration risk arises because a credit institution is exposed to major risks which, when realized, may cause significant losses that may jeopardize the credit institution's solvency and ability to continue its operations.

Concentration risk indicators help identify exposure to a counterparty (group of related counterparties), exposure to a related party (group of related parties), exposure to investments in one type of instruments, exposure to counterparties in one economic sector and exposure by source of financing.

Pursuant to statutory regulations, the Bank manages concentration risks using limits that represent the maximum risk that the Bank is ready to accept for:

- Individual counterparties and groups of related counterparties;
- Individual counterparties and groups of counterparties related to the Bank;
- Economic sectors;
- Groups of counterparties within one economic sector;
- Principal activities;
- Concentration of asset types;
- Concentration of liability types;
- Concentration of funding sources.

The Bank has set triggers and limits for concentration risk which, if exceeded, indicate the need to take measures (management actions) to reduce the level of risk or mitigate potential negative consequences.

The table below shows major credit risks and maximum risk exposure per borrower or group of related borrowers:

Item (designation)	***1 January 2020***	***1 January 2019***
Total credit claims of the bank to a borrower or a group of related borrowers (Crb)	3,862,588	2,262,257
Total large credit risks (Ltcr)	14,821,043	12,362,466
Equity (capital)	18,578,801	16,659,228
Maximum risk exposure per borrower, % (N6) (regulatory value <=25%)	**20.8%**	**13.6%**
Maximum exposure to large credit risks, % (N7) (regulatory value <=800%)	**79.8%**	**74.2%**

The table below shows large credit risk concentration (loans per borrower (group of related borrowers) exceeding 5% of the Bank’s equity (capital)):

	1 January 2020			***1 January 2019***		
	Total	***Balance sheet claims***	***Claims under derivative financial instruments***	***Total***	***Balance sheet claims***	***Claims under derivative financial instruments***
Total for borrowers other than credit institutions, including:	**14,372,747**	**14,372,747**	**–**	**10,721,464**	**10,721,464**	**–**
- Loans to legal entities	13,849,475	13,849,475	–	10,721,464	10,721,464	–
- Other balance sheet claims	523,272	523,272	–	–	–	–
- Interest rate swaps	–	–	–	–	–	–
- Cross-currency interest rate swaps	–	–	–	–	–	–
Total for borrowers – credit institutions, including:	**448,296**	**–**	**448,296**	**1,641,002**	**544,000**	**1,097,002**
- Interbank loans	–	–	–	544,000	544,000	–
- Interest rate swaps	343,880	–	343,880	–	–	–
- Cross-currency interest rate swaps	104,416	–	104,416	1,097,002	–	1,097,002
Total large credit risks (Ltcr)	**14,821,043**	**14,372,747**	**448,296**	**12,362,466**	**11,265,464**	**1,097,002**

Ten major related borrowers of the Bank comprise resident credit institutions and resident 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. As of 31 December 2019, five major individual customers and groups of related customers accounted for 26% of the portfolio of corporate dealers against 27% in 2018.

15.2. 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 to finance end consumers and dealers, which provide the guidelines for the evaluation of the borrower's financial performance, lending decision-making and control over timely repayment of loans.

Credit risk management is performed through:

- Monitoring;
- Setting limits;
- Diversification;
- Scenario 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 associated with Bank's insiders, maximum amount of loans, bank guarantees and sureties provided by the Bank to its participants (shareholders). The Accounting Department monitors compliance with limits and actual exposure on a daily basis.

Additionally, the Bank limits risk concentrations by customer, counterparty and group of related customers depending on the level of the accepted credit risk.

The table below shows total credit risk exposure by major instrument as of 1 January 2020:

Instrument	Value of assets	Provisions for potential losses	Value of risk weighted assets
Balance sheet assets	113,328,919	6,505,137	101,221,050
Investments in securities	1,004,477	–	35,157
Credit-related commitments	7,697,024	289,992	3,659,799
Derivative financial instruments	14,253,474	–	2,306,418
Total aggregate credit risk exposure	**136,283,894**	**6,792,129**	**107,222,424**

The table below shows total credit risk exposure by major instrument as of 1 January 2019:

Instrument	Value of assets	Provisions for potential losses	Value of risk weighted assets
Balance sheet assets	96,299,926	3,028,323	85,631,457
Investments in securities	439,780	–	39,580
Credit-related commitments	716,192	–	–
Derivative financial instruments	14,924,762	–	1,298,394
Total aggregate credit risk exposure	**112,380,660**	**3,028,323**	**86,969,432**

Impairment assessment

IFRS 9 requires the Bank to record an allowance for expected credit losses (ECL) on all of its debt financial assets at amortized cost or FVOCI as well as on loan commitments and financial guarantee contracts. The allowance is based on the ECL associated with the probability of default in the next twelve months unless there has been a significant increase in credit risk since origination, in which case the allowance is based on the lifetime ECL. If the financial asset meets the definition of purchased or originated credit-impaired financial asset, the allowance is based on the change in the lifetime ECL. The mechanics of ECL calculations are outlined below and the key elements are as follows:

Probability of default (PD)	The probability of default is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the asset has not been previously derecognized and is still in the portfolio.
Exposure at default (EAD)	The exposure at default is an estimate of the amount exposed to default.
Loss given default (LGD)	The loss given default is an estimate of the loss arising in the case where a default occurs at a given time.

The Bank has established a policy to perform an assessment of risk at the end of each reporting period, including whether a financial instrument's credit risk has changed significantly, by considering the change in the risk of default occurring over the remaining life of the financial instrument. Based on the assessment, the Bank groups loans as described below:

Stage 1:	Standard assets that have not shown any significant increase in credit risk since origination. Stage 1 loans also include facilities where the credit risk has improved and the loans have been reclassified from Stage 2.
Stage 2:	Standard assets that have shown a significant increase in credit risk since origination. Stage 2 loans also include facilities where the credit risk has improved and the loans have been reclassified from Stage 3.
Stage 3:	Doubtful assets considered credit-impaired.

Under IFRS 9, where a loan has been included in Stage 1, the allowance for expected credit losses related to borrowers is equal to 12-month expected credit losses. For Stage 2 and Stage 3 loans, the allowance for expected credit losses is equal to expected credit losses over the life of the asset.

Definition of default and cure

The Bank considers a credit exposure to have significantly increased since initial recognition if credit risk monitoring revealed a deterioration of a borrower's credit grade, or when asset restructuring has taken place. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Bank considers a credit exposure to have significantly increased since initial recognition if credit risk monitoring revealed a deterioration of a borrower's credit grade, or when asset restructuring has taken place. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

The Bank considers a financial instrument defaulted and therefore Stage 3 (credit-impaired) for ECL calculations in all cases when the borrower becomes 90 days past due on its contractual payments. The Bank considers amounts due from banks defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in default and whether the assets should be taken to Stage 3 for ECL calculations, or whether Stage 2 is appropriate. Such events include:

- Internal rating of the borrower indicating default or near-default;
- Death of the borrower;
- Other objective evidence of impairment.

Loans may be transferred from Stage 3 to Stage 2 in the absence of any impairment indicators and provided that the borrower has fully settled the overdue amounts. Loans may be transferred to Stage 1 in the absence of any impairment indicators and provided that the borrower has not delayed any payments at the reporting date and no amounts have been overdue by more than 30 days within a 12-month period.

Loans may be transferred from Stage 3 to Stage 2 in the absence of any impairment indicators and provided that the borrower has fully settled the overdue amounts. Loans may be transferred to Stage 1 in the absence of any impairment indicators and provided that the borrower has not delayed any payments at the reporting date and no amounts have been overdue by more than 30 days within a 12-month period.

a) Corporate dealers

In accordance with IFRS 9, the Bank has designed and implemented a model to assess expected credit losses related to corporate dealers.

In particular, the Bank has implemented a model to determine internal grades for corporate dealers. The models incorporate both quantitative and qualitative information and, in addition to information specific to the borrower, utilize supplemental external information that could affect the borrower's behavior. Where practical, they also build on information from national and international rating agencies. PDs are assigned for each grade.

The Bank's internal credit rating grades are as follows:

Sound	PDs of 6.7%[1]
Watching	PDs of 22%
Pre-warning	PDs of 54%
Warning/compromised	PDs of 100%

Depending on a corporate dealer's internal grade, loans are grouped into Stage 1, Stage 2 or Stage 3.

b) Individual borrowers

In accordance with IFRS 9, the Bank has designed and implemented a model to assess expected credit losses related to individuals. The key element of ECL calculations is the calculation of transition matrices, which determine the probability of default.

Loans to individuals are classified as follows:

Stage 1:

- Loans that are not past due at the reporting date and have not been more than 30 days past due over the last 12 months.

Stage 2:

- Loans that are not past due at the reporting date and have been more than 30 days past due over the last 12 months; or
- Loans that are 1 to 90 days past due at the reporting date.

Stage 3:

- Loans that are more than 90 days past due at the reporting date; or
- Loans that have objective evidence of impairment.

Exposure at default

The exposure at default (EAD) is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest scheduled by contract.

To calculate the EAD for a Stage 1 loan, the Bank assesses the possible default events within 12 months for the calculation of the 12mECL. For Stage 2 and Stage 3 assets, the EAD is considered for events over the lifetime of the instruments.

[1] The PD value that was used in 2019.

Loss given default

The loss given default (LGD) is an estimate of the loss arising in the case where a default occurs at a given time. The Bank segments its lending products for corporate dealers into homogeneous groups based on similar characteristics that are relevant to the estimation of future cash flows.

Forward-looking information

In its ECL models, the Bank makes adjustments for economic conditions and the results of stress testing in the event of macroeconomic instability. The macroeconomic analysis may include changes in the unemployment rate, GDP, inflation, USD/RUR (EUR/RUR) exchange rates, country rating, etc.

The IFRS 9 methodology for the portfolio of corporate dealers incorporates a forward-looking adjustment, which is intended to cover the risks of the mono-sector portfolio exposed to the risks and negative consequences of macroeconomic changes.

Write-off policy

In accordance with the Bank's internal procedures, overdue amounts may be written off if there are no chances to collect such amounts and the Bank has taken all necessary and sufficient legal and other actions to collect them and exercise its repossession rights. The overdue debt of the Bank's borrowers is written off against the provision.

Information on the quality of assets

The Banks assesses the quality of loans receivable and equivalent debt as well as other assets in accordance with Regulation No. 590-P and Regulation No. 611-P.

As of 1 January 2020 and 1 January 2019, provisions for potential losses on loans receivable and equivalent debt were made in full in accordance with the established quality categories and provisioning rates.

The information on the quality of the Bank's assets is prepared on the basis of reporting form 0409115 *Information on the quality of the assets of the credit institution (banking group)*. Form 0409115 is prepared by the Bank for prudential purposes in accordance with Regulation No. 590-P and Regulation No. 611-P.

The classification of assets assessed to create provisions for potential losses and allowances for expected credit losses by quality category as of 1 January 2020:

Assets covered by provisions for potential losses

Type of asset	*Asset quality category*						*Provision for potential losses*					*ECL allowance adjustment*	*ECL allowance*
	I	*II*	*III*	*IV*	*V*	*Total*	*II*	*III*	*IV*	*V*	*Total*		
Assets assessed for provisioning purposes	**34,300,457**	**53,262,234**	**10,401,010**	**186,572**	**6,154,683**	**104,304,955**	**482,519**	**1,672,950**	**90,975**	**3,817,934**	**6,154,683**	**-2,802,732**	**3,261,646**
Amounts due from credit institutions	55,971	–	–	–	368	56,339	–	–	–	368	368	-351	17
Loans receivable from legal entities	34,244,486	3,080,839	279,357	8,919	4,632,338	42,245,938	15,346	29,632	4,460	2,311,672	2,707,432	-1,079,681	1,281,429
Loans receivable from individuals	–	50,181,395	10,121,653	177,653	1,521,977	62,002,678	467,173	1,643,318	86,515	1,505,894	3,702,900	-1,722,700	1,980,200
Investments in securities assessed for provisioning purposes	**982,872**	**–**	**–**	**–**	**–**	**982,872**	**–**	**–**	**–**	**–**	**–**	**295**	**295**
Investments in securities at fair value through other comprehensive income	982,872	–	–	–	–	982,872	–	–	–	–	–	295	295
Other assets assessed for provisioning purposes	**481,618**	**19,854**	**93,412**	**528**	**401,083**	**996,495**	**1,518**	**37,883**	**267**	**401,083**	**440,751**	**-190,326**	**250,425**
Other claims	481,618	19,854	93,412	528	401,083	996,495	1,518	37,883	267	401,083	440,751	-190,326	250,425
Credit-related commitments assessed for provisioning purposes	**114,175**	**6,433,742**	**1,105,500**	**4,924**	**38,683**	**7,697,024**	**52,645**	**196,253**	**2,464**	**38,630**	**289,992**	**-191,568**	**98,424**
Credit-related commitments to legal entities	114,175	100,000	–	–	–	214,175	1000	–	–	–	1,000	1,357	2,357
Credit-related commitments to individuals	–	6,333,742	1,105,500	4,924	38,683	7,482,849	51,645	196,253	2,464	38,630	288,992	-192,925	96,066

The classification of assets assessed to create provisions for potential losses and allowances for expected credit losses by quality category as of 1 January 2019:

Assets covered by provisions for potential losses

Type of asset	*Asset quality category*						*Provision for potential losses*					*ECL allowance adjustment*	*ECL allowance*
	I	*II*	*III*	*IV*	*V*	*Total*	*II*	*III*	*IV*	*V*	*Total*		
Assets assessed for provisioning purposes	**2,048,309**	**73,940,136**	**8,705,617**	**799,314**	**1,146,446**	**86,639,822**	**559,405**	**1,019,003**	**256,769**	**1,129,315**	**2,964,492**	**X**	**X**
Amounts due from credit institutions	2,048,309	–	–	–	11	2,048,320	–	–	–	11	11	X	X
Loans receivable from legal entities	–	25,906,725	6,002,756	216,919	–	32,126,400	131,382	715,807	51,387	–	898,576	X	X
Loans receivable from individuals	–	48,033,411	2,702,861	582,395	1,146,435	52,465,102	428,023	303,196	205,382	1,129,304	2,065,904	X	X
Investments in securities assessed for provisioning purposes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**X**	**X**
Investments in securities at fair value through other comprehensive income	–	–	–	–	–	–	–	–	–	–	–	X	X
Other assets assessed for provisioning purposes	**527,351**	**301,254**	**49,420**	**888**	**54,513**	**933,426**	**3,668**	**9,782**	**420**	**48,584**	**62,454**	**X**	**X**
Other claims	527,351	301,254	49,420	888	54,513	933,426	3,668	9,782	420	48,584	62,454	X	X
Credit-related commitments assessed for provisioning purposes	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**X**	**X**
Credit-related commitments to legal entities	–	–	–	–	–	–	–	–	–	–	–	X	X
Credit-related commitments to individuals	–	–	–	–	–	–	–	–	–	–	–	X	X

As of 1 January 2020, the differences between provisions for potential losses and ECL allowances are due to differences in methodological approaches. When creating regulatory provisions for potential losses, the Bank is guided by its internal documents that meet the requirements of Regulation No. 590-P and Regulation No. 611-P. When creating ECL allowances in accordance with IFRS 9, the Bank is guided by its internal documents that meet the requirements of IFRS 9.

As of 1 January 2020, the Bank did not create a provision for potential losses on transactions with securities the rights to which are certified by depositories in accordance with Instructive Regulation No. 2732-U of the Bank of Russia *On the Specifics of Credit Institutions' Loss Provisioning for Transactions with Securities the Rights to Which Are Certified by Depositories* dated 17 November 2011 due to the absence of securities the rights to which are certified by depositories that meet the criteria in clause 1.2. of the above Instructive Regulation of the Bank of Russia.

Information on financial assets' exposure to credit risk

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Net loans receivable from legal entities	**37,890,836**	**3,509,994**	**–**	**41,400,830**
Loans receivable before allowance	38,877,728	3,801,751	–	42,679,479
Loans recognized in the period	*381,703,013*	*3,785,218*	–	*385,488,231*
Loans disposed of or repaid (other than written off)	*(370,972,823)*	*(4,348,018)*	–	*(375,320,841)*
ECL allowance	(986,892)	(291,757)	–	(1,278,649)
Net loans receivable from credit institutions	**3,600,000**	**–**	**–**	**3,600,000**
Loans receivable	3,600,000	–	–	3,600,000
ECL allowance	–	–	–	–
Net loans receivable from individuals	**59,114,740**	**680,772**	**248,968**	**60,044,480**
Loans receivable before allowance	59,968,260	841,225	1,195,531	62,005,016
Loans recognized in the period	*48,815,348*	*225,650*	*81,335*	*49,122,333*
Loans disposed of or repaid (other than written off)	*(36,550,357)*	*(597,211)*	*(316,061)*	*(37,463,629)*
ECL allowance	(853,520)	(160,453)	(946,563)	(1,960,536)
Claims for reimbursement of interest on subsidized loans to individuals*	**–**	**–**	**–**	**170,225**
Claims before allowance	–	–	–	340,449
ECL allowance	–	–	–	(170,224)
Adjustment for transaction costs and other income from provision of funds	–	–	–	(3,066,829)
ECL allowance	–	–	–	(160)
Total net loans receivable	**100,605,575**	**4,190,766**	**248,970**	**102,148,706**

* *Claims for reimbursement of interest on subsidized loans and the adjustment for transaction costs and other income from provision of funds are included in the loan portfolio and proportionately divided between stages together with fee and commission income and expenses included in the EIR.*

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Credit-related commitments	**7,584,677**	**13,204**	**719**	**7,598,600**
Credit-related commitments before allowance	7,676,876	16,694	3,454	7,697,024
ECL allowance	(92,199)	(3,490)	(2,735)	(98,424)
Credit-related commitments	**7,584,677**	**13,204**	**719**	**7,598,600**

Allowances for expected credit losses

There are no allowances for expected credit losses in 2018 due to transition to IFRS 9 *Financial Instruments* from 1 January 2019.

The table below shows changes in the allowance for expected credit losses on loans receivable from legal entities and individuals at amortized cost:

	Allowance for expected credit losses			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Total for loans receivable from legal entities				
1 January 2019	**–**	**–**	**–**	**–**
Reversal/charge for the period	986,892	291,757	–	1,278,649
Total changes with effect on ECL allowance for the reporting period	**986,892**	**291,757**	**–**	**1,278,649**
1 January 2020	**986,892**	**291,757**	**–**	**1,278,649**

	Allowance for expected credit losses			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Total for loans receivable from individuals				
1 January 2019	**–**	**–**	**–**	**–**
Reversal/charge for the period	853,520	160,453	840,901	1,854,874
Total changes with effect on	**853,520**	**160,453**	**840,901**	**1,854,874**
ECL allowance for the reporting period				
Movement without effect on ECL allowance during the reporting period – write-off	–	–	105,662	105,662
Total changes without effect on ECL allowance for the reporting period	**–**	**–**	**105,662**	**105,662**
1 January 2020	**853,520**	**160,453**	**946,563**	**1,960,536**

The table below shows changes in the expected credit losses on credit-related commitments:

	Allowance for expected credit losses			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Total credit-related commitments 1 January 2019	**–**	**–**	**–**	**–**
Reversal/charge for the period	92,199	3,490	2,735	98,424
Total changes with effect on ECL for the reporting period	**92,199**	**3,490**	**2,735**	**98,424**

Credit quality per class of financial assets

In the table below, high-grade loans to banks are loans with a minimal level of credit risk, normally with a credit rating close to the sovereign level or secured by liquid collateral. Other borrowers with good financial position and good credit history are included in the standard grade. The sub-standard grade comprises loans below the standard grade but not individually impaired.

The table below discloses information on credit quality per class of financial assets:

	Stage	*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Correspondent account with the Bank of Russia	**Stage 1**	**2,677,187**	**–**	**–**	**–**	**2,677,187**
Correspondent accounts with credit institutions	**Stage 1**	**–**	**56,339**	**–**	**–**	**56,339**
Net loans receivable at amortized cost, including:		**3,600,000**	**103,488,963**	**–**	**1,195,532**	**108,284,495**
Loans to individuals	Stage 1	–	59,968,260	–	–	59,968,260
	Stage 2	–	841,225	–	–	841,225
	Stage 3	–	–	–	1,195,532	1,195,532
Adjustment for transaction costs and other income from provision of funds	–	–	–	–	–	*(3,066,669)*
Claims for reimbursement of interest on subsidized loans	–	–	–	–	–	*340,449*
Loans to legal entities	Stage 1	–	38,877,727	–	–	38,877,727
	Stage 2	–	3,801,751	–	–	3,801,751
	Stage 3	–	–	–	–	–
Deposits with the Bank of Russia	Stage 1	3,600,000	–	–	–	3,600,000
Net investments in financial assets at fair value through other comprehensive income	**Stage 1**	**–**	**1,004,477**	**–**	**–**	**1,004,477**

Methods used to mitigate credit risk

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.

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:

- Corporate lending: charges over vehicles, charges over spare parts, bank guarantees, corporate or personal sureties, the rights of claim under corporate deposits;
- Retail lending: sureties of individuals, charges over vehicles.

The table below provides information on the types and carrying amounts of collateral:

	1 January 2020		*1 January 2019*	
	Carrying amount of collateral	*Carrying amount of loans*	*Carrying amount of collateral*	*Carrying amount of loans*
Loans to legal entities	**184,965,908**	**42,679,479**	**139,715,025**	**32,512,200**
- Vehicles	40,257,931	–	30,689,943	–
- Guarantees of credit institutions	603,760	–	1,912,280	–
- Pledge of receivables related to deposits of legal entities	481,085	–	212,200	–
- Pledge of goods in turnover	84,956,678	–	68,176,198	–
- Sureties of legal entities	58,666,454	–	38,724,404	–
Loans to individuals	**110,865,992**	**62,005,016**	**105,791,164**	**52,761,784**
- Vehicles	110,860,894	–	105,772,648	–
- Sureties of individuals	5,098	–	18,516	–
Adjustment for transaction costs and other income from provision of funds	–	*(3,066,669)*	–	–
Total loans to customers	**295,831,900**	**101,617,826**	**245,506,189**	**85,273,984**

The table below shows the amount of collateral accepted to mitigate credit risk as of 1 January 2020 and 1 January 2019:

At 1 January 2020	*Amount of claim*	*Estimated provision*	*Estimated provision adjusted for collateral*	*Actual provision*	*Collateral to decrease provision*
Loans to legal entities	42,679,479	4,727,454	2,362,292	2,362,292	2,365,162
Loans to individuals (car loans)	62,005,016	3,777,756	3,687,597	3,687,597	90,159
	(3,066,669)				
Total	**101,617,826**	**8,505,210**	**6,049,889**	**6,049,889**	**2,455,321**

At 1 January 2019	*Amount of claim*	*Estimated provision*	*Estimated provision adjusted for collateral*	*Actual provision*	*Collateral to decrease provision*
Loans to legal entities	32,126,484	1,632,273	900,574	900,574	731,699
Loans to individuals (car loans)	52,761,782	2,176,187	2,081,466	2,081,466	94,721
Total	**84,888,266**	**3,808,460**	**2,982,040**	**2,982,040**	**826,420**

In the reporting period, as a result of repossession of collateral, the Bank received motor vehicles in the amount of kRUR 4,765. As a result of revaluation and sale of motor vehicles, collateral amounts to kRUR 1,307 as of 1 January 2020.

15.3. Liquidity risk

Liquidity risk is the risk of loss as a result of the Bank's inability to ensure fulfillment of its liabilities in full. Liquidity risk results from an improper balance between the Bank's financial assets and financial liabilities and/or an unforeseen need for immediate and simultaneous discharge of its financial obligations.

The key objective of liquidity risk management and control is to build and improve the mechanism to manage interbank liquidity which would enable addressing the following fundamental tasks:

- Prevent liquidity deficit;
- Achieve the minimal level of excessive liquidity;
- Maintain the optimal balance between liquidity and profitability.

In order to optimize liquidity management, the Bank differentiates between the management of instant, current and long-term liquidity. In doing so, the Bank is guided by statutory liquidity ratios established by the Bank of Russia:

- Instant liquidity ratio (N2) is the ratio of highly-liquid assets to liabilities repayable on demand;
- Current liquidity ratio (N3) is the ratio of liquid assets maturing within 30 calendar days and liquid liabilities maturing within 30 calendar days;
- Long-term liquidity ratio (N4) is the ratio of assets maturing in more than one year to the sum of capital and liabilities maturing in more than one year.

The Bank monitors compliance with the regulator’s liquidity requirements on a daily basis. As part of this process, the Bank maintains target liquidity ratios that are significantly better than the statutory levels. In particular, the Bank’s liquidity ratios as of 1 January 2020 and 1 January 2019 were as follows:

	Permissible value, %	*1 January 2020*	*1 January 2019*
Instant liquidity ratio (N2)	At least 15%	**244.24**	**229.36**
Current liquidity ratio (N3)	At least 50%	**130.19**	**234.22**
Long-term liquidity ratio (N4)	No more than 120%	**67.33**	**72.14**

The Bank applies the following key methods to manage liquidity risk:

- Analysis of actual values and movements in statutory liquidity ratios;
- Forecasting of the effect of transactions performed on statutory ratios;
- Maturity gap analysis of assets and liabilities based on the most probable maturities.

For these purposes, the Treasury:

- Monitors the liquidity position on a daily basis;
- Receives information from the Bank's units on the liquidity profile of their financial assets and liabilities and forecast cash flows arising from projected future business;
- Models cash flows by major currency and calculates the required level of liquid assets;
- Performs regular stress tests under a variety of scenarios covering both normal and more severe market conditions;
- Maintains a diversified funding base;
- Manages the concentration and structure of borrowings;
- Develops fund-raising plans using borrowed funds;
- Develops liquidity and funding contingency plans;
- Reports to management on the liquidity position and subsequently communicates the information to the Bank's Board of Directors;
- Combines a conservative approach, which ensures availability of sufficient liquid assets to meet its obligations to customers in a timely manner, and an active approach, which takes into account fund-raising opportunities in financial markets as the Bank has sufficient available limits.

In the event of any deterioration of the Bank's ability to refinance the existing resource base using the available loan limits or any other force majeure circumstances, the Bank will receive support from entities related to its shareholder. The support can take the form of direct financial aid (interbank loans and corporate deposits), access to financial expertise and extensive global experience, including the experience in operating under stressed economic conditions and crisis management, and comprehensive (including legal) information support.

To cover technical liquidity gaps, the Bank can use intraday credits of the Bank of Russia collateralized by securities. In terms of obligatory reserves, the Bank can keep their average amount on a correspondent account with the Bank of Russia, thus ensuring a substantial average balance at the close of business used to maintain liquidity together with deposits placed with the Bank of Russia.

To effectively manage and control liquidity risk, the Bank places available funds for reasonable periods determined in view of the known structure of liabilities and the projected structure of assets.

The Bank has developed the Liquidity Policy, the Funding and Asset and Liability Management Policy, the Stress Testing Regulation, the Procedure for Liquidity Management in Crisis Situations, the Financial Stability Recovery Plan and other regulations in order to ensure liquidity risk management and control.

Analysis of the Bank's assets and liabilities by maturity

Liquidity is quantified on the basis of data used when preparing reporting form 0409125 *Information on assets and liabilities by maturity*. Thus, the Bank assesses if the maturities of assets and liabilities match through assessment of gaps by time period.

The table below provides an analysis of the Bank's assets and liabilities as of 1 January 2020 (net of IFRS 9 adoption effect) and 1 January 2019:

1 January 2020	***Up to 30 days***	***Up to 90 days***	***Up to 180 days***	***Up to 1 year***	***Total assets, including up to 1 year***
Financial assets	11,727,358	26,726,703	57,910,291	70,162,063	117,875,624
Financial liabilities	9,490,628	20,399,400	41,192,831	55,247,141	115,695,789
Off-balance sheet liabilities	6,883,759	6,883,759	6,883,759	6,883,759	6,883,759
Excess (deficit) of liquidity	**(4,647,029)**	**(556,456)**	**9,833,701**	**8,031,163**	**(4,703,924)**
Liquidity excess (deficit) ratio	**-49.0%**	**-2.7%**	**23.9%**	**14.5%**	**-4.1%**

According to the data above, the planned accumulated balance sheet liquidity position of the Bank is sufficient to cover all its liabilities at all time intervals.

1 January 2019	*Up to 30 days*	*Up to 90 days*	*Up to 180 days*	*Up to 1 year*	*Total assets, including up to 1 year*
Financial assets	13,856,582	37,831,870	49,832,808	65,219,136	108,014,685
Financial liabilities	10,901,957	28,951,549	39,285,099	59,860,757	95,187,943
Off-balance sheet liabilities	716,191	716,191	716,191	716,191	716,191
Excess (deficit) of liquidity	**2,238,434**	**8,164,130**	**9,831,518**	**4,642,188**	**12,110,551**
Liquidity excess (deficit) ratio	**20.5%**	**28.2%**	**25.0%**	**7.8%**	**12.7%**

15.4. Market risk

Market risk is the risk of financial losses caused by changes in the current (fair) values of financial instruments and foreign exchange rates. Depending on the nature of risk factors, market risk comprises currency, equity, interest rate and commodity components.

In accordance with the Risk and Capital Management Strategy, the Bank treats market risk as significant and assesses and calculates it using the standardized approach prescribed by Regulation No. 511-P of the Bank of Russia *On the Procedure for Market Risk Calculation by Credit Institutions* dated 3 December 2015 (hereinafter, “Regulation No. 511-P”). To determine the total amount of market risk in accordance with this approach, the Bank calculates the following components: interest rate risk, foreign currency risk, equity risk and commodity risk.

The Bank’s strategy in the stock market

The Bank pursues a conservative strategy in the stock market: it is not a professional securities market participant, has no trading portfolio of securities and does not enter into transactions with equity financial instruments. The Bank acquires debt financial instruments for purposes other than trading. Highly-liquid debt financial instruments denominated in Russian rubles are acquired to be subsequently used as collateral for financing received from the Bank of Russia and to maintain statutory liquidity ratios. The Bank holds debt financial instruments in the portfolio until the date of early repayment or maturity. The Bank may also sell debt financial instruments due to liquidity requirements or changes in interest rates.

The Bank’s strategy in the currency market

The Bank pursues a conservative strategy in the currency market: it does not act as a dealer or broker and does not enter into transactions with financial instruments that bear a heightened foreign currency risk. The Bank’s currency transactions include taking term deposits from its shareholders and purchasing non-cash foreign currency for internal business purposes. The Bank limits the level of assumed foreign currency risk by maintaining the minimum possible level of open positions.

The Bank’s strategy in the derivatives market

The Bank enters into derivative financial instruments in the over-the-counter market in order to hedge interest rate and foreign currency risks (interest rate and cross-currency interest rate swaps).

The main sources of market risk for the Bank are transactions with interest rate and cross-currency interest rate derivative financial instruments, debt financial instruments and positions opened in foreign currencies.

During 2019 and 2018, the Bank did not acquire financial instruments for which equity risk is calculated in accordance with Regulation No. 511-P.

The Bank also does not calculate commodity risk as it does not purchase or record commodities traded in an organized market, including precious metals or derivative financial instruments sensitive to changes in commodity prices.

The Bank’s market risk management is a range of measures to identify transactions exposed to market risk and market factors affecting the Bank’s activities, measure the level of risk, limit the amount of risk, monitor the level of risk, maintain assumed risk at a level determined by the current development strategy, minimize assumed risk, perform stress testing and escalate identified violations.

The Bank’s market risk management system is based on the following:

- A system of limits ensuring that assumed risks are consistent with the approved risk appetite and the amount of economic capital allocated among the respective business lines. Triggers are additionally set for key restrictions, involving preventive risk mitigation measures and reducing the probability of exceeding limits.
- Qualitative and quantitative assessment of market risk using a standardized approach, stress testing and sensitivity analysis.

The Bank manages market risk at three levels:

- Level 1 – risk owners that perform business processes and take risks. The goal at this level is to meet risk triggers/limits set at Level 2 by the Bank's authorized bodies.
- Level 2 – units that perform methodological and control functions related to risk management (including elaboration and implementation of general risk management approaches and methodology, development of limits and restrictions, monitoring of risks and review of whether their actual level meets the permissible (acceptable) level). The goal of this level is to control compliance with the established restrictions independently of Level 1.
- Level 3 – the Internal Audit Function that performs an independent assessment of the Bank's risk management system for compliance with internal and external requirements, informs management of the identified deficiencies in the risk management system and controls the elimination of the identified deficiencies in the risk management system.

The table below shows the structure of market risk as of 1 January 2020 and 1 January 2019.

	1 January 2020	***1 January 2019***
Market risk, including:	**101,156**	**146,787**
Interest rate risk, including:	**70,879**	**112,640**
Total interest rate risk	70,879	112,640
Foreign currency risk	**30,277**	**34,147**
Equity risk	**–**	**–**
Commodity risk	**–**	**–**

As of 1 January 2020, market risk calculated in accordance with Regulation No. 511-P and to be included in the calculation of capital adequacy ratios with a coefficient of 12.5 amounted to kRUR 1,264,450. Capital requirements for market risk are attributable to the interest rate risk related to derivative financial instruments (cross-currency interest rate swap) and foreign currency risk on open positions in foreign currencies, as the percentage ratio of the aggregate amount of the open currency positions and the amount of equity (capital) is over 2%.

As of 1 January 2019, market risk calculated in accordance with Regulation No. 511-P and to be included in the calculation of capital adequacy ratios with a coefficient of 12.5 amounted to kRUR 1,834,838. Capital requirements for market risk are attributable to interest rate risk from derivative financial instruments (cross-currency interest rate swap) and foreign currency risk from open positions in foreign currencies, as the percentage ratio of the aggregate amount of the open currency positions and the amount of equity (capital) is over 2%.

Sensitivity analysis

The method based on sensitivity analysis is the most simple and accurate method to estimate potential losses due to linear changes in risk factors. Since the Bank's portfolio had no derivative financial instruments with a substantially non-linear risk profile in the reporting period, the use of the approach seems to be quite adequate and reasonable. The sensitivity value is the direct product of a critical change in the risk factor and the position exposed to this risk factor.

Sensitivity analysis of foreign currency risk

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 income or equity, while a positive amount reflects net potential increase.

A sensitivity analysis of the interest rate risk of the banking book is provided in Section 14.3.

Currency	*Open currency position at 1 January 2020*	*Increase in exchange rate at 1 January 2020*	*Effect on profit before tax at 1 January 2020*	*Open currency position at 1 January 2019*	*Increase in exchange rate at 1 January 2019*	*Effect on profit before tax at 1 January 2019*
USD	1,843	10% / 30%	184 / 553	3,299	10% / 30%	330 / 990
EUR	159,458	10% / 30%	15,946 / 47,837	68,724	10% / 30%	6,872 / 20,617
JPY	217,165	10% / 30%	21,717 / 65,150	354,812	10% / 30%	35,481 / 106,444
Total	**378,466**		**37,847 / 113,540**	**426,835**		**42,684 / 128,051**

Currency	*Open currency position at 1 January 2020*	*Decrease in exchange rate at 1 January 2020*	*Effect on profit before tax at 1 January 2020*	*Open currency position at 1 January 2019*	*Decrease in exchange rate at 1 January 2019*	*Effect on profit before tax at 1 January 2019*
USD	1,843	10% / 30%	(184) / (553)	3,299	10% / 30%	(330) / (990)
EUR	159,458	10% / 30%	(15,946) / (47,837)	68,724	10% / 30%	(6,872) / (20,617)
JPY	217,165	10% / 30%	(21,717) / (65,150)	354,812	10% / 30%	(35,481) / (106,444)
Total	**378,466**		**37,847/ 113,540**	**426,835**		**(42,684) / (128,051)**

15.5. Interest rate risk of the banking book

Interest rate risk is related to financial losses due to unfavorable changes in interest rates on financial instruments.

Interest rate risk is covered by entering into a contract with the counterparty or is incorporated in set limits. To manage interest rate risk, the Bank enters into interest rate and cross-currency interest rate swaps in the over-the-counter market within set counterparty limits.

To calculate and control interest rate risk, the Bank follows the methodology provided in reporting form 0409127 of the Bank of Russia *Information on Interest Rate Risk*, approved by Instructive Regulation No. 4212-U of the Bank of Russia *On the List, Forms and Procedure for Preparation and Submission of Reporting Forms of Credit Institutions to the Central Bank of the Russian Federation* dated 24 November 2016, and the Bank's internal methodology. In the calculation of the interest rate risk of the banking book, the Bank includes all balance sheet and off-balance sheet financial instruments (including derivative financial instruments) that are sensitive to changes in the interest rate.

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 2020*	*1 January 2019*
Weighted open long positions	58,569,314	49,097,364
Weighted open short positions	38,642,119	14,675,744
Equity (capital) (C)	17,998,555	16,659,228
Interest rate risk	1.1%	2.1%
Score	1	1

1 January 2020	*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*
Total balance sheet assets and off-balance sheet claims	16,029,381	14,579,834	31,580,470	11,009,788	40,457,080	5,061,061	**118,717,614**
Total balance sheet and off-balance sheet liabilities	14,331,238	10,481,127	19,701,284	12,542,423	40,399,975	25,941,044	**123,397,091**
Accumulated gap	**1,698,143**	**4,098,707**	**11,879,186**	**(1,532,635)**	**57,105**	**x**	**x**
Gap ratio (accumulated relative gap, cumulative total)	0.08	0.30	0.66	1.27			
Change in net interest income:							
+200 basis points	32,547	68,309	148,490	(7,663)	x	x	**x**
-200 basis points	(32,547)	(68,309)	(148,490)	7,663	x	x	**x**
Time ratio	0.9583	0.8333	0.625	0.25	x	x	**x**

1 January 2019	*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*
Total balance sheet assets and off-balance sheet claims	12,165,518	33,457,861	12,130,328	16,266,662	42,095,222	3,934,658	**120,050,249**
Total balance sheet and off-balance sheet liabilities	12,538,515	20,058,981	14,979,819	19,524,122	34,827,184	23,340,497	**125,269,118**
Accumulated gap	**(372,997)**	**13,398,880**	**(2,849,491)**	**(3,257,460)**	**7,268,038**	**x**	**x**
Gap ratio (accumulated relative gap, cumulative total)	0.97	1.67	0.81	0.83			
Change in net interest income:							
+200 basis points	(7,149)	223,306	(35,619)	(16,287)	x	x	**x**
-200 basis points	7,149	(223,306)	35,619	16,287	x	x	**x**
Time ratio	0.9583	0.8333	0.625	0.25	x	x	**x**

Sensitivity analysis of interest rate risk

The quantitative assessment of interest rate risk involves calculating sensitivity to interest rate risk using the moving average monthly gap between assets and liabilities in each currency.

The Bank measures the sensitivity of balance sheet cash flows to fluctuations in market interest rates. The overall sensitivity is in line with changes in the market values of balance sheet cash flows resulting from an even 1% change in interest rates for the entire yield curve.

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 100 basis points. A negative amount in the table reflects a potential net reduction in the statement of income or equity, while a positive amount reflects a net potential increase.

	Increase in basis points	***Sensitivity of net interest income***	***Sensitivity of equity***
Currency	***2019***	***2019***	***2019***
RUR	100	63,267	50,614
EUR	100	–	–
JPY	100	–	–

	Decrease in basis points	***Sensitivity of net interest income***	***Sensitivity of equity***
Currency	***2019***	***2019***	***2019***
RUR	100	(63,267)	(50,614)
EUR	100	–	–
JPY	100	–	–

	Increase in basis points	***Sensitivity of net interest income***	***Sensitivity of equity***
Currency	***2018***	***2018***	***2018***
RUR	100	8,658	6,926
EUR	100	–	–
JPY	100	–	–

	Decrease in basis points	***Sensitivity of net interest income***	***Sensitivity of equity***
Currency	***2018***	***2018***	***2018***
RUR	100	(8,658)	(6,926)
EUR	100	–	–
JPY	100	–	–

16. Capital management

The Bank has built a whole system to assess whether the available capital is sufficient to cover significant risks and new types of risks that should be assumed in accordance with the measures provided in the development strategy of the Bank.

Capital is planned and managed based on the results of the comprehensive assessment of significant risks, testing the Bank’s resilience to internal and external risk factors, business development objectives, and the capital adequacy requirements of the Bank of Russia.

Information on equity (capital)

The Bank calculates its equity (capital) in accordance with the requirements of Regulation No. 646-P of the Bank of Russia *On the Methodology for Determining the Amount of Equity (Capital) of Credit Institutions (Basel III)* dated 28 December 2012 (hereinafter, “Regulation No. 646-P”).

Equity (capital) instruments are presented in the table below.

Capital instrument	*1 January 2020*	*1 January 2019*
Main capital, including:	**17,999,467**	**15,622,147**
Core capital, including:	**17,999,467**	**15,622,147**
Share capital	6,069,000	6,069,000
Share premium	5,780,800	5,780,800
Reserve fund	308,369	308,369
Profit of prior years (audited)	7,446,973	4,874,556
Amounts decreasing core capital, including:		
Intangible assets	(166,441)	(169,006)
Other investments in equity	(1,439,234)	(1,235,285)
Interest income accrued but not actually received, classified in quality categories 4 and 5	–	(6,287)
Additional capital	**–**	**–**
Supplementary capital, including:	**579,334**	**1,037,081**
Profit of the current year (unaudited)	581,497	2,572,417
Revaluation of securities at fair value through other comprehensive income	(535)	(703)
Other investments in equity	–	(1,521,273)
Prepaid expenses	–	(13,249)
Interest income accrued but not actually received, classified in quality categories 4 and 5	(1,628)	(111)
Equity (capital)	**18,578,801**	**16,659,228**

Regulation No. 646-P provides for the methodology to determine equity (capital) relying on international approaches to enhance the reliability of the banking sector (“Basel III”). Under the methodology, equity (capital) is subdivided into three levels: core, main and total. Main capital is calculated as the sum of core and additional capital. Total capital is the sum of main and supplementary capital.

As of 1 January 2020 and 1 January 2019, the main sources of the Bank’s core capital are share capital and share premium of kRUR 11,849,800, reserve fund of kRUR 308,369, and retained earnings for prior years (audited) of kRUR 7,446,973. Amounts decreasing core capital include intangible assets of kRUR 166,441 and income of kRUR 1,439,234 not included in sources of capital. Income not included in sources of capital is deemed to be non-qualified income generated from the Bank’s cash, for example, agency fees received by the Bank from insurance companies under insurance programs where the insurance compensation is paid by borrowers out of the funds lent by the Bank.

In 2019, in accordance with the requirements of the Bank of Russia, the Bank excluded the following components of profit arising on the adoption of IFRS 9 from its supplementary capital:

- Allowances for ECL of kRUR 3,841,014;
- Expenses on financial liabilities and financial assets of kRUR 308,434.

Information on capital requirements and capital adequacy

The Bank’s risk-weighted assets pursuant to Instruction No. 180-I of the Bank of Russia *On Prudential Bank Ratios* dated 28 June 2017 (hereinafter, “Instruction No. 180-I”) are presented in the table below.

	1 January 2020	*1 January 2019*
Risk-weighted assets to calculate equity (capital) adequacy ratio (N1.0)	120,656,986	107,222,421
Risk-weighted assets to calculate core capital adequacy ratio (N1.1)	120,656,986	107,222,421
Risk-weighted assets to calculate main capital adequacy ratio (N1.2)	120,656,986	107,222,421

Key components of the Bank's risk-weighted assets as of 1 January 2020 are shown in the table below.

	Components of		
	N1.0	***N1.1***	***N1.2***
Risk-weighted assets, including:	**120,656,986**	**120,656,986**	**120,656,986**
Credit risk	107,222,423	107,222,423	107,222,423
Market risk	1,264,450	1,264,450	1,264,450
Operational risk	12,170,113	12,170,113	12,170,113

Key components of the Bank's risk-weighted assets as of 1 January 2019 are shown in the table below.

	Components of		
	N1.0	***N1.1***	***N1.2***
Risk-weighted assets, including:	**107,724,358**	**107,724,358**	**107,724,358**
Credit risk	86,969,432	86,969,432	86,969,432
Market risk	1,834,838	1,834,838	1,834,838
Operational risk	18,920,088	18,920,088	18,920,088

In 2019 and 2018, the Bank complied with the equity (capital) adequacy requirements of the Bank of Russia. See below for equity (capital) adequacy ratios as of 1 January 2020.

	Minimum, %	***1 January 2020***
Equity (capital) adequacy ratio (N1.0)	8.0	15.398
Core capital adequacy ratio (N1.1)	6.0	14.918
Main capital adequacy ratio (N1.2)	4.5	14.918
Capital conservation buffer	2.25	7.398
Counter-cyclical buffer	0	0

See below for equity (capital) adequacy ratios as of 1 January 2019.

	Minimum, %	***1 January 2019***
Equity (capital) adequacy ratio (N1.0)	8.0	15.465
Core capital adequacy ratio (N1.1)	6.0	14.502
Main capital adequacy ratio (N1.2)	4.5	14.502
Capital conservation buffer	1.875	7.465
Counter-cyclical buffer	0	0

Information on risk-weighted assets

	1 January 2020	***1 January 2019***
Credit risk on balance sheet assets, including:	**101,256,207**	**85,671,038**
Credit risk on balance sheet assets (standard)	100,634,350	84,824,465
Transactions with an increased risk factor	621,857	846,573
Risk on credit-related contingencies	**3,659,798**	**–**
Risk on derivative financial instruments	**2,306,418**	**1,298,394**
Market risk	**1,264,450**	**1,834,838**
Operational risk	**12,170,113**	**18,920,088**
Total risk-weighted assets	**120,656,986**	**107,724,358**

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

- Instruction No. 180-I including the procedure to calculate credit risk. Calculations of risk-weighted assets are based on the approach in clause 2.3 of Instruction No. 180-I.
- Regulation No. 511-P of the Bank of Russia *On the Procedure for Market Risk Calculation by Credit Institutions* dated 3 December 2015 providing for the procedure to calculate market risk.
- Regulation No. 652-P of the Bank of Russia *On the Procedure for Operational Risk Calculation* dated 3 September 2018 providing for the procedure to calculate operational risk.

	1 January 2020	***1 January 2019***
Total risk-weighted assets with the risk required to be covered by core capital	120,656,986	107,724,358
Total risk-weighted assets with the risk required to be covered by main capital	120,656,986	107,724,358
Total risk-weighted assets with the risk required to be covered by equity (capital)	120,656,986	107,724,358
Core capital	17,999,467	15,622,147
Main capital	17,999,467	15,622,147
Equity (capital)	18,578,801	16,659,228
Core capital adequacy ratio (N1.1)	14.9%	14.5%
Regulatory value 4.5%		
Main capital adequacy ratio (N1.2)	14.9%	14.5%
Regulatory value 6.0%		
Total capital adequacy ratio (N1.0)	15.4%	15.5%
Regulatory value 8.0%		

17. Segment reporting

The Bank determined operating segments based on its organizational structure. Information on operating segments is presented in the same manner (established in the Bank's internal regulations) as internal reports presented to the Management Board of the Bank.

For the purposes of this disclosure, "operating segments" are determined by the Bank based on the definition specified in IFRS 8 *Operating Segments*.

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

- Corporate banking – provision of financing to car dealers, maintenance of term deposits placed by corporate customers;
- Retail banking – provision of loans to retail customers (car loans) and rendering related financial services;
- In-house activities – interbank lending, trading with securities, foreign currencies and derivative financial instruments, and other internal transactions.

Management monitors operating results separately for each business unit for the purpose of making decisions on resource allocation and performance assessment. Transfer prices for transactions between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

Information on each segment is reviewed using the same methods as those applied in making decisions on resource allocation between segments and performance assessment.

The breakdown of the Bank's assets and liabilities by operating segment is shown in the table below.

	1 January 2020	*1 January 2019*
Assets		
Corporate banking	41,230,606	31,609,776
Retail banking	57,334,890	50,831,866
In-house activities	9,018,548	12,112,230
Total assets	**107,584,044**	**94,553,872**
Liabilities		
Corporate banking	9,672,277	2,148,128
Retail banking	2,662,398	4,343,154
In-house activities	74,223,367	68,458,151
Total liabilities	**86,558,042**	**74,949,433**

There are no differences between the estimated assets and liabilities of operating segments and assets and liabilities of the Bank.

The Bank's income and expenses by operating segment is shown in the table below.

	2019				*2018*			
	Retail banking	*Corporate banking*	*In-house activities*	*Total*	*Retail banking*	*Corporate banking*	*In-house activities*	*Total*
Income								
Interest income	10,088,160	4,474,821	–	**14,562,981**	10,438,941	2,950,205	460,581	**13,849,727**
Fee and commission income	155,570	377	–	**155,947**	116,963	3,782	–	**120,745**
Total revenue	**10,243,730**	**4,475,198**	**–**	**14,718,928**	**10,555,904**	**2,953,987**	**460,581**	**13,970,472**
Expenses								
Interest expense	(5,288,764)	(1,937,525)	–	**(7,226,289)**	(4,797,563)	(1,302,418)	(13,605)	**(6,113,586)**
Fee and commission expense	(1,581)	(826)	(73,422)	**(75,829)**	(152,989)	(803)	(1,325)	**(155,117)**
Allowance for impairment	(2,321,830)	(1,465,316)	(357)	**(3,787,503)**	(725,581)	(403,908)	(6)	**(1,129,495)**
Adjustment to allowance	1,840,496	1,336,640	772	**3,177,908**	–	–	–	**–**
Non-interest expense (income)	158,691	62,458	–	**221,149**	(744,474)	(294,200)	(445,645)	**(1,484,319)**
Other administrative expenses	(1,075,826)	(543,359)	–	**(1,619,185)**	(1,033,820)	(406,467)	–	**(1,440,287)**
Total expenses	**(6,688,814)**	**(2,547,928)**	**(73,007)**	**(9,309,749)**	**(7,454,427)**	**(2,407,796)**	**(460,581)**	**(10,322,804)**
Profit (loss) before income tax expense	**3,554,913**	**1,927,270**	**(73,007)**	**5,409,179**	**3,101,477**	**546,191**	**–**	**3,647,668**
Income tax expense	(445,453)	(232,781)	–	**(678,234)**	(771,802)	(303,449)	–	**(1,075,251)**
Total net profit for the year	**3,109,460**	**1,694,489**	**(73,007)**	**4,730,945**	**2,329,675**	**242,742**	**–**	**2,572,417**

There are no differences between the income and profit of operating segments and the Bank’s income and profit before tax.

As of 1 January 2020 and 1 January 2019, the Bank had no income from transactions with a single external customer or counterparty that would amount to 10% or more of its total income for the reporting year.

As of 1 January 2020 and 1 January 2019, the Bank’s income was generated from operations in the Russian Federation.

18. 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.

The compensation system and procedures are governed by the *Regulation On Compensation to Employees*. The Regulation is developed in accordance with the Labor Code of the Russian Federation, Russian law, regulations of the Bank of Russia and the Bank's local regulations. The Regulation establishes the procedure and the 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 the 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.

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

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

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

The 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% of 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 2019, 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:

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 2020, the Compensation Committee of the Bank comprises four (4) members:

- Mikhail Yurievich Alexeev – Chairman of the Board of Directors;
- Dos Santos Joao Miguel Leandro – member of the Board of Directors;
- Graziano Cameli – member of the Board of Directors;
- Rakesh Kochhar – member of the Board of Directors.

In 2019, the Compensation Committee held two meetings, and no compensation was paid to its members.

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

As of 1 January 2020, the Bank has 8 risk-taking employees (4 of them are members of the Management Board).

In 2019, no adjustments were made to compensation and large payments to risk-taking employees.

19. Related party disclosures

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 the legal form.

Transactions with related parties

The Bank entered into transactions with related parties in the ordinary course of business. There is no increased risk of arrears or other unfavorable events resulting from such transactions. Those transactions include settlements, raising and allocating loans, placements of funds on correspondent accounts, raising deposits, transactions with derivatives, etc.

The Bank's related parties are as follows:

- Parent credit institution of a banking group – JSC UniCredit Bank;
- Key management personnel – members of the Board of Directors and the Management Board;
- Other related parties.

As a result of a share sale and purchase transaction, BARN B.V., a limited liability company (the Kingdom of the Netherlands) became the Bank's sole shareholder on 30 August 2013. The ownership interest in the Bank's share capital is 100.00%.

The ultimate owners of the Bank's shareholder are:

- UniCredit S.p.A., Italy – 40%;
- Renault S.A., France – 30%;
- Nissan Motor Co., Ltd., Japan – 30%.

The shares above do not include the ownership of Renault S.A., France, in the share capital of Nissan Motor Co., Ltd., Japan, which was 43% as of 1 January 2020.

The Bank is a member (an associate) of a banking group with JSC UniCredit Bank as a parent.

Transactions with the members of the Management Board

The total compensations to the members of the Management Board included in personnel expenses in 2019 and 2018 amounted to kRUR 77,670 and kRUR 98,792, respectively.

Balances of related party transactions, by related party category, as of 1 January 2020 and 1 January 2019 are provided in the tables below.

1 January 2020	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Assets				
Amounts due from credit institutions	8,901	–	3,277	12,178
Financial assets at fair value through profit or loss	336,083	–	–	336,083
Net loans receivable at amortized cost	–	–	849,721	849,721
Total assets	**344,984**	**–**	**852,998**	**1,197,982**
Liabilities				
Amounts due to credit institutions	11,282,288	–	4,171,004	15,453,292
Amounts due to customers (other than credit institutions)	–	–	5,724,072	5,724,072
Current accounts of individuals	–	–	15	15
Financial liabilities at fair value through profit or loss	60,779	–	–	60,779
Other liabilities	2,863	–	1,306	4,169
Total liabilities	**11,345,930**	**–**	**9,896,397**	**21,242,327**
Claims and liabilities under derivative financial instruments				
Claims under derivative financial instruments	3,720,663	–	–	3,720,663
Liabilities under derivative financial instruments	3,732,823	–	–	3,732,823

1 January 2019	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Assets				
Amounts due from credit institutions	7,163	–	3,755	10,918
Financial assets at fair value through profit or loss	–	–	207,129	207,129
Net loans receivable	–	–	309,156	309,156
Other assets	–	–	170,827	170,827
Total assets	**7,163**	**–**	**690,867**	**698,030**
Liabilities				
Amounts due to credit institutions	22,000,000	–	6,416,558	28,416,558
Amounts in settlements	–	–	3,021	3,021
Amounts due to customers (other than credit institutions)	–	–	6,312,480	6,312,480
Current accounts of individuals	–	–	20	20
Financial liabilities at fair value through profit or loss	–	–	279,679	279,679
Other liabilities	1,393,122	–	13,868	1,406,990
Total liabilities	**23,393,122**	**–**	**13,025,626**	**36,418,748**
Claims and liabilities under derivative financial instruments				
Claims under derivative financial instruments	1,813,348	–	3,209,078	5,022,426
Liabilities under derivative financial instruments	1,737,551	–	3,277,696	5,015,247

Income and expenses from transactions with related parties as of 1 January 2020 and 1 January 2019 are disclosed in the table below.

1 January 2020	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Interest income	(42,704)	–	2,953,671	2,910,967
Interest expense	(1,230,549)	–	(202,879)	(1,433,428)
Net gains from financial assets at fair value through profit or loss	55,149	–	–	55,149
Net gains from financial assets at fair value through other comprehensive income	(196)	–	–	(196)
Net gains (losses) from dealing in foreign currencies	(21)	–	–	(21)
Net fee and commission income (expense)	(198)	–	–	(198)
Changes in provisions for other losses	–	–	1,455	1,455
Other operating income	–	–	632	632
Operating expenses	(17,616)	(77,670)	(130,427)	(225,713)
Tax expense	–	–	(1,854)	(1,854)

1 January 2019	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Interest income	-	-	2,273,192	2,273,192
Interest expense	(3,158,778)	-	(389,878)	(3,548,656)
Changes in provisions for potential losses on loans and other assets	-	-	2	2
Net gains from financial assets at fair value	2,853,260	-	(37,623)	2,815,637
Net gains (losses) from dealing in foreign currencies	(410)	-	744	334
Net fee and commission income	(114,583)	-	14,040	(100,543)
Provisions for other losses		-	(1,455)	(1,455)
Other operating income	-	-	519	519
Operating expenses	(9,600)	(98,792)	(60,575)	(168,967)
Tax expense	-	-	(1,716)	(1,716)

As of 1 January 2020 and 1 January 2019, the Bank had neither outstanding amounts under related party transactions nor expenses recorded on bad or doubtful receivables from related parties.

20. Long-term employee benefits

The Bank does not enter into employee benefit arrangements providing for defined or non-defined benefit plans.

21. Share-based payments

The Bank does not enter into any share-based payment arrangements with its employees.

22. Basic and diluted earnings per share

The Bank is not a public joint stock company; therefore, its ordinary shares are not traded in a public market (domestic or foreign stock exchange or an over-the-counter market, including local and regional markets). The Bank did not file, nor is in the process of filing, its financial statements for the purpose of issuing ordinary shares to public circulation. In view of the above, basic and diluted earnings per share are not disclosed.

Chairman of the Management Board
Xavier Derot

Chief Accountant
Daria Dolgorukova

12 March 2020