Independent auditor's report
on the annual financial statements of
Joint Stock Company RN Bank
for 2020

March 2021

Translation of the original Russian version

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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 2020, statement of income (published form) for the period from 1 January to 31 December 2020 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 2021, information on mandatory ratios, financial leverage indicator of short-term liquidity and ratios (published form) as of 1 January 2021, statement of cash flows (published form) as of 1 January 2021 and explanatory notes.

In our opinion, the accompanying annual financial statements present fairly, in all material respects, the financial position of the Bank as of 31 December 2020 and its financial performance and its cash flows for 2020 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' (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the annual financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Allowances for expected credit losses on loans to customers	
Estimation of the allowances for expected credit losses on loans to customers, in accordance with Regulation No. 605-P of the Bank of Russia *On the Procedure for Credit Institutions to Account for Transactions to Provide (Place) Funds under Loan Agreements and Other Agreements to Place Funds, Transactions to Purchase Receivables from Third Parties Related to the Performance of Cash Liabilities, Transactions Related to Liabilities under Bank Guarantees Issued and Provision of Funds* of 2 October 2017, 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 allowances 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 allowances for impairment of loans to customers. 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 allowances for impairment was a key audit matter. The information on the allowances for expected credit losses on loans to customers, and the Bank's management approach to assessing and managing credit risk is provided in Notes 10.3 and 14.2 to the financial statements.	Our audit procedures included the analysis of the methodology for assessing expected credit losses on loans to customers, related accounting policies of the Bank, its internal regulations and procedures. In testing loan impairment, we analyzed 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 analyzed 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.

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Other information included the Bank's 2020 Annual Report

Other information consists of the information included in the 2020 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.

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.

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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.

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, actions taken to eliminate threats or safeguards applied.

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.

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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 2020, we determined:

1) Whether the Bank complied as of 1 January 2021 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.

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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 2021 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 of 31 December 2020 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 of 31 December 2020 that establish the methodologies for detecting and managing credit risk, market risk, interest rate risk of 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 of 31 December 2020, the Bank had a reporting system pertaining credit risk, market risk, interest rate risk of banking book, operational risk (including legal risk), liquidity risk and concentration risk 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 2020 with regard to the management credit risk, market risk, interest rate risk of banking book, operational risk (including legal risk), 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 relevant risk management methodologies.
- We found that, as of 31 December 2020, 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 2020, 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 function.

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

19 March 2021

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 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 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	10.1	10	10
2	Amounts due to the credit institution from the Central Bank of the Russian Federation	10.1	2 592 891	2 677 187
2.1	Obligatory reserves	10.1	536 204	490 450
3	Amounts due from credit institutions	10.1	93 062	56 322
4	Financial assets at fair value through profit or loss	10.2	3 537 339	868 323
5	Net loans receivable at amortized cost	10.3, 14.1, 14.2	99 296 502	102 148 706
5a	Net loans receivable		x	x
6	Net investments in financial assets at fair value through other comprehensive income	10.5	993 084	1 004 477
6a	Net investments in securities and other financial assets available for sale		x	x
7	Net investments in securities and other financial assets at amortized cost (other than loans receivable)		0	0
7a	Net investments in securities held to maturity		x	x
8	Investments in subsidiaries and associates		0	0
9	Current income tax asset		0	207 732
10	Deferred tax asset		211 187	256 052
11	Fixed assets, intangible assets and inventories	10.6	432 274	219 760
12	Non-current assets held for sale		0	0
13	Other assets	10.7	261 327	145 475
14	Total assets		107 417 676	107 584 044
	II. LIABILITIES			
15	Loans, deposits and other amounts due to the Central Bank of the Russian Federation	10.8	62 514	0
16	Amounts due to customers at amortized cost	10.9	43 672 915	44 747 964
16.1	Amounts due to credit institutions	10.9	32 100 349	32 978 689
16.2	Amounts due to customers other than credit institutions	10.9	11 572 566	11 769 275
16.2.1	Deposits of (amounts due to) individuals, including individual entrepreneurs	10.9	2 818 891	2 547 423
17	Financial liabilities at fair value through profit or loss	10.2	65 008	154 064
17.1	Deposits of (amounts due to) individuals, including individual entrepreneurs		0	0
18	Debt securities issued	10.10	36 247 952	39 258 988
18.1	At fair value through profit or loss		0	0
18.2	At amortized cost	10.10	36 247 952	39 258 988
19	Current income tax liabilities		58 796	730
20	Deferred tax liabilities		0	0
21	Other liabilities	10.11	1 458 139	1 846 983
22	Provisions for potential losses on credit-related contingent liabilities, other potential losses and transactions with offshore residents		775 274	549 313
23	Total liabilities		82 340 598	86 558 042
	III. EQUITY			
24	Shareholders' (participants') equity	10.13, 12, 15	6 069 000	6 069 000
25	Treasury shares		0	0
26	Share premium	12, 15	5 780 800	5 780 800
27	Reserve fund	12, 15	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)	12	6 315	2 142
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	12	296	301
35	Unutilized profit (loss)		12 912 298	8 865 390
36	Total equity		25 077 078	21 026 002
	IV. OFF-BALANCE SHEET LIABILITIES			
37	Irrevocable liabilities of the credit institution		27 750 255	22 586 250
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 **19 March 2021**

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 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 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:	11.1	12 138 648	13 037 103
1.1	Deposits placed with credit institutions	11.1	403 380	488 235
1.2	Loans issued to customers other than credit institutions	11.1	11 680 064	12 516 825
1.3	Finance lease services		0	0
1.4	Investments in securities	11.1	55 204	32 043
2	Total interest expense, including for:	11.2	5 234 864	5 655 100
2.1	Funds raised from credit institutions	11.2	2 053 890	2 627 415
2.2	Funds raised from customers other than credit institutions	11.2	270 558	357 393
2.3	Securities issued	11.2	2 910 416	2 670 292
3	Net interest income (negative interest margin)		6 903 784	7 382 003
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:	11.5	226 975	-526 750
4.1	Change in provision for potential losses and allowance for expected credit losses on accrued interest income	11.5	150 432	-32 358
5	Net interest income (negative interest margin) after provision for potential losses		7 130 759	6 855 253
6	Net gains from financial assets at fair value through profit or loss	11.3	2 696 889	-907 888
7	Net gains from financial liabilities at fair value through profit or loss	11.4	0	0
8	Net gains from securities at fair value through other comprehensive income		0	-200
8a	Net gains from securities available for sale		x	x
9	Net gains from securities at amortized cost		0	0
9a	Net gains from securities held to maturity		x	x
10	Net gains from dealing in foreign currencies	11.6	538	-270 726
11	Net gains from foreign currency translation	11.7	-2 752 005	1 327 876
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	11.8	221 321	151 272
15	Fee and commission expense	11.8	4 317	3 413
16	Change in provision for potential losses and allowance for expected credit losses on securities at fair value through other comprehensive income	11.5	5	-168
16a	Change in provision for potential losses on securities available for sale		x	x
17	Change in provision for potential losses and allowance for expected credit losses on securities at amortized cost		0	0
17a	Change in provision for potential losses on securities held to maturity		x	x
18	Change in provision for other losses	11.5	-158 228	-92 424
19	Other operating income	11.9	54 327	54 971
20	Net income (expense)		7 189 289	7 114 553
21	Operating expenses	11.10	1 730 130	1 705 374
22	Profit (loss) before tax		5 459 159	5 409 179
23	Tax benefit (expense)	11.12	1 412 251	678 234
24	Profit (loss) from continuing operations	12	4 046 908	4 730 945
25	Profit (loss) from discontinued operations		0	0
26	Profit (loss) for the reporting period	12	4 046 908	4 730 945

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		4 046 908	4 730 945
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:		5 212	3 856
6.1	Change in revaluation reserve for financial assets at fair value through other comprehensive income		5 212	3 856
6.1a	Change in revaluation reserve for financial assets available for sale		x	x
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	12.1	1 044	711
8	Other comprehensive income (loss) to be reclassified to profit or loss, less income tax	12.1	4 168	3 145
9	Other comprehensive income (loss) less income tax	12.1	4 168	3 145
10	Financial result for the reporting period		4 051 076	4 734 090

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp **19 March 2021**

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

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

STATEMENT OF CAPITAL ADEQUACY TO COVER RISKS
(published form)
as of 1 January 2021

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):		8 336 169	7 446 973	35
2.1	Prior years		8 336 169	7 446 973	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)		20 494 338	19 605 142	
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		252 907	166 441	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		571 866	1 439 234	
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)**		**824 773**	**1 605 675**	
29	**Total core capital (line 6 – line 28)**	15	**19 669 565**	**17 999 467**	
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)**	15	**19 669 565**	**17 999 467**	
Additional capital					
46	Additional capital instruments and share premium		3 813 365	579 334	
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)**	15	**3 813 365**	**579 334**	
Items decreasing additional capital					
52	Investments in treasury additional capital instruments		3 913	0	
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)**		**3 913**	**0**	
58	**Total additional capital (line 51 – line 57)**	15	**3 809 452**	**579 334**	
59	**Total equity (capital) (line 45 + line 58)**	15	**23 479 017**	**18 578 801**	
60	**Risk weighted assets:**		**X**	**X**	**X**
60.1	Required to determine the core capital adequacy ratio	15	118 673 467	120 656 986	
60.2	Required to determine the main capital adequacy ratio	15	118 673 467	120 656 986	
60.3	Required to determine the equity (capital) adequacy ratio	15	118 673 467	120 656 986	
Equity (capital) adequacy ratios and markups for equity (capital) adequacy ratios, %					
61	Core capital adequacy ratio (line 29 : line 60.1)	15	16.575	14.918	
62	Main capital adequacy ratio (line 45 : line 60.2)	15	16.575	14.918	
63	Equity (capital) adequacy ratio (line 59 : line 60.3)	15	19.785	15.398	
64	Total markups for core capital adequacy ratio, including:	15	7	6.750	
65	Capital conservation buffer	15	2.5	2.250	
66	Countercyclical buffer		0	0	
67	GSIB surcharge		Not applicable	Not applicable	
68	Core capital available for maintaining markups for equity (capital) adequacy ratios		10.575	7.398	
Equity (capital) adequacy ratios, %					
69	Core capital adequacy ratio	15	4.5	4.5	
70	Main capital adequacy ratio	15	6.0	6.0	
71	Equity (capital) adequacy ratio	15	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 **19 March 2021**

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 2021

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

№	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		6 069 000		5 780 800	- 703				308 369			-	7 446 973	19 604 439
2	Effect of changes in accounting policies														
3	Effect of correction of errors														
4	At the beginning of the previous reporting year (corrected)		6 069 000		5 780 800	- 703				308 369			-	7 446 973	19 604 439
5	Comprehensive income for the previous reporting period:					2 845				-			301	1 418 417	1 421 563
5.1	Profit (loss)									-				1 418 417	1 418 417
5.2	Other comprehensive income	12.1				2 845							301	-	3 146
6	Issue of shares:														-
6.1	Nominal value														-
6.2	Share premium														-
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	2 142				308 369			301	8 865 390	21 026 002
13	At the beginning of the reporting year		6 069 000		5 780 800	2 142				308 369			301	8 865 390	21 026 002
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	2 142				308 369			301	8 865 390	21 026 002
17	Comprehensive income for the reporting period:					4 173				-			- 5	4 046 908	4 051 076
17.1	Profit (loss)									-				4 046 908	4 046 908
17.2	Other comprehensive income	12.1				4 173							- 5		4 168
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	6 315				308 369			296	12 912 298	25 077 078

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp **19 March 2021**

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

Bank reporting forms

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

STATEMENT OF PRUDENTIAL RATIOS, LEVERAGE RATIO AND LIQUIDITY COVERAGE RATIO

(published form)

of " 1 " January 2021 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	15	19 669 565	19 569 607	19 359 873	18 563 054	17 999 467
1a	Core capital with full application of the expected credit losses model without considering the effect of transition measures		20 764 470	20 842 081	20 833 001	20 843 329	16 126 173
2	Main capital	15	19 669 565	19 569 607	19 359 873	18 563 054	17 999 467
2a	Main capital with full application of the expected credit losses model		20 764 470	20 842 081	20 833 001	20 843 329	16 126 173
3	Equity (capital)	15	23 479 017	22 768 979	21 598 818	18 563 054	18 578 801
3a	Equity (capital) with full application of the expected credit losses model		24 811 736	24 333 394	23 370 098	21 407 509	20 854 955
RISK WEIGHTED ASSETS, kRUR							
4	Risk weighted assets	15	118 673 467	111 995 231	107 561 325	125 169 225	120 656 986
CAPITAL ADEQUACY RATIOS, %							
5	Core capital adequacy ratio N1.1 (N20.1)	15	16.575	17.474	17.999	14.822	14.918
5a	Core capital adequacy ratio with full application of the expected credit losses model		17.497	18.610	19.368	16.652	13.365
6	Main capital adequacy ratio N1.2 (N20.2)	15	16.575	17.474	17.999	14.822	14.918
6a	Main capital adequacy ratio with full application of the expected credit losses model		17.497	18.610	19.368	16.652	13.365
7	Equity (capital) adequacy ratio N1.0 (N1cc, N1.3, N20.0)	15	19.785	20.330	20.074	14.830	15.398
7a	Equity (capital) adequacy ratio with full application of the expected credit losses model		20.908	21.727	21.727	17.103	17.284
MARKUPS FOR CORE CAPITAL (as a percentage of risk weighted assets), %							
8	Capital conservation buffer	15	2.500	2.500	2.500	2.500	2.250
9	Countercyclical buffer		0.000	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)	15	2.500	2.500	2.500	2.500	2.250
12	Core capital available for maintaining markups for equity (capital) adequacy ratios	15	10.575	11.474	11.999	10.322	10.418
LEVERAGE RATIO							
13	Amount of on-balance sheet assets and off-balance sheet claims at risk, used to calculate the leverage ratio, kRUR		115 449 047	110 266 573	102 746 395	115 964 630	112 502 480
14	Leverage ratio of the bank (N1.4) or the banking group (N20.4), %		17.037	17.748	18.842	16.008	15.999
14a	Leverage ratio with full application of the expected credit losses model, %		17.986	18.902	20.276	17.974	14.334
LIQUIDITY COVERAGE RATIO							
15	Highly-liquid assets, kRUR						
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	14.3	247.436	304.634	410.197	285.554	244.241
22	Current liquidity ratio N3	14.3	226.783	157.146	181.609	119.049	130.191
23	Long-term liquidity ratio N4	14.3	87.607	79.019	62.078	64.607	67.325

1	2	3	4			5			6			7			8		
24	Maximum risk per borrower or group of related borrowers N6 (N21)	14.1	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration
			8.929	0		7.504	0		7.504	0		17.206	0		20.790	0	
25	Maximum exposure to large credit risks N7 (N22)	14.1	25.540			0.000			27.647			90.467			79.774		
26	Aggregate insider risk N10.1		0.000			11.313			0.000			0.000			0.015		
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	Number of violations	Duration	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration	Maximum value	Number of violations	Duration
			3.900	0		5.190	0		5.190	0		6.520	0		5.230	0	
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)		107 417 676
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		636 625
5	Adjustment for securities lending		0
6	Adjustment for credit-related contingent liabilities aligned to credit equivalent		7 088 093
7	Other adjustments		-306 653
8	Total amount of on-balance sheet assets and off-balance sheet claims at risk, as adjusted, used to calculate the leverage ratio		115 449 047

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		104 439 897
2	Downward adjustment for the items reducing the amount of main capital		252 907
3	Total on-balance sheet assets at risk, as adjusted (difference between line 1 and line 2)		104 186 990
	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)		3 537 339
5	Total potential counterparty credit risk related to derivative financial instruments		636 625
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)		4 173 964
	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		14 176 187
18	Adjustment for credit equivalent ratios		7 088 094
19	Total risk related to credit-related contingent liabilities, as adjusted (difference between line 17 and line 18)		7 088 093
	Capital and risks		
20	Main capital		19 669 565
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)		115 449 047
	Leverage ratio		
22	Leverage ratio of the bank (N1.4) or the banking group (N20.4), % (line 20 : line 21)		17.037

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,			
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 **19 March 2021**

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г. МОСКВА

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 2021

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:		4 858 964	3 322 318
1.1.1	Interest received		12 339 431	12 145 971
1.1.2	Interest paid		-5 100 179	-5 359 635
1.1.3	Fees and commissions received		221 321	151 272
1.1.4	Fees and commissions paid		-4 317	-3 413
1.1.5	Gains less losses from financial assets at fair value through profit or loss available for sale		-61 183	-819 340
1.1.6	Income less expenses from operations with securities carried at the deprecated value		0	0
1.1.7	Gains less losses from dealing in foreign currencies		538	-270 726
1.1.8	Other operating income		595 992	107 688
1.1.9	Operating expenses		-1 707 839	-1 702 855
1.1.10	Tax expense (benefit)		-1 424 800	-926 644
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		-4 739 650	-1 787 128
1.2.1	Net increase (decrease) in obligatory reserves with the Bank of Russia		-45 754	-171 940
1.2.2	Net increase (decrease) of financial assets at fair value through profit or loss		0	0
1.2.3	Net increase (decrease) in loans receivable		1 506 054	-14 970 601
1.2.4	Net increase (decrease) in other assets		868 654	907 537
1.2.5	Net increase (decrease) in loans, deposits and other amounts due to the Bank of Russia		62 514	0
1.2.6	Net increase (decrease) in amounts due to other credit institutions		-2 164 676	-9 011 618
1.2.7	Net increase (decrease) in amounts due to customers other than credit institutions		-1 681 367	498 982
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		-3 011 036	20 450 810
1.2.10	Net increase (decrease) in other liabilities		-274 039	509 702
1.3	Total (sum of lines 1.1 and 1.2)	13	119 314	1 535 190
2	**Net cash from (used in) investing activities**			
2.1	Acquisition of financial assets carried at fair value through other comprehensive income		0	-958 479
2.2	Revenue from sale and redemption of financial assets carried at fair value through other comprehensive income		0	439 699
2.3	Acquisition of securities carried at the depreciated value		0	0
2.4	Revenue from redemption of securities carried at the depreciated value		0	0
2.5	Purchase of fixed assets, intangible assets and inventories		-231 613	31 675
2.6	Proceeds from sale of fixed assets, intangible assets and inventories		0	0
2.7	Dividends received		0	0
2.8	Total (sum of lines 2.1 and 2.7)	13	-231 613	-487 105
3	**Net cash from (used in) financing activities**			
3.1	Contributions of shareholders (participants) to share capital		0	0
3.2	Purchase of treasury shares		0	0
3.3	Sale of treasury shares		0	0
3.4	Dividends paid		0	0
3.5	Total (sum of lines 3.1 and 3.4)		0	0
4	**Impact of changes to the currency exchange rates as established by the Central Bank of the Russian Federation on cash and cash equivalents**	13	18 989	0
5	Increase (decrease) in cash and cash equivalents	13	-93 310	1 048 085
5.1	Cash and cash equivalents at the beginning of the reporting year	13	2 243 069	1 188 966
5.2	Cash and cash equivalents at the end of the reporting period	13	2 149 759	2 237 051

Chairman of the Management Board **Xavier Derot**

Chief Accountant **Daria Vladislavovna Dolgorukova**

Stamp **19 March 2021**

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

Translation of the original Russian version

Explanatory notes
to the annual financial statements of
Joint Stock Company RN Bank
for 2020

1. Introduction

These explanatory notes:

- Constitute an integral part of the annual financial statements of JSC RN Bank for the year 2020, starting on 1 January 2020 and ending on 31 December 2020 (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 financial 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 financial statements of the Bank comprise:

- The balance sheet (published form) for 2020;
- The statement of income (published form) for 2020;
- The statement of capital adequacy to cover risks (published form) as of 1 January 2021;
- The statement of changes in equity of the credit institution (published form) as of 1 January 2021;
- The statement of prudential ratios, leverage ratio and liquidity coverage ratio (published form) as of 1 January 2021;
- The statement of cash flows (published form) as of 1 January 2021;
- The explanatory notes to the annual financial statements for 2020.

The annual financial statements are available on the Bank's official website at https://rn-bank.ru/about/investors/ 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 https://rn-bank.ru/about/investors/ in the *Disclosures for Regulatory Purposes* section within the time frames established by Instructive Regulation No. 4482-U of the Bank of Russia.

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.

Main State Registration Number: 1025500003737.

Date of making a record concerning the establishment in the Uniform State Register of Legal Entities: 6 November 2002.

Bank identification code (BIC): 044525147.

Taxpayer identification number (TIN): 5503067018.

Contact telephone number: + 7 (495) 775-40-68.

The Bank made no changes to the above details in 2020.

3. Reporting period and measurement units in the annual financial statements

The annual financial statements were prepared as of 1 January 2021 for the period beginning on 1 January 2020 through 31 December 2020.

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 2020 (beginning of the reporting year).

For the statement of income, the statement of changes in equity and the statement of cash flows, the comparable period is 2019.

The annual financial 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 financial statements are presented below:

	Units	*31 December 2020*	*31 December 2019*
RUR/USD	1/1	73.8757	61.9057
RUR/EUR	1/1	90.6824	69.3406
RUR/JPY	1/100	71.4915	56.7032

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 the parent credit institution.

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, financing of car purchases for state enterprises and corporations 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 2021, the Bank provides services in 78 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 2020, the Bank made no changes to equity instruments.

In 2020, the following changes took place in the composition of the Bank's Board of Directors:

According to Decision No. 1 of the Bank's sole shareholder dated 15 April 2020, Mr. Andrea Diamanti was elected to the Bank's Board of Directors and the powers of Mr. Graziano Cameli as a member of the Bank's Board of Directors were terminated.

According to Decision No. 3 of the Bank's sole shareholder dated 14 October 2020, Mr. Kirill Zhukov-Emelyanov was elected to the Bank's Board of Directors and the powers of Mr. Mikhail Alekseev as a member of the Bank's Board of Directors were terminated.

On 30 October 2020, the Bank's Board of Directors decided to elect Mr. Andrea Diamanti as Chairman of the Bank's Board of Directors (Minutes No. 6/2020).

In 2020, there were no changes in the composition of the Bank's Management Board.

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 16 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 16 December 2014 to accept deposits from individuals denominated in rubles and foreign currencies.

The Bank is a member of the deposit insurance system and was included in the register of banks participating in the obligatory insurance system on 3 February 2005 (Certificate No. 551).

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

The Bank has no subsidiaries or associates.

As of 1 January 2021, the average headcount of the Bank was 296 employees (1 January 2020: 259 employees).

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)	14 July 2020

- ACRA national agency

National credit rating	AAA(RU)
Rating of exchange-traded bond issues	AAA(RU)
Outlook	Stable
Date of change (confirmation)	21 February 2020

Decision on profit distribution

The decision on the distribution of net profit for 2020, including dividend payment, will be made by the sole shareholder after approval of the Bank's annual financial statements for 2020.

Overview of the Bank's key financial indicators

Assets and liabilities	*Change (%)*	1 January 2021	1 January 2020
Assets	(0.2)	107,417,676	107,584,044
Equity (capital)	26.4	23,479,017	18,578,798
Loans receivable	(3.0)	102,405,523	105,558,275
Portfolio of loans to legal entities	(32.6)	28,757,615	42,679,479
Portfolio of loans to individuals	14.6	67,529,629	58,938,347
Amounts due from credit institutions	21.4	7,685,953	6,333,519
Securities	(1.1)	993,084	1,004,477
Amounts due to customers	(1.7)	11,572,566	11,769,275
Amounts due to credit institutions	(2.7)	32,100,349	32,978,689
Bonds issued	(7.7)	36,247,952	39,258,988

Capital adequacy ratios	*Change (%)*	1 January 2021	1 January 2020
Capital adequacy ratio (N1.0)	28.6	19.8%	15.4%
Core capital adequacy ratio (N1.1)	10.2	16.6%	14.9%

Income and expenses	*Change (%)*	1 January 2021	1 January 2020
Net interest income (expense)	(6.5)	6,903,784	7,382,003
Net gains (losses) from financial assets at fair value through profit or loss	397.1	2,696,889	(907,888)
Net gains (losses) from securities at fair value through other comprehensive income	100	−	(200)
Net gains (losses) from dealing in foreign currencies	100.2	538	(270,726)
Net gains (losses) from foreign currency translation	(431.9)	(2,752,005)	1,327,876
Fee and commission income (expense)	46.8	217,004	147,859
Other operating income (expenses)	(1.5)	(1,675,803)	(1,650,403)
Income (expenses) from changes in provisions for potential losses due to adjustments for ECL	111.1	68,752	(619,342)
Net profit	(14.6)	4,046,908	4,730,945

In 2020, 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).

In 2020, the Bank's assets decreased insignificantly (by 0.2%) due to a decrease in loans receivable at amortized cost. As of 1 January 2021, the Bank's assets amounted to kRUR 107,417,676.

The equity of the Bank increased by 26.4% due to earnings for prior years confirmed by the auditor, earnings for the current year and a decrease in income not recognized as a source of capital. As of 1 January 2021, the equity of the Bank amounted to kRUR 23,479,017.

In 2020, the portfolio of loans to legal entities decreased by 32.6% to kRUR 28,757,615 as of 1 January 2021. The decrease resulted from the following factors:

- In the second quarter of 2020, as a result of short-term stoppage of plants caused by the spread of the COVID-19 pandemic, the number of car deliveries by auto manufacturers decreased;
- In the third quarter of 2020, the consumer demand for cars increased due to the launch of new state incentive programs to boost the consumer demand for cars in June 2020. This had a positive effect on dealers' sales. Rapid growth of sales directly to end consumers resulted in a lower demand for loans (financing) for car supplies from car manufacturers and their official dealers that form the Bank's loan portfolio in terms of the loans receivable from legal entities.

The above factors resulted in a lower demand for financing of car supplies from car manufacturers and their official dealers that forms the Bank's loan portfolio in terms of the loans receivable from legal entities.

In 2020, the portfolio of loans to individuals increased by 14.6% to kRUR 67,529,629 as of 1 January 2021. The increase in the loan portfolio resulted from the above-mentioned growth of sales to end consumers, i.e. individuals.

In 2020, amounts due from credit institutions increased by 21.4% to kRUR 7,685,953 as of 1 January 2021. The Bank placed available funds with the Bank of Russia.

In 2020, as a result of an unrealized negative revaluation, the securities portfolio demonstrated an insignificant decrease by 1.1% to kRUR 993,084 as of 1 January 2021.

In 2020, amounts due to corporate and private customers insignificantly decreased by 1.7% to kRUR 11,572,566 as of 1 January 2021.

In 2020, funds raised on the interbank market decreased by 2.7% to kRUR 32,100,349 as of 1 January 2021.

A 7.7% decrease in bonds issued in 2020 was caused by the discharge of obligations under the offer in the first quarter of 2020 in the amount of kRUR 867,383 as well as the repayment of two issues of own bonds totaling kRUR 10,000,000 and the payment of respective coupons in the second and fourth quarters of 2020. In the fourth quarter of 2020, the Bank issued bonds for kRUR 8,000,000.

In 2020, the Bank’s capital adequacy ratios were significantly better than the statutory requirements: as of 1 January 2021, the capital adequacy ratio N 1.0 was 19.8% (the threshold value is 8%) and the core capital adequacy ratio N 1.1 was 16.6% (the threshold value is 4.5%).

The Bank successfully completed the year 2020 and earned a net profit of kRUR 4,046,908. In 2019, the net profit of the Bank amounted to kRUR 4,730,945.

Amidst a decrease in financing provided to legal entities and funds raised, in 2020, the net interest income of the Bank decreased by 6.5% year on year to kRUR 6,903,784 as of 1 January 2021.

The largest year-on-year changes in the structure of income and expenses were demonstrated by net gains (losses) from financial assets at fair value through profit or loss and net gains (losses) from foreign currency translation. These types of gains (losses) directly relate to fluctuations in the Russian ruble’s exchange rate, which significantly declined in 2020. A decrease in the RUR exchange rates against EUR and JPY, which are the major foreign currencies in which the Bank operates, exceeded 31% (31 December 2020: EUR 1 = RUR 90.6824; 31 December 2019: EUR 1 = RUR 69.3406) and 26% (31 December 2020: JPY 1 = RUR 0.714915; 31 December 2019: JPY 1 = RUR 0.567032), respectively.

Insignificant net income from dealing in foreign currencies in the reporting year compared with the previous year was due to the fact that in the reporting period the Bank did not make intermediate settlements for transactions with derivatives, the financial result of which was recorded within these expenses in the previous year.

Fee and commission income, mainly generated by fees received under agency agreements with insurance companies for services provided by the Bank (attracting insurance customers) without including the insurance premium in the amount of the loan issued by the Bank, exceeded the same income for the previous year, which resulted from an uneven generation of this income during the year because of the terms of agency agreements in respect of recognition of the agency fees as agreed with the principals.

Changes in provisions for potential losses and downward adjustments of provisions for potential losses to the allowance for expected credit losses were caused by a change in the structure of assets, including a decrease in loans issued to legal entities and reversal of provisions for potential losses from factoring and loans to legal entities.

In 2020, other operating expenses decreased insignificantly year on year, which indicates that the Bank’s operating activities are stable.

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

General

The Bank measures its assets and liabilities and recognizes banking and business transactions in the accounting records in accordance with Federal Law No. 402-FZ *On Accounting* dated 22 November 2011, 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 effective regulations of the Bank of Russia.

The accounting policy for the year 2020 was approved on 9 January 2020 by an Order of the Chairman of the Bank's Management Board (hereinafter, the “accounting policy”).

The accounting policy sets principles, methods and techniques the Bank uses to maintain its accounting records.

The Bank of Russia approves regulations that result in amendments to the accounting policy. Generally, a restatement of comparative data for the previous reporting periods is not required.

The Bank continued in the reporting period and currently continues to apply a fundamental going concern assumption (principle), which suggests that the Bank will continue as a going concern in the future and it has neither the intention nor the need to liquidate or curtail materially its activities or to undertake transactions on adverse terms.

In the reporting period, there were no instances when any accounting rules were not applied, resulting in the misstatement of information on the Bank's assets and financial results.

Principles and methods of measuring and accounting for certain assets, liabilities, transactions and events

Assets and liabilities denominated in foreign currencies, are recorded in the Bank's balance sheet in Russian rubles at the official exchange rate set by the Bank of Russia. Such assets and liabilities are remeasured if the Bank of Russia changes the exchange rate.

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

Classification and subsequent measurement of financial instruments (assets and liabilities)

Classification and measurement of financial instruments

Financial assets

At initial recognition, the Bank classifies financial assets using the following measurement categories:

- At amortized cost;
- At fair value through other comprehensive income;
- At fair value through profit or loss.

The Bank measures its debt financial assets at amortized cost only if both of the following conditions are met and if the Bank elected not to measure them at fair value through profit or loss:

- The asset is held within an asset management business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest accrued on the principal amount outstanding (SPPI criterion).

The Bank measures its debt financial assets at fair value through other comprehensive income only if both of the following conditions are met and if the Bank elected not to measure them at fair value through profit or loss:

- The asset is held within an asset management business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest accrued on the principal amount outstanding (SPPI criterion).

Business model assessment

The Bank assesses the objective of the business model under which the asset is held at the level of the portfolio of financial instruments, as it best reflects the method used to manage business and present information to management.

The classification and subsequent measurement of financial assets depend on the Bank's business model applied to manage the asset and on characteristics of cash flows from the asset.

The business model reflects how the Bank manages its assets in order to generate cash flows, namely:

- Solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows") or
- To collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell");
- If neither 1 nor 2 is applicable, the financial assets are classified as part of "other" business models and measured at fair value through profit or loss.

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

Determining whether the contractual cash flows are solely payments of principal and interest (the SPPI criterion)

When determining whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding (the SPPI criterion), the Bank analyzes the contractual terms of the financial instrument. This includes assessment of whether a financial asset contains a contractual provision that can change the dates or amount of contractual cash flows so that the financial asset will no longer comply with the requirement under analysis. In the course of the assessment, the Bank analyzes the following:

- Contingencies that can change the dates or the amount of cash flows;
- Early repayment and prolongation provisions;
- Provisions that cause changes in consideration for the time value of money, for example, regular revision of interest rates.

The SPPI test is performed at initial recognition of the asset without subsequent measurement.

Reclassification

Financial assets are not reclassified after initial recognition, except for cases when the Bank changed its financial asset management business model (in this case, a financial asset is reclassified in the reporting period following the period when the business model was changed).

However, if contractual terms for the asset are modified, when assessing whether the modification is material, the Bank considers whether the contractual cash flows are still consistent with the basic lending arrangement.

Financial liabilities

The Bank classifies financial liabilities as measured at amortized cost or at fair value through profit or loss. Financial liabilities at fair value through profit or loss comprise derivative financial liabilities.

Reclassification

Financial liabilities are not reclassified after initial recognition.

Recognition and derecognition of financial instruments

Financial assets and liabilities are recognized in the accounting records when the Bank becomes a party to the contractual provisions of the financial instrument. All regular way purchases of financial assets are recognized at the settlement date. The Bank derecognizes securities classified as financial assets when it loses the contractual rights to the cash flows from the financial asset or when it transfers the financial asset in a transaction in which substantially all the risks and benefits of ownership of the financial asset are transferred to another party, or in which the Bank neither retains nor transfers substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset. Derecognition of other financial instruments or their part is made upon the full or partial repayment, and as a result of sale/assignment.

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

Measurement of financial instruments at initial recognition

A financial asset or liability is initially measured at fair value. If a financial asset or liability is not measured at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability increase or decrease the value of financial instruments.

Costs related to placement or attraction of cash that are deemed insignificant, may simultaneously be recorded in the balance sheet expense account in the month when the financial asset (liability) was recognized.

Other income related to acquisition of the financial asset that are deemed insignificant may simultaneously be recorded as income at the date when the financial asset was recognized.

Fair value measurement

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.

The Bank uses available Level 1 inputs with respect to financial instruments for which the market is active. The preference is given to the inputs determined on principal markets for the subject financial instrument.

For financial assets that have no active market, the Bank uses available Level 2 and Level 3 inputs, with preference given to Level 2 inputs.

Method to determine the amortized cost of financial instruments

In accordance with IFRS 9, the amortized cost of financial instruments is determined as the amount in which a 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.

The amortized cost of financial instruments is determined using the EIR method and the straight-line method.

The Bank does not apply the EIR method in the following cases:

- For financial instruments with maturity (repayment period) not exceeding one year at initial recognition and for the contract extension for one year or less;
- For financial instruments maturing (repaid) upon demand;
- When the difference between the amortized cost of the financial instrument determined using the EIR method and the amortized cost of the financial instrument determined on a straight-line basis is not significant.

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 and transaction costs forming an integral part of the EIR are included in the calculation of the amortized cost. Other income and expenses on the transaction are recognized on a straight-line basis based on the expected maturity (redemption) of the financial asset. For calculation purposes, the amount of monthly amortization of other income and expenses is linked to the amount of accrued interest under the agreement.

The Bank identifies the consideration and costs that are an integral part of the EIR of the financial instrument and defines their composition in the professional judgment.

Modification of financial instruments

If changes in contractual cash flows of the financial instrument not at fair value through profit or loss result in derecognition of the financial instrument in accordance with IFRS 9 and recognition of a new financial instrument, the Bank recalculates the EIR. If changes in contractual cash flows of the financial instrument not at fair value through profit or loss do not result in derecognition of the financial instrument in accordance with IFRS 9, the Bank recalculates the carrying amount of the financial instrument (net of allowance for expected credit losses for the financial assets) by discounting modified contractual cash flows at the initial EIR and recognizes a gain or loss in operating income or operating expenses.

Impairment of financial assets and loan commitments

Regulations issued by the Bank of Russia in respect of accounting for financial instruments add a new “expected credit losses” model to the existing approach to creating prudential provisions for potential losses. Accounting records reflect the amount of “expected credit losses”, which is a sum of prudential provisions for potential losses and adjustments. The previous approach to creating provisions for potential losses continues to be applied as part of prudential oversight and for taxation purposes in calculating current income tax.

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

In addition to transactions with derivative financial instruments (hereinafter, “derivatives”), defined in accordance with Federal Law No. 39-FZ *On Securities Market* dated 22 April 1996, the following transactions are recognized in the financial statements in the same way as derivatives (hereinafter together referred to as “derivatives”):

- Transactions designated as derivatives in accordance with foreign law, an international treaty or normal business practices and in relation to which foreign law or an international treaty ensures judicial protection;
- Transactions designated as derivatives in accordance with IFRS 9.

The Bank classifies these financial instruments as financial assets or liabilities not intended for trade, but entered into to regulate interest rate risk or currency risk. Derivatives are measured at fair value through profit or loss. At initial recognition, the fair value of derivatives is usually equal to the transaction price (the fair value of consideration obtained or paid). Subsequently, the fair value is determined based on market quotes of such instruments (if any) or by using valuation techniques or available market quotes. Realized gains from derivatives and unrealized changes in the fair value of these instruments are immediately recorded in profit or loss.

Fixed assets. Intangible assets. Instruments of labor received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined

Fixed assets

Fixed assets are carried at cost, determined based on actually incurred costs to acquire assets and bring them in a condition ready for use, including actual costs for construction, purchase, delivery and bringing them to the condition suitable for use (net of the value-added tax paid (hereinafter, “VAT”)). For most fixed assets recognized by the Bank, a minimum fixed asset for accounting purposes is an inventory item whose value is at least kRUR 100. Tangible assets with historical cost of less than kRUR 100 and/or short useful lives (less than one year) are recognized within inventories and are taken to operating expenses when put into use.

Fixed assets must be tested for impairment at the end of each reporting year and upon occurrence of any events significantly affecting their value. After initial recognition, the fixed assets are carried at cost less any accumulated depreciation and any accumulated impairment losses. All fixed assets owned by the Bank are depreciated using the straight-line method. When determining useful lives of fixed assets, the Bank follows the regulations, taking into account the expected productivity and capacity, physical wear and tear, limitations on their use and improvements made.

Intangible assets

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

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

An intangible asset is recognized at cost determined as of the recognition date. The initial cost of an intangible asset is deemed to be the monetary equivalent of cash or non-cash consideration or the amount of a liability paid or payable by the Bank at acquisition or creation of the intangible asset and establishing conditions for using the intangible asset as intended by the Bank's management, net of VAT.

Intangible assets must be tested for impairment at the end of each reporting year and upon occurrence of any events significantly affecting their value. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. All intangible assets owned by the Bank are amortized using the straight-line method.

The useful life of an intangible asset is determined by the Bank at the intangible 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.

Intangible assets with indefinite useful lives are not amortized.

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

Instruments of labor received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined include fixed assets received by the Bank under accord and satisfaction agreements or pledge agreements and in respect of which the Bank has confirmed intentions to sell them in the near term (within 12 months). As of the date of initial recognition, these assets are recognized at fair value. Assets of this type are not depreciated. Subsequent measurement of instruments of labor received under accord and satisfaction agreements or pledge agreements and whose purpose is undefined, if the fair value of the item can be determined reliably, is made at the lower of fair value less selling costs or initial cost recognized as of the date of recognition. The asset is derecognized if it is sold or the Bank changes its intentions with respect to using it.

Recognition of income and expenses

The Bank's income and expenses are recognized using the accrual concept that implies recognition of income and expenses as a result of transactions and other events as they occur and allocating them to the financial result of the period to which they relate, based on the economic substance of recognized transactions (events).

Foreign currency transactions

Income and expenses denominated in foreign currencies other than the functional currency are translated to Russian rubles at the exchange rate effective as of the date of transaction. Translation differences arising as a result of translation to a foreign currency are recorded in profit or loss.

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.

A net tax asset or tax liability calculated on the basis of taxable and deductible temporary differences calculated in the statement 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 regulations 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 with which the Bank separately accounts for VAT imposed and determines the following amounts of VAT:

- Recorded within the cost of purchased goods (work, services) used to perform transactions exempt from VAT;
- Deductible in settlements with the budget on goods (work, services) used to perform transaction subject to VAT;
- Deductible or included in cost of goods (work, 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 (work, 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.

Credit-related contingent liabilities

The Bank has loan commitments in the form of credit facilities opened 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, hereinafter, the “lending limit”). The Bank recognizes the lending limit at the date of origination due to entering into a contract (agreement).

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 creates a non-credit related provision for potential losses in litigations, if the 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 may include the provision for potential tax liabilities calculated in accordance with the interpretation of applicable tax legislation and practices. The Bank creates such provisions if the 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.

The Bank applies the approaches from IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* when placing funds, 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 the following government support programs:

- Government support program under 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* dated 16 April 2015 (hereinafter, "Decree No. 364");
- Government support program under Government Decree No. 1035 *On the Approval of Rules for Granting Federal Budget Subsidies to Russian Financial Institutions to Compensate for Their Unearned Income on Loan and Factoring Agreements Concluded in 2020 to Fulfill Machinery Supply Agreements* dated 11 July 2020 (hereinafter, "Decree No. 1035").

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 placed funds, at initial recognition of a financial asset subsequently measured at amortized cost, the Bank recognizes interest at the market interest rate determined at the date of initial recognition of the financial asset. The market interest rate is determined taking into consideration the contractual interest rate and the amount of a grant. The Bank discloses 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 balance sheet accounts No. 47443 "Settlements on other income related to lending (depositing) cash" and No. 47441 "Other income related to lending (depositing) cash." The compensation receivable for 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 initial installment payment

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

Under Decree No. 1035, the Bank participates in:

- Government support program as a financial institution having a right for compensation of unearned interest income on loan and factoring agreements, in which it acts as the lender or the factor to finance machinery supply agreements entered into in accordance with Federal Law *On the Contract System for the Procurement of Goods, Work and Services for Public and Municipal Needs* or Federal Law *On Purchases of Goods, Work and Services by Certain Types of Legal Entities*.

For the program to compensate unearned interest income on loan and factoring agreements

The Bank provides/may provide advance financing for factoring agreements under the above program to finance the machinery supply before the customer's right to claim under the factoring agreement arises. The Bank recognizes this type of assets as other amounts placed on first-order account 471 "Funds provided to non-state commercial organizations"; second-order accounts are determined in accordance with advance financing dates stipulated by factoring agreements. In its annual financial statements, the Bank discloses this type of assets as loans to legal entities.

As soon as the factoring customer obtains rights of claim under the machinery supply agreement, it assigns them to the Bank. After that, the Bank recognizes them on account 478 “Investments in the acquired rights of claim” by transferring assets to this account as other placements.

In accordance with the agreement between the Bank and the Ministry of Industry and Trade of the Russian Federation under Decree No. 1035, the Bank obtains/may obtain a state subsidy in the form of a commission under concluded factoring agreements for financing machinery supply agreements against future financing periods (hereinafter, the “advance payment for the factoring commission”), with a subsequent recalculation in accordance with the amount of commission actually due to it under factoring agreements. The Bank recognizes the advance payment for the factoring commission on balance sheet account No. 47444 “Settlements on interest on provided (placed) funds” and discloses it in its annual financial statements within loans receivable at amortized cost in the statement of financial position.

Effect of the COVID-19 pandemic

Due to rapid spread of the COVID-19 pandemic in early 2020, many governments, including the Russian Government, have introduced various measures to combat the outbreak, including travel restrictions, quarantines, closure of business and other venues and lockdown of certain areas. These measures have affected the global supply chain, demand for goods and services, as well as the scale of business activity in general. It is expected that the pandemic itself as well as the related mitigation measures may influence the business of entities in a wide range of industries.

In 2020, support measures were introduced by the Government of the Russian Federation and the Bank of Russia to counter the economic downturn caused by the COVID-19 pandemic. These measures include, among others, subsidized lending to affected industries and individuals, payment holidays and easing of certain regulatory restrictions to help the financial sector maintain its capabilities to provide resources and to help customers avoid liquidity shortages as a result of the COVID-19 containment measures.

As the financial position of the Bank is stable, it decided not to use temporary relief measures in calculation of prudential ratios introduced by the Bank of Russia due to the COVID-19 pandemic.

From March 2020 through 30 September 2020 (statutory deadline for submitting repayment holiday applications), the Bank accepted applications from individuals for granting repayment holidays in accordance with Federal Law No. 106-FZ *On Amendments to the Federal Law On the Central Bank of the Russian Federation (the Bank of Russia) and Certain Legislative Acts of the Russian Federation with Respect to Changes in the Terms of Loan or Borrowing Agreements* dated 3 April 2020. In accordance with recommendations of the Bank of Russia, the Bank published information about the terms and ways of filing repayment holiday applications on its official website. The biggest growth in the number of applications took place in April 2020. Starting from May 2020, the number of borrowers’ applications for repayment holidays gradually declined. As of 1 January 2021, individuals received repayment holidays for 213 loans totaling kRUR 69,244. For all cases of repayment holidays granted, the Bank analyzes borrowers’ financial recovery.

In 2020, due to the ongoing COVID-19 pandemic, the Bank introduced certain changes to the estimation of expected credit losses. In particular, it updated forward-looking information, including macroeconomic forecasts. Due to the deteriorating macroeconomic situation, the Bank used a conservative stress test scenario for retail lending to calibrate migration matrices in calculating expected credit losses. For loans to legal entities (dealers), the Bank downgraded its forecast for sales of new cars in Russia in 2020.

As of 1 January 2021, the COVID-19 pandemic did not result in significant changes in the quality of the Bank’s loan portfolio.

Effect of adoption of IFRS 16 Leases

On 1 January 2020, new Regulation No. 659-P of the Bank of Russia *On Accounting for Lease Agreements by Credit Institutions* dated 12 November 2018 (hereinafter, “Regulation No. 659-P”) aimed at implementation of requirements set by IFRS 16 *Leases* (hereinafter, “IFRS 16”) became effective.

As Regulation No. 659-P became effective on 1 January 2020, the Bank adopted IFRS 16. The Bank elected to apply the approach without restating comparatives and recognized right-of-use assets and lease liabilities on the first business day of 2020 in 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.

Besides, the Bank early adopted Amendment to IFRS 16, *COVID-19-Related Rent Concessions*, which provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. No other standard, interpretation or amendment that has been issued but is not yet effective was early adopted by the Bank.

The accounting policy for 2020 contains the following provisions related to adoption of IFRS 16:

The Bank enters into leases where it acts as a lessee.

The Bank classifies and accounts for leases where it acts as a lessee in accordance with IFRS 16, which was put in effect by Order No. 111n of the Ministry of Finance of the Russian Federation *On the Enactment and Termination of Documents of International Financial Reporting Standards in the Russian Federation* dated 11 July 2016 and registered by the Ministry of Justice of the Russian Federation on 1 August 2016 under No. 43044.

The Bank applies a definition of leases and related guidance of IFRS 16 in respect of all effective leases concluded or changed as of 1 January 2020.

For leases where the Bank acts as a lessee as of the lease inception date:

- For short-term leases (less than 12 months) and for leases of assets not exceeding kRUR 300, the Bank will recognize lease expenses on a straight-line basis over the entire lease term. Lease payments should be recorded within expenses not later than the payment date specified in the lease agreement. For agreements under which lease payments are made once in several months, expenses are accrued on a monthly basis on the last business day of the month in the amount proportionally attributable to the month;
- For leases that exceed 12 months and in which the value of assets exceeds kRUR 300, the Bank recognizes a right-of-use asset and a lease liability from 1 January 2020.

Initial direct costs incurred by the lessee due to entering into a lease and lease payments made in advance before the lease inception date are recognized as preliminary costs within accounts receivable. If the Bank enters into a lease for more than 12 months and in which the value of assets exceeds kRUR 300, the initial direct costs incurred by the lessee as a result of entering into the lease and lease payments made in advance before the lease inception date are included in the initial cost of the asset and form the asset's initial cost.

As of the lease inception date, the Bank measures the right-of-use asset at initial cost determined in accordance with paragraph 24 of IFRS 16.

Upon initial recognition, the Bank measures right-of-use assets, which are classified as fixed assets, by applying a cost model less accumulated depreciation and accumulated impairment losses. The Bank will also use this right-of-use asset measurement model in respect of the leased fixed assets.

Simultaneously with recognition of a right-of-use asset, the Bank recognizes lease liabilities, which are defined as the discounted (present) value of future lease payments over the lease term. Lease payments are discounted using a borrowing rate.

As of the lease inception date, lease payments, which are included in the estimated lease liabilities, comprise the following payments for the right to use the leased asset:

- Fixed payments, including parking fees, utility fees and other payments made together with rental payments in accordance with the agreement, net of any lease incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using an index or a rate at the lease inception date;
- Fines for termination of leases if the lease term reflects the lessee's potential exercise of the lease termination option.

Variable payments, which depend on consumption (water supply, electricity, etc.) and are not included in the lease payments, are not included in the calculation of the lease liability and the initial cost of the right-of-use asset. Such payments are expensed when incurred.

The initial cost of a right-of-use asset and the measurement of a lease liability are formed net of VAT. As of the date of lease payment, the VAT amount is calculated based on the existing rate in accordance with tax legislation and is simultaneously recognized as the Bank's expense.

After the lease commencement, the Bank measures the lease liability in accordance with paragraph 36 of IFRS 16:

- By increasing the carrying amount to reflect interest on the lease liability on a monthly basis, on the last business day of the month;
- By reducing the carrying amount to reflect significant lease payments;
- By remeasuring the carrying amount to reflect any lease modifications (if applicable), or to reflect revised fixed lease payments.

After the lease commencement, the discount rate must be revised in any of the following cases:

- If the lease term changes (revised lease payments are determined based on the revised lease term);
- If a measurement of an option to enter into the leased asset sale and purchase agreement changes.

The revised discount rate is determined as the lessee's borrowing rate as of the date of remeasurement.

The Bank remeasures the lease liabilities by discounting the revised lease payments, if either:

- There is a change in the amounts to be paid under a residual value guarantee in accordance with the lease agreement (the revised lease payments are determined to reflect the change in amounts to be paid under the residual value guarantee);
- There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments (a lease liability is remeasured only if the cash flows change);
- The Bank uses an unchanged discount rate, unless the change in lease payments results from a change in the floating interest rate.

The Bank accounts for capital expenditures on leased assets in accordance with the established procedure for accounting for transactions to create and acquire fixed assets.

When adopting IFRS 16 from 1 January 2020, the Bank recognized a transition effect within the financial result of the current (2020) year on account 706 "Current year financial result." The cumulative negative effect of transition to IFRS 16 recognized on the account for recording expenses for 2020 amounted to kRUR 15,782 (including advances paid and recognized in accounting records as of 1 January 2020).

In 2020, when calculating equity (capital) and prudential ratios, the Bank made the following adjustments related to adoption of IFRS 16:

- Adjustment for the effect of adopting IFRS 16 in the amount of kRUR 15,782;
- Adjustment in respect of leases with commencement dates before 1 January 2020 (from 1 January 2020 through the date of receipt of Clarification No. 646-P-2020/1 of the Bank of Russia; the Bank did not make this adjustment after the receipt of the above clarification).

Below is a reconciliation of lease liabilities as of 1 January 2020 with operating lease commitments as of 31 December 2019:

Operating lease commitments as of 31 December 2019	**446,025**
Weighted average incremental borrowing rate as of 1 January 2020	7.93%
Discounted operating lease commitments as of 1 January 2020	**305,202**
Minus	–
Commitments relating to short-term leases and leases of low-value assets	(125,323)
Lease liabilities as of 1 January 2020	**179,880**

Transition to a finalized approach in calculating credit risk

In the third quarter of 2020, based on the decision of the Board of Directors made on 10 July 2020, the Bank adopted a finalized approach in calculating credit risk for the purpose of determining capital adequacy ratios in accordance with Chapter 3 of Instruction No. 199-I of the Bank of Russia *On Prudential Ratios and Surcharges on the Capital Adequacy Ratios of Banks with General Licenses* dated 29 November 2019 (hereinafter, "Instruction No. 199-I"). During the first half of 2020, the Bank calculated capital adequacy ratios in accordance with Chapter 2 of Instruction No. 199-I.

The finalized approach includes the following key changes: a more diversified approach is suggested to measure credit risk-weighted assets instead of including assets in one of five groups with risk ratios ranging from 0% to 150%. There are seven main categories of counterparties: sovereign borrowers, credit institutions, international development banks, corporate borrowers, small and medium enterprises, individuals and central counterparties.

Information on the nature of assumptions and key sources of estimation uncertainty

The Bank determines estimates for accounting and financial reporting. Estimates are usually calculated based on uncertainty of the outcome of events, which took place in the past or are likely to occur in the future and require a professional judgment. Information on the nature of assumptions and key sources of estimation uncertainty that significantly affect the annual financial statements as of the year end is 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 provision for potential losses on loans is accrued when the loan is impaired, i.e. when the loan is devalued due to a failure to perform or improper performance of obligations to the Bank by a borrower or if there is a real threat of a failure to perform or improper performance of obligations. The amount of provision for potential losses on loans is determined based on a professional judgement prepared in accordance with requirements of the Bank of Russia and internal regulations. The provision for potential losses is either formed for an individual loan or for a portfolio of homogeneous loans, i.e. for a group of loans with similar credit risk characteristics.

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 actual 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 financial 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.

The Bank discloses additional information about created provisions and their effect on credit risk in the *Information on A*ssumed *Risks and Risk Assessment and Risk and Capital Management Procedures* Report in accordance with Instructive Regulation No. 4482-U of the Central Bank of the Russian Federation *On the Forms and Procedure for Disclosing by a Credit Institution (the Parent Credit Institution of a Banking Group) Information about Assumed Risks and Risk Assessment and Risk and Capital Management Procedures* dated 7 August 2017, published on the Bank's website https://rn-bank.ru/about/investors/, *Disclosure of Information for Regulatory Purposes* section.

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"). As applied to the provision for potential losses, potential losses mean the risk of losses resulting from one or more of the following events:

- Failure of the Bank's counterparty to perform its obligations (improper performance of obligations) on its transactions (deals) or as a result of an individual's failure to perform his/her obligations;
- Impairment (devaluation) of assets of a credit institution;
- An increase in the Bank's liabilities and/or expenses compared with those previously recorded in the accounting books. The amount of provision for potential losses is determined based on a professional judgement prepared in accordance with requirements of the Bank of Russia and internal regulations.

In order to calculate provision for potential losses, the Bank applies individual classification and classifies elements of the provision estimation base into homogeneous 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.

Allowance for expected credit losses

In accordance with IFRS 9, in addition to a provision for potential losses calculated in accordance with Regulations No. 590-P and 611-P, the Bank needs to calculate an allowance for expected credit losses to recognize an adjustment of provisions for potential losses to the allowance for expected credit losses. The Bank calculates an allowance for expected credit losses (hereinafter, "ECL") for all loans and other debt financial assets not measured at fair value through profit or loss.

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 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 judgments and estimates include:

- The Bank's internal credit grading model, which assigns probability of default (PD) 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 2020, 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 is 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.

Significant changes in the accounting policy from the year 2021

Based on Instructive Regulation No. 5460-U of the Bank of Russia dated 19 May 2020 *On Amendments to 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*, Instructive Regulation No. 5547-U of the Bank of Russia dated 14 September 2020 *On Amendments to 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* and Instructive Regulation No. 5546-U of the Bank of Russia dated 14 September 2020 *On Amendments to Regulation No. 448-P of the Bank of Russia On the Procedure for Accounting by Credit Institutions for Fixed Assets, Intangible Assets, Real Property, Long-term Assets Held for Sale, Inventories, Instruments and Subjects of Labor Received under Compensation and Collateral Agreements without Specified Purpose Dated 27 December 2014,* the Bank made the following amendments to its accounting policy from 1 January 2020:

- Clarified the accounting policy's share capital section accordingly;
- Made respective amendments to the accounting policy's sections related to the procedure for and frequency of printing analytical and synthetic accounting documents, document storage and internal control over accounting practices;
- Made amendments to the accounting policy's inventory section. In particular, from 1 January 2021, the Bank adopted an accounting practice, in accordance with which inventories do not include assets in the form of spare parts, materials, tools, fixtures and publications that will be used for performance of work and rendering services in the normal course of the Bank's business. Costs incurred to purchase such assets will be recognized within expenses in the reporting period in which they were incurred.

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

On 15 February 2021, 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

An event after the reporting date (hereinafter, "EARD") event is an event that occurs in the course of the Bank's activities during the period between the reporting date and the date of the preparation of the annual financial statements and that has or may have an effect on its financial position.

The most significant adjusting events that relate to the reporting year and affected the financial result in the period of preparing the annual financial statements are as follows:

Adjusting events	***After EARD***	***Before EARD***	***Difference***
Net interest income (expense)	6,903,784	6,908,229	(4,445)
Net gains (losses) from financial assets at fair value through profit or loss	2,696,889	2,696,889	–
Net gains (losses) from dealing in foreign currencies	538	538	–
Net gains (losses) from foreign currency translation	(2,752,005)	(2,752,005)	–
Fee and commission income	221,321	221,323	2
Fee and commission expense	(4,317)	(4,283)	(34)
Change in provision for potential losses on loans receivable and equivalent debt, without considering adoption of IFRS 9	774,297	774,297	–
Change in provision for other losses, without considering adoption of IFRS 9	(389,177)	(474,487)	85,310
Other operating income	52,039	52,039	–
Other operating expenses	(1,712,316)	(1,695,160)	(17,156)
Profit before tax, without considering adoption of IFRS	**5,791,053**	**5,727,380**	**(63,673)**
Net gains from adjustments of provisions for potential losses to the amount of allowance for expected credit losses	(316,368)	(316,368)	–
Financial result of leases after adoption of IFRS 16	(15,526)	(15,526)	–
Profit before tax, considering adoption of IFRS	**5,459,159**	**5,395,486**	**(63,673)**
Tax benefit (expense)	(1,412,251)	(1,389,080)	(23,171)
Profit after tax	**4,046,908**	**4,006,406**	**(40,502)**
Other comprehensive income, without considering adoption of IFRS	**5,212**	**5,212**	**–**
Income tax relating to items that might be reclassified to profit or loss	(1,044)	(1,559)	(515)
Other comprehensive income, considering adoption of IFRS	**4,168**	**3,653**	**(515)**
Financial result for the reporting period	**4,051,076**	**4,010,059**	**(41,017)**

9. Material misstatements in annual financial statements

According to the 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 financial statements of prior periods do not contain any material errors and do not have to be revised, corrected or replaced.

10. Accompanying information for the balance sheet

10.1. Cash and cash equivalents

	1 January 2021	*1 January 2020*
Cash on hand	10	10
Balances on accounts with the Bank of Russia	2,056,687	2,186,737
Balances on correspondent accounts with credit institutions established in:	93,090	56,339
- Russian Federation	19,547	9,269
- Other countries	73,543	47,070
Gross carrying amount of cash and cash equivalents	**2,149,787**	**2,243,086**
ECL allowances	(28)	(17)
Total cash and cash equivalents	**2,149,759**	**2,243,069**

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.

10.2. 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 2021	*1 January 2020*
Swaps, including:	**3,537,339**	**868,323**
Foreign currency and interest rate (cross-currency interest rate swaps), including:	2,636,161	–
- EUR	1,183,583	–
- JPY	1,452,578	–
Interest rate (interest rate swaps)	901,178	868,323
Total financial assets at fair value through profit or loss	**3,537,339**	**868,323**

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 2021	*1 January 2020*
Swaps, including:	**65,008**	**154,064**
Foreign currency and interest rate (cross-currency interest rate swaps), including:	–	154,064
- EUR	–	117,879
- JPY	–	36,185
Interest rate (interest rate swaps)	65,008	–
Total financial liabilities at fair value through profit or loss	**65,008**	**154,064**

Below are the fair values of derivative financial instruments recognized in assets or liabilities and their nominal values as of 1 January 2021:

1 January 2021	***Nominal value***		***Fair value***	
	Claims	***Liabilities***	***Asset***	***Liabilities***
Cross-currency interest rate swaps	12,836,267	10,474,950	2,636,161	–
Interest rate swaps	3,425,065	2,357,210	901,178	65,008
Total	**16,261,332**	**12,832,160**	**3,537,339**	**65,008**

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

1 January 2020	***Nominal value***		***Fair value***	
	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**

The nominal value of a derivative 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 2021 and 1 January 2020, the Bank entered into derivative transactions with four resident counterparties.

10.3. Net loans receivable at amortized cost

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

The table below presents net loans receivable at amortized cost:

	1 January 2021	***Weight, %***	***1 January 2020***	***Weight, %***
Deposits with the Bank of Russia	5,000,000	4.88	3,600,000	3.41
Loans receivable from legal entities, including:	*28,757,615*	*28.08*	*42,679,479*	*40.43*
Factoring	25,263,784	24.67	42,512,383	40.27
Loans to legal entities	3,493,831	3.41	167,096	0.16
Loans receivable from individuals (car loans)	*67,529,629*	*65.95*	*58,938,347*	*55.84*
Claims for reimbursement of interest on subsidized loans to individuals	1,118,279	1.09	340,449	0.32
Loans receivable at amortized cost before allowances	**102,405,523**	**100.0**	**105,558,275**	**100.0**
ECL allowances	(3,109,021)		(3,409,569)	
Net loans receivable at amortized cost	**99,296,502**		**102,148,706**	

A detailed analysis of loans receivable by quality class is presented in Note 14.

1 January 2021	***Loans receivable***	***ECL allowance***	***Net loans receivable***
Deposits with the Bank of Russia	5,000,000	–	5,000,000
Loans receivable from legal entities, including:	*28,757,615*	*(787,192)*	*27,970,423*
Factoring	25,263,784	(659,919)	24,603,865
Loans to legal entities	3,493,831	(127,273)	3,366,558
Loans receivable from individuals (car loans)	*67,529,629*	*(2,321,829)*	*65,207,800*
Claims for reimbursement of interest on subsidized loans to individuals	1,118,279	–	1,118,279
Loans receivable at amortized cost	**102,405,523**	**(3,109,021)**	**99,296,502**

1 January 2020	***Loans receivable***	***ECL allowance***	***Net loans receivable***
Deposits with the Bank of Russia	3,600,000	–	3,600,000
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 on subsidized loans to individuals	340,449	(170,224)	170,225
Loans receivable at amortized cost	**105,558,275**	**(3,409,569)**	**102,148,706**

The table below presents loans receivable by remaining maturity:

	1 January 2021	***1 January 2020***
Loans receivable		
- Past due	1,146,136	793,608
- With indefinite maturity (on demand)	–	–
- Up to 30 days	5,577,617	5,811,764
- From 31 to 90 days	20,379,603	12,128,747
- From 91 to 180 days	5,575,695	28,991,534
- From 181 days to 1 year	3,863,218	3,832,764
- More than 1 year	67,352,222	55,892,581
Interest claims	649,324	833,497
Claims for reimbursement of interest on subsidized loans to individuals	1,118,279	340,449
Advance payment for the factoring commission	(637,443)	–
Costs and other income from provision (placement) of funds	(2,619,128)	(3,066,669)
Loans receivable at amortized cost before allowances	**102,405,523**	**105,558,275**
ECL allowances	(3,109,021)	(3,409,569)
Net loans receivable at amortized cost	**99,296,502**	**102,148,706**

The table below presents past due loans receivable* as of 1 January 2021:

1 January 2021	*Loans receivable*	*Provisions for potential losses*	*ECL allowance adjustment*	*Net loans receivable*
Deposits with the Bank of Russia	**5,000,000**	**–**	**–**	**5,000,000**
Loans receivable and equivalent debt individually determined to be impaired	**28,139,416**	**(3,921,086)**	**2,413,397**	**26,631,727**
Loans receivable from legal entities:	22,759,615	(820,100)	219,307	22,158,822
- Not past due	*22,759,615*	*(820,100)*	*219,307*	*22,158,822*
Loans receivable from individuals:	5,379,801	(3,100,986)	2,194,090	4,472,905
- Not past due	*4,453,325*	*(2,186,092)*	*1,937,958*	*4,205,191*
- Less than 30 days past due	*70,405*	*(60,662)*	*31,605*	*41,348*
- From 31 to 90 days past due	*81,757*	*(79,918)*	*45,060*	*46,899*
- From 91 to 180 days past due	*86,400*	*(86,400)*	*20,027*	*20,027*
- Over 180 days past due	*687,914*	*(687,914)*	*159,440*	*159,440*
Claims for reimbursement of interest on subsidized loans to individuals, including:	1,118,279	–	–	1,118,279
- Not past due	*747*	–	–	*747*
- From 31 to 90 days past due	*1,117,532*	–	–	*1,117,532*
Loans receivable and equivalent debt not individually determined to be impaired	**71,404,399**	**(1,621,503)**	**20,259**	**69,803,155**
Loans receivable from legal entities:	6,635,442	(41,678)	(144,721)	6,449,043
- Not past due	*6,635,442*	*(41,678)*	*(144,721)*	*6,449,043*
Loans receivable from individuals:	64,768,957	(1,579,825)	164,980	63,354,112
- Not past due	63,650,830	(807,391)	(6,739)	62,836,700
- Less than 30 days past due	267,991	(51,122)	(3,505)	213,364
- From 31 to 90 days past due	191,972	(90,907)	50,336	151,401
- From 91 to 180 days past due	113,998	(95,804)	8,262	26,456
- Over 180 days past due	544,166	(534,601)	116,626	126,191
Costs and other income from provision (placement) of funds	(2,619,128)	–	(88)	(2,619,216)
Advance payment for the factoring commission	(637,443)	–	–	(637,443)
Loans receivable at amortized cost	**102,405,523**	**(5,542,589)**	**2,433,568**	**99,296,502**

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

10.4. 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 2021:

	Quoted prices in active markets	**Significant observable inputs**	**Significant unobservable inputs**	
	(Level 1)	***(Level 2)***	***(Level 3)***	***Total***
Assets measured at fair value				
Net investments in financial assets at fair value through other comprehensive income	993,084	–	–	993,084
Financial assets at fair value through profit or loss	–	3,537,339	–	3,537,339
Total assets measured at fair value	**993,084**	**3,537,339**	**–**	**4,530,423**

	Quoted prices in active markets *(Level 1)*	Significant observable inputs *(Level 2)*	Significant unobservable inputs *(Level 3)*	*Total*
Assets for which fair values are disclosed				
Cash	–	10	–	10
Amounts due to the credit institution from the Central Bank of the Russian Federation	–	2,592,891	–	2,592,891
Amounts due from credit institutions	–	–	93,062	93,062
Net loans receivable at amortized cost	–	–	92,909,998	92,909,998
Other assets	–	–	261,327	261,327
Total assets for which fair values are disclosed	**–**	**2,592,901**	**93,264,387**	**95,857,288**
Liabilities measured at fair value				
Financial liabilities at fair value through profit or loss	–	65,008	–	65,008
Total liabilities measured at fair value	**–**	**65,008**	**–**	**65,008**
Liabilities for which fair values are disclosed				
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	–		61,319	61,319
Amounts due to customers at amortized cost	–	–	43,863,094	43,863,094
Debt securities issued	36,579,921	–	–	36,579,921
Other liabilities	–	–	1,458,139	1,458,139
Total liabilities for which fair values are disclosed	**36,579,921**	**61,319**	**45,321,233**	**81,962,473**

The table below presents the comparative information on 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**

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 2020			*31 December 2019*		
	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	2,592,891	2,592,891	–	2,677,187	2,677,187	–
Amounts due from credit institutions	93,062	93,062	–	56,322	56,322	–
Net loans receivable at amortized cost	99,296,502	92,909,998	(6,386,504)	102,148,706	97,577,918	(4,570,788)
Other assets	261,327	261,327	–	145,475	145,475	–
Total financial assets	**102,243,792**	**95,857,288**	**(6,386,504)**	**105,027,700**	**100,456,912**	**(4,570,788)**
Financial liabilities						
Loans, deposits and other amounts due to the Central Bank of the Russian Federation	62,514	61,319	1,195	–	–	–
Amounts due to customers at amortized cost	43,672,915	43,863,094	(190,179)	44,747,964	45,058,798	(310,834)
Debt securities issued	36,247,952	36,579,921	(331,969)	39,258,988	40,339,981	(1,080,993)
Other liabilities	1,458,139	1,458,139	–	1,846,983	1,846,983	–
Total financial liabilities	**81,441,520**	**81,962,473**	**(520,953)**	**85,853,935**	**87,245,762**	**(1,391,827)**
Total unrecognized change in fair value	**–**	**–**	**(6,907,457)**	**–**	**–**	**(5,962,615)**

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 2020 and 2019, 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.

Debt securities issued

Debt securities issued are traded on an active market; therefore, their fair value is based on the stock exchange quotations.

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 financial instruments, i.e. loans to customers, customer deposits and amounts due to credit institutions maturing in more than a year, is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

10.5. Financial assets at fair value through other comprehensive income

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

	1 January 2021	*1 January 2020*
Russian State bonds (OFZ), including:	**993,084**	**1,004,477**
- From 91 to 180 days	390,260	−
- From 181 days to 1 year	602,824	−
- From 1 to 3 years	−	1,004,477
Investments in financial assets at fair value through other comprehensive income	**993,084**	**1,004,477**

Below is the information on the maturity and coupon income by type of securities in the Bank's portfolio as of 1 January 2021 and 1 January 2020:

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

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 2021 and 1 January 2020, 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 2021 and 1 January 2020, the Bank had no securities provided as collateral under sale and repurchase agreements.

10.6. Fixed assets, intangible assets and inventories

The table below presents information by type of fixed assets, intangible assets and inventories as of 1 January 2021:

	Office equipment and computers	*Automotive vehicles*	*Right-of-use assets*	*Inventories*	*Intangible assets (software and intellectual property items)*	*Intangible assets (acquired non-exclusive rights to intellectual products)*	*Capital investments*	*Total*
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)
Net book value at 1 January 2020	**51,581**	**1,645**	**−**	**93**	**54,417**	**93,129**	**18,895**	**219,760**

	Office equipment and computers	*Automotive vehicles*	*Right-of-use assets*	*Inventories*	*Intangible assets (software and intellectual property items)*	*Intangible assets (acquired non-exclusive rights to intellectual products)*	*Capital investments*	*Total*
Additions	14,122	−	204,822	29,988	25,835	99,184	162,956	536,907
Disposals at cost	1,186	1,043	6,727	29,965	−	53,663	137,096	229,680
Disposals of accumulated depreciation/ amortization	1,186	1,043	6,573	−	−	50,802	−	59,604
Depreciation and amortization charges	(24,471)	(973)	(67,320)	−	(12,227)	(49,326)	−	(154,317)
Net book value at 1 January 2021	**41,232**	**672**	**137,348**	**116**	**68,025**	**140,126**	**44,755**	**432,274**
Cost at 1 January 2021	**169,112**	**4,924**	**198,095**	**116**	**101,788**	**915,136**	**44,755**	**1,433,926**
Accumulated depreciation/ amortization	(127,880)	(4,252)	(60,747)	−	(33,763)	(775,010)	−	(1,001,652)

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)

As of 1 January 2021 and 2020, there were no research and development costs recognized as expenses during the reporting period.

10.7. Other assets

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

	1 January 2021	*1 January 2020*
Other financial assets	**81,029**	**60,948**
- Other receivables	*81,029*	*60,948*
Other non-financial assets	**304,874**	**187,177**
- Taxes and payroll settlements	*178,755*	*46,760*
- Social insurance and security settlements	*2,192*	*1,493*
- Settlements with suppliers (advance payments)	*123,199*	*137,617*
- Amounts received under accord and satisfaction agreements	*728*	*1,307*
Other assets before allowances	385,903	248,125
Allowances for impairment of other assets	(124,576)	(102,650)
Other assets, total	**261,327**	**145,475**

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

	1 January 2021	*1 January 2020*
Other assets, total	**385,903**	**248,122**
- Up to 1 year	*381,524*	*243,743*
- 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 2021 and 2020, other assets are represented by RUR-denominated receivables.

10.8. Loans, deposits and other amounts due to the Central Bank of the Russian Federation

In 2020, the Bank joined the Small and Medium Business Loan Support Program, which is aimed at creating a support mechanism for small and medium enterprises (SME) by issuing loans on preferential terms and loans to increase working capital, providing factoring support by issuing loans to factoring companies, which provide SMEs with financing against assignment of receivables (factoring transactions), to provide SMEs with financing against assignment of receivables, etc. where SME Corporation acts as the Bank's guarantor and the Bank of Russia acts as the lender.

The table below presents information on loans received from the Bank of Russia by remaining maturity:

	1 January 2021	*1 January 2020*
Loans from the Central Bank of the Russian Federation	62,514	−
- Over 1 year	*62,514*	−
Loans from the Central Bank of the Russian Federation, total	**62,514**	**−**

10.9. Amounts due to customers at amortized cost

Amounts due to credit institutions

The table below presents information on loans and deposits received from credit institutions by remaining maturity:

	1 January 2021	*1 January 2020*
Loans and deposits received from credit institutions	32,100,349	32,978,689
- Up to 1 year	*30,070,854*	*27,206,209*
- Over 1 year	*2,029,495*	*5,772,480*
Amounts due to credit institutions	**32,100,349**	**32,978,689**

As of 1 January 2021, the Bank raised kRUR 26,638,938 (2019: kRUR 28,807,685) from resident banks and kRUR 5,461,411 (2019: kRUR 4,171,004) 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 2021	*1 January 2020*
Current accounts and demand deposits	3,070,325	2,640,992
- Legal entities	*251,434*	*93,569*
- Individuals	*2,818,891*	*2,547,423*
Term deposits of legal entities	8,346,283	8,903,152
- Maturing within 1 year	*8,346,283*	*3,232,832*
- Maturing after 1 year	−	*5,670,320*
Amounts in settlements	36,719	23,520
Interest payable	119,239	201,611
Amounts due to customers other than credit institutions	**11,572,566**	**11,769,275**

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

	1 January 2021	*1 January 2020*
Amounts due to legal entities	8,753,675	9,221,852
- Trade in automotive vehicles	*340,243*	*303,838*
- Financing activities	*8,413,432*	*8,918,014*
Amounts due to individuals	2,818,891	2,547,423
Amounts due to customers other than credit institutions	**11,572,566**	**11,769,275**

As of 1 January 2021, the Bank raised kRUR 1,501,003 (2019: kRUR 3,474,260) as deposits from resident legal entities and kRUR 7,215,953 (2019: kRUR 5,724,072) as deposits from non-resident legal entities.

10.10. Debt securities issued

The table below presents bonds issued by remaining maturity:

	1 January 2021	*1 January 2020*
Bonds issued, including:	**36,247,952**	**39,258,988**
- Up to 1 year	*7,695,992*	*10,827,760*
- Over 1 year	*28,551,960*	*28,431,228*

The table below presents information on bonds issued as of 1 January 2021:

Bonds		*Date of placement*	*Date of maturity*	*Coupon rate, per annum, %*	*Nominal amount, kRUR*	*Interest and coupon payable, kRUR*
Series	*Number*					
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%	2,563,845	80,197
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	145,250
БО-001Р-07	4B020700170B001P	21 October 2020	24 October 2023	For 1-6 coupon periods, the coupon rate is 6.25%	8,000,000	97,280
Total					**35,563,845**	**684,107**

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

Bonds		*Date of placement*	*Date of maturity*	*Coupon rate, per annum, %*	*Nominal amount, kRUR*	*Interest and coupon payable, kRUR*
Series	*Number*					
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**

10.11. Other liabilities

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

	1 January 2021	*1 January 2020*
Other financial liabilities	**25,967**	**26,551**
Other accounts payable	25,967	26,551
Other non-financial liabilities	**1,432,172**	**1,820,432**
Payroll payable	110,530	107,423
Taxes payable	337,529	304,234
Trade payables	653,785	1,160,371
Social insurance and security settlements	19,106	17,743
Long-term employee benefits payable	149,522	125,975
Non-credit related provisions	19,970	104,686
Lease commitments	141,730	–
Other liabilities, total	**1,458,139**	**1,846,983**

The table below presents other liabilities by remaining maturity:

	1 January 2021	*1 January 2020*
Other liabilities, including:	**1,458,139**	**1,846,983**
- Up to 1 year	1,286,154	1,710,237
- Over 1 year	171,985	136,746

As of 1 January 2021 and 2020, other liabilities are represented by RUR-denominated payables.

10.12. Information on leases

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 increased annually in line with the market trends. However, due to the COVID-19 pandemic, which resulted in a reduction of lease rates on the office real estate market, the lessor insignificantly decreased quarterly lease payments.

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. The Bank does not plan to extend the subleases after 28 February 2021, when the sublease agreement expires; however, the Bank plans to enter into a direct lease agreement with the lessor.

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.

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 approach without restating comparatives and recognized right-of-use assets and lease liabilities on the first business day of 2020 in 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.

Upon transition 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. The cumulative negative effect of transition to IFRS 16 recognized on the account for recording expenses for 2020 amounted to kRUR 15,526 (including advances paid and recognized in accounting records as of 1 January 2020).

Set out below are the carrying amounts of the Bank's right-of-use assets and lease liabilities and their movements during the period:

	Right-of-use assets			*Lease*
	Buildings	*Vehicles*	*Total*	*liabilities*
1 January 2020	**168,878**	**10,085**	**178,963**	**179,880**
Additions	8,446	17,413	25,859	29,992
Disposals	–	(154)	(154)	(152)
Depreciation	(57,607)	(9,713)	(67,320)	–
Interest expense	–	–	–	13,381
Payments	–	–	–	(81,371)
1 January 2021	**119,717**	**17,631**	**137,348**	**141,730**

To calculate lease liabilities, the Bank uses a weighted average incremental borrowing rate, which is 7.93% p.a. as of 1 January 2020.

As of 1 January 2021, the Bank's balance sheet included the following:

- Assets received under a finance lease − kRUR 198,095;
- Depreciation of fixed assets received under a finance lease – kRUR 60,747;
- Lease liabilities – kRUR 141,730.

In its statement of income for the year ended 31 December 2020, the Bank recognized the following:

- Other lease income of the lessee (other than the effect of adoption of IFRS 16) – kRUR 42;
- Interest accrued on lease liabilities as interest on other amounts due to commercial entities – kRUR 13,381;
- Other lease expenses of the lessee (other than the effect of adoption of IFRS 16) – kRUR 82;
- Depreciation of right-of-use assets – kRUR 67,320;
- Lease payments on short-term leases and leases of low-value assets – kRUR 20,582.

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

- Lease – kRUR 480;
- Sublease – kRUR 172.

10.13. Share capital

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

	1 January 2021		*1 January 2020*	
	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 2021 and 2020, all shares are authorized, issued and fully paid.

The Bank did not declare or pay any dividends in 2020 and 2019.

10.14. Information on contingent liabilities

The table below presents information on credit-related commitments:

	1 January 2021	*1 January 2020*
Credit-related commitments, including:		
- Undrawn credit facilities of legal entities	420,948	214,175
- Undrawn credit facilities of individuals	14,497,147	7,482,848
Total credit-related commitments before ECL allowance	**14,918,095**	**7,697,023**
ECL allowance	(284,732)	(98,423)
Total credit-related commitments after ECL allowance	**14,633,363**	**7,598,600**

11. Accompanying information for the statement of income

11.1. Interest income by type of asset

	1 January 2021	*1 January 2020*
Interest income	**12,138,648**	**13,037,103**
Interest income on debt financial assets at amortized cost, including:	**12,083,444**	**13,005,060**
- Loans issued to resident credit institutions	143,979	256,380
- Deposits with the Bank of Russia	259,401	231,855
- Loans to legal entities, including:	2,663,092	4,306,722
Factoring	2,640,455	4,298,345
Loans to legal entities	22,637	8,377
- Loans to individuals	9,016,972	8,210,103
Interest income on debt financial assets at fair value through other comprehensive income, including:	**55,204**	**32,043**
- Investments in securities	55,204	32,043
Total interest income	**12,138,648**	**13,037,103**

Interest income on placed interbank loans, loans issued to legal entities and individuals and on purchased securities maturing in more than one year as of the date of initial recognition, measured at amortized cost and fair value through other comprehensive income, are recognized under the straight-line method.

The straight-line method uses a contractual interest rate and a straight-line distribution of other income and expenses depending on contractual maturity, as the difference between the amortized cost of such financial assets determined using the EIR method and the amortized cost determined using the straight-line method is insignificant.

11.2. Interest expense by type of funds raised

	1 January 2021	*1 January 2020*
Interest expense		
Interest expense on financial liabilities at amortized cost	**5,234,864**	**5,655,100**
- Amounts due to credit institutions	2,053,890	2,627,415
- Funds raised from legal entities, including:	270,558	357,393
Term deposits	119,804	239,152
Loans from non-resident legal entities	137,373	118,241
Lease liabilities	13,381	–
- Debt securities issued	2,910,416	2,670,292
Total interest expense	**5,234,864**	**5,655,100**

Interest expense on interbank loans, deposits of legal entities and bonds issued with a maturity of more than a year as of the date of initial recognition, measured at amortized cost, are recognized under the straight-line method.

The straight-line method uses a contractual interest rate and a straight-line distribution of other income and expenses depending on contractual maturity, as the difference between the amortized cost of such financial assets determined using the EIR method and the amortized cost determined using the straight-line method is insignificant.

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

	1 January 2021	*1 January 2020*
Income on derivatives (swaps)	2,761,897	898,040
Expense on derivatives (swaps)	(65,008)	(1,805,928)
Total net gain/(loss) on financial assets at fair value through profit or loss	**2,696,889**	**(907,888)**

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

	1 January 2021	*1 January 2020*
Income on debt securities (OFZ)	–	84
Expense on debt securities (OFZ)	–	(284)
Total net gain/(loss) on financial assets at fair value through profit or loss	**–**	**(200)**

11.5. 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 2021	*1 January 2020*
Charge of provisions for potential losses, including:	**774,297**	**(3,466,620)**
Reversal	31,312,370	23,959,840
Charge	(30,538,073)	(27,426,460)
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**(547,322)**	**2,939,870**
Positive adjustments	17,391,183	21,509,493
Negative adjustments	(17,938,505)	(18,569,623)
Total provisions for loans receivable and equivalent debt	**226,975**	**(526,750)**

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

	1 January 2021	*1 January 2020*
Charge (reversal) of provisions for potential losses, including:	**300,358**	**(382,285)**
Reversal	909,677	740,228
Charge	(609,319)	(1,122,513)
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**(149,926)**	**349,927**
Positive adjustments	117,832	525,885
Negative adjustments	(267,758)	(175,958)
Total charge (reversal) of provisions for accrued interests	**150,432**	**(32,358)**

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

	1 January 2021	*1 January 2020*
Charge of provisions for potential losses, including:	**–**	–
Reversal	–	–
Charge	–	–
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	**5**	**(168)**
Positive adjustments	16	4
Negative adjustments	(11)	(172)
Total provisions for securities at fair value through other comprehensive income	**5**	**(168)**

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

	1 January 2021	1 January 2020
Charge (reversal) of provisions for potential losses, including:	**(389,177)**	**(330,630)**
Reversal	2,351,351	1,523,916
Charge	(2,740,528)	(1,854,546)
Adjustments of provisions for potential losses to the amount of ECL allowance, including:	230,949	**238,206**
Positive adjustments	1,893,664	1,727,652
Negative adjustments	(1,662,715)	(1,489,446)
Total charge/(reversal) of provisions for other losses	**(158,228)**	**(92,424)**

11.6. Net gains from dealing in foreign currencies

	1 January 2021	1 January 2020
Gains from purchase and sale of foreign currency by electronic transfer	597	102
Losses from purchase and sale of foreign currency by electronic transfer	(59)	(270,828)
Total net gains (losses) from dealing in foreign currencies	**538**	**(270,726)**

11.7. Net gains from foreign currency translation

	1 January 2021	1 January 2020
Gains from foreign currency translation	10,221,428	5,903,275
Losses from foreign currency translation	(12,973,433)	(4,575,399)
Total net gains (losses) from foreign currency translation	**(2,752,005)**	**1,327,876**

11.8. Fee and commission income and expense

	1 January 2021	1 January 2020
Fee and commission income		
Fees on agency services	189,674	151,272
Other transactions	31,647	–
Fee and commission income	**221,321**	**151,272**
Fee and commission expense		
Money transfer services	(1,124)	(1,048)
Cash and settlement services	(2,879)	(2,246)
Depositary services	(33)	(12)
Other transactions	(281)	(107)
Fee and commission expense	**(4,317)**	**(3,413)**
Net fee and commission income	**217,004**	**147,859**

11.9. Other operating income

	1 January 2021	1 January 2020
Reversal of provisions after annual bonus has been paid	44,991	48,725
Penalty on claim assignment	–	–
Lease income – application of IFRS 16	2,288	–
Other income	7,048	6,246
Total other operating income	**54,327**	**54,971**

11.10. Operating expenses

	1 January 2021	*1 January 2020*
Personnel costs	848,469	781,752
Depreciation and amortization	154,317	167,610
Organizational and administrative expenses, including:	592,416	628,610
Lease	*20,582*	*79,065*
Fees for the right to use intellectual property items	*25,637*	*10,753*
Expenses related to write-off of inventories	*25,815*	*9,170*
Business trips	*8,542*	*20,274*
Communications, telecommunications and IT services	*68,250*	*58,488*
Audit	*13,515*	*13,371*
Insurance	*9,028*	*11,202*
Other organizational and administrative expenses	*421,047*	*426,287*
Other operating expenses, including	134,928	127,813
Lease expenses – application of IFRS 16	17,814	−
Total operating expenses	**1,730,130**	**1,705,374**

11.11. Information on compensation

	1 January 2021	*1 January 2020*
Payroll expenses, including bonuses	609,244	563,970
Other compensation	19,871	21,704
Insurance contributions related to compensation	170,314	152,920
Personnel training and development	1,296	2,449
Other personnel costs	47,744	40,709
Total personnel costs	**848,469**	**781,752**

11.12. Tax expense and net income

	1 January 2021	*1 January 2020*
Income tax, including:	**1,049,050**	**377,136**
(Current) income tax	1,005,228	470,517
Increase in income tax by deferred tax	43,822	593,246
Decrease in income tax by deferred tax	−	(686,626)
VAT	328,819	279,955
Property tax	8	8
Transport tax	70	139
Other taxes and levies	34,304	20,995
Total tax expense	**1,412,251**	**678,234**

In 2020, the current income tax rate applicable to the majority of the Bank's income is 20% (2019: 20%). A reconciliation between the expected and the actual taxation charge is provided in the table below:

	1 January 2021	*1 January 2020*
Profit before tax (including taxes other than income tax)	**5,095,958**	**5,108,081**
Statutory tax rate	20%	20%
Income tax at the applicable income tax rate	**1,019,192**	**1,021,616**
Non−deductible expenditures and non−taxable income	25,495	19,956
Deferred tax related to transition to IFRS 9 from 1 January 2019	−	(663,105)
Other	7,974	270
Income taxed at a lower rate	(3,611)	(1,600)
Income tax expense	**1,049,050**	**377,137**

In 2020 and 2019, deferred income tax expense and its movements comprised the following:

	1 January 2020	*Recognized in profit or loss*	*Recognized in other comprehensive income*	*1 January 2021*
Allowance for impairment	(383,893)	96,049	–	(287,847)
Derivative financial instruments	(165,059)	253	–	(164,806)
Loan portfolio (effect of IFRS 9)	736,456	(192,450)	–	544,006
Other assets	(271)	(8,040)	(1,044)	(9,354)
Other liabilities	68,821	60,366	–	129,188
Total deferred tax assets (liabilities)	**256,054**	**(43,822)**	**(1,044)**	**211,187**

	1 January 2019	*Recognized in profit or loss*	*Recognized in other comprehensive income*	*1 January 2020*
Allowance for impairment	22,027	(405,920)	–	(383,893)
Derivative financial instruments	80,840	(245,899)	–	(165,059)
Loan portfolio (effect of IFRS 9, including its adoption)	–	736,456	–	736,456
Other assets	(3,098)	2,166	711	(271)
Other liabilities	63,614	5,207	–	68,821
Total deferred tax assets (liabilities)	**163,383**	**91,960**	**711**	**256,054**

12. 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 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**
Comprehensive income for 2020	–	–	4,173	–	(5)	4,046,908	4,051,076
Profit (loss)	–	–	–	–	–	4,046,908	4,046,908
Other comprehensive income	–	–	4,173	–	(5)	–	4,168
1 January 2021	**6,069,000**	**5,780,800**	**6,315**	**308,369**	**296**	**12,912,298**	**25,077,078**

12.1. Other comprehensive income

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

	1 January 2021	*1 January 2020*
Increase in fair value of securities at FVOCI	18,272	5,635
Decrease in fair value of securities at FVOCI	(13,055)	(2,163)
Reclassification of accumulated decrease in fair value of securities at FVOCI to profit or loss	–	84
Expense from adjustments of provision for potential losses	(5)	301
Income tax relating to items that might be reclassified to profit or loss	1,044	711
Total other comprehensive income	**4,168**	**3,146**

13. Accompanying information for the statement of cash flows

	1 January 2021	*1 January 2020*
Net cash from (used in) operating activities	119,314	1,535,190
Net cash from (used in) investing activities	(231,613)	(487,105)
Net cash from (used in) financing activities	–	–
Effect of changes in official foreign exchange rates against the ruble set by the Bank of Russia on cash and cash equivalents	18,989	–
Increase (decrease) in cash and cash equivalents	**(93,310)**	**1,048,085**
Cash and cash equivalents at the beginning of the period	2,243,069	1,188,966
Cash and cash equivalents at the end of the period	2,149,759	2,237,051

In 2020 and 2019, 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.

14. Risk management

Introduction

The Bank manages its risks 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.

14.1. Internal control system

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

The objectives of internal control in particular include the following:

- To ensure efficient and effective financial and business operations in performing banking and other transactions, efficient asset and liability management, including the safety of assets and management of banking risks;
- To ensure the accuracy, completeness, objectivity and timeliness of preparing and presenting financial, accounting, statistical and other reports (for external and internal users), as well as information security (protection of the Bank's IT interests (goals) comprising information, IT infrastructure, subjects collecting, forming, distributing and using information, as well as a system that regulates the resulting relationships);
- To ensure compliance with laws and regulations, standards of self-regulatory organizations (applicable to professional participants in the securities market) and the Bank's constituent and internal regulatory documents;
- To ensure that neither the 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 as required by Russian legislation.

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;
- Special officer and division of the Bank responsible for anti-money laundering and counter-terrorism financing;
- Other internal control personnel or divisions operating within the internal control system and on the basis of internal regulations and the Charter of the Bank.

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 the 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 the 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 permanently performed by management and personnel of various business units, including departments responsible for banking operations and other transactions and their recognition in financial and tax accounting and reporting, as well as the Internal Audit Function.

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.

Monitoring of the internal control system includes the following:

- Implementing control procedures at all management levels;
- Selective reviews/audit of the compliance of the Bank's operations with laws and internal regulations;
- Reviewing whether additional control procedures exist at all stages of banking processes representing a higher risk;
- Managing banking risks, including their identification, analysis and assessment, and adopting mitigation measures;
- Analyzing whether operations comply with rules prescribed by the Policy and internal procedures of the Bank. The frequency of reviews is determined based on related banking risks and the frequency and nature of changes in various areas of the Bank's activities;
- Implementing control procedures in day-to-day operations of the Bank;
- Stricter control over operations with higher risks;
- Analyzing an effect each risk has on the Bank's activities, their overall assessment taking into account existing control methods and measures;
- Timely presentation of identified deficiencies by structural units to the Internal Control Function, with subsequent reporting to the Bank's management bodies in accordance with internal regulations.

According to an administrative document of the Bank, the Internal Control and Operational Risk Department acts as the Internal Control Function.

To ensure efficient monitoring of internal controls, the management bodies of the Bank within the scope of their competence continuously assess risks affecting the set goals and take measures to respond to changing circumstances and conditions, including by changing the Bank's internal controls in a timely manner.

The Bank's internal control development and organization concept approved by its Board of Directors sets levels of internal controls (competencies) which are part of internal controls and monitoring their efficiency.

Based on the results of monitoring the internal control system, the Bank's internal control bodies within the scope of their competence take measures to timely change and improve the internal controls.

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 created 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 Function (Internal Control and Operational Risk Department (ICORD))

The Internal Control Function was created to exercise internal control of the second level.

In the course of its operations, the Internal Control Function relies on the laws of the Russian Federation, regulations of the Bank of Russia, decisions of the General Shareholders' Meeting, the Board of Directors and the Management Board, and the Bank's Charter.

The Internal Control Function operates on a permanent basis and is not involved in banking operations or other transactions.

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 first level control procedures performed by heads of the Bank's units and the results of external audits, the Bank's regulatory and operational risk management issues, the results of testing the Bank's business continuity and/or disaster recovery plan, issues related to establishing internal control over anti-money laundering and counter-terrorism financing, 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 based on 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 risk 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 ICORD in order to provide the personnel and management of the Bank with 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, calculation of statutory liquidity ratios, 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.

A 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.

A 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, as well as a monthly report on operational risk management.

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	*1 January 2021*	*1 January 2020*
Total credit claims of the bank to a borrower or a group of related borrowers (Crb)	2,096,349	3,862,588
Total large credit risks (Ltcr)	5,996,503	14,821,043
Equity (capital)	23,479,017	18,578,801
Maximum risk exposure per borrower, % (N6) (regulatory value <=25%)	**8.9%**	**20.8%**
Maximum exposure to large credit risks, % (N7) (regulatory value <=800%)	**25.5%**	**79.8%**

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 2021			*1 January 2020*		
	Total	*Balance sheet claims*	*Claims under derivative financial instruments (credit risk)*	*Total*	*Balance sheet claims*	*Claims under derivative financial instruments (credit risk)*
Total for borrowers other than credit institutions, including:	**3,908,423**	**3,908,423**	**–**	**14,372,747**	**14,372,747**	**–**
- Loans to legal entities	3,908,315	3,908,315	–	13,849,475	13,849,475	–
- Other balance sheet claims	108	108	–	523,272	523,272	–
Total for borrowers – credit institutions, including:	**2,088,080**	**–**	**2,088,080**	**448,296**	**–**	**448,296**
- Interest rate swaps	172,044	–	172,044	343,880	–	343,880
- Cross-currency interest rate swaps	1,916,036	–	1,916,036	104,416	–	104,416
Total large credit risks (Ltcr)	**5,996,503**	**3,908,423**	**2,088,080**	**14,821,043**	**14,372,747**	**448,296**

Major borrowers (groups of related borrowers) of the Bank comprise resident credit institutions and resident legal entities.

Actual exposures against limits are monitored daily.

The Bank limits major credit risk concentrations for individual customers and groups of related customers through regular analysis and control of set lending limits and initiates changes in the lending limits where appropriate. In 2020, five major credit risks for individual customers and groups of related customers accounted for 27.1% of the portfolio of corporate dealers against 26% in 2019.

The table below presents concentrations of loans receivable by location:

	1 January 2021	***Weight, %***	***1 January 2020***	***Weight, %***
Loans receivable, Russia, including:	**103,894,491**		**107,450,998**	
Moscow	16,985,150	16.6	17,308,781	16.4
Moscow region	6,435,498	6.3	7,676,302	7.3
St. Petersburg	5,997,002	5.9	6,122,604	5.8
Samara region	5,954,620	5.8	3,572,926	3.4
Republic of Tatarstan	5,347,197	5.3	5,696,764	5.4
Sverdlovsk region	5,027,437	4.9	4,746,733	4.5
Republic of Bashkortostan	4,114,491	4.1	4,236,531	4.0
Nizhny Novgorod region	3,962,629	3.9	3,033,552	2.9
Perm territory	3,549,404	3.5	4,023,993	3.8
Chelyabinsk region	3,374,966	3.3	3,953,230	3.8
Tyumen region	2,138,845	2.1	3,095,961	2.9
Krasnodar territory	2,041,862	2.0	2,722,552	2.6
Novosibirsk region	1,976,229	1.9	1,128,279	1.1
Rostov region	1,975,609	1.9	2,655,136	2.5
Leningrad region	1,777,435	1.7	2,016,691	1.9
Kemerovo region	1,746,150	1.7	1,954,125	1.9
Volgograd region	1,650,414	1.6	1,970,183	1.9
Khanty-Mansiysk autonomous district	1,553,343	1.5	1,209,487	1.2
Tula region	1,307,368	1.3	1,476,376	1.4
Saratov region	1,274,485	1.2	1,368,101	1.3
Tver region	1,259,138	1.2	1,155,260	1.1
Omsk region	1,199,203	1.2	1,419,193	1.3
Orenburg region	1,184,275	1.1	1,455,927	1.4
Udmurt Republic	1,174,827	1.1	1,210,901	1.2
Ulyanovsk region	1,157,392	1.1	1,135,731	1.1
Voronezh region	996,734	1.0	836,055	0.8
Other Russian regions	18,732,788	18.0	20,269,624	19.2
Interest claims	649,324	0.6	833,497	0.8
Claims for reimbursement of interest on subsidized loans to individuals	1,118,279	1.1	340,449	0.3
Advance payment for the factoring commission	(637,443)	(1.2)	–	–
Costs and other income from provision (placement) of funds	(2,619,128)	(2.5)	(3,066,669)	(2.9)
Loans receivable at amortized cost	**102,405,523**	**100**	**105,558,275**	**100**
ECL allowances	(3,109,021)		(3,409,569)	
Net loans receivable at amortized cost	**99,296,502**		**102,148,706**	

The table below presents concentrations of loans receivable by type of economic activity:

	1 January 2021	*Weight, %*	*1 January 2020*	*Weight, %*
Loans receivable by type of activity, including:	**34,194,557**		**45,836,790**	
Trade in vehicles	23,480,605	22.93	42,236,790	40.11
State administration	5,199,157	5.08	–	–
Finance	5,000,000	4.88	3,600,000	3.41
Postal services	514,795	0.5	–	–
Individuals	69,699,934	68.06	61,614,208	58.37
Interest claims	649,324	0.62	833,497	0.78
Claims for reimbursement of interest on subsidized loans to individuals	1,118,279	1.08	340,449	0.32
Advance payment for the factoring commission	(637,443)	(0.61)	–	–
Costs and other income from provision (placement) of funds	(2,619,128)	(2.52)	(3,066,669)	(2.85)
Loans receivable at amortized cost	**102,405,523**	**100**	**105,558,275**	**100**
ECL allowances	(3,109,021)		(3,409,569)	
Net loans receivable at amortized cost	**99,296,502**		**102,148,706**	

14.2. 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 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 2021:

Instrument	*Value of assets*	*Provisions for potential losses*	*Value of risk weighted assets*
Balance sheet assets	109,367,674	5,684,197	92,208,690
Investments in securities	993,084	–	69,516
Credit-related commitments	14,918,095	741,908	7,088,093
Derivative financial instruments	19,798,671	–	4,939,193
Total aggregate credit risk exposure	**145,077,524**	**6,426,105**	**104,305,492**

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	7,697,023	289,992	3,659,799
Derivative financial instruments	15,121,797	−	2,306,418
Total aggregate credit risk exposure	**137,152,216**	**6,795,129**	**107,222,424**

Impairment assessment

In accordance with IFRS 9, the Bank determines an allowance for expected credit losses (hereinafter, “ECL”) on its debt financial assets at amortized cost or fair value through other comprehensive income as well as on loan commitments. 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 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) For corporate dealer borrowers

In accordance with IFRS 9, the Bank has designed and implemented a model to assess ECL 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 9.72%
Watching	PDs of 28.77%
Pre-warning	PDs of 59.75%
Warning/compromised	PDs of 100%

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

b) For individual borrowers

In accordance with IFRS 9, the Bank has designed and implemented a model to assess ECL 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.

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 of bad debt

The Bank's internal procedures establish a procedure to make a decision about treating an account receivable as bad debt and a procedure to write it off against a provision for potential losses. Writing off bad debt is made upon a decision of an authorized body (authorized individuals) of the Bank if the Bank has taken all necessary and sufficient legal and other actions to collect it and exercise its repossession rights, if there are documents and/or acts issued by authorized state authorities necessary and sufficient to make a decision about writing off bad debt, and in cases when the expected costs of the Bank to further proceed with collecting bad debt and/or realize repossession rights is higher than the amount collected.

Information on the quality categories of assets

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

As of 1 January 2021 and 1 January 2020, 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 oversight 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 2021:

Assets covered by provisions for potential losses

	Asset quality category						Provisions for potential losses						
Type of asset	*I*	*II*	*III*	*IV*	*V*	*Total*	*II*	*III*	*IV*	*V*	*Total*	*ECL allowance adjustment*	*ECL allowance*
Assets assessed for provisioning purposes	**19,237,915**	**65,181,767**	**11,193,806**	**401,828**	**3,621,588**	**99,636,904**	**558,639**	**1,855,288**	**194,805**	**2,934,182**	**5,542,914**	**(2,433,954)**	**3,108,960**
Claims on credit institutions	92,765	–	–	–	325	93,090	–	–	–	325	325	(297)	28
Loans receivable from legal entities	19,145,150	8,290,684	552,990	–	1,406,234	29,395,058	54,770	61,610	–	745,398	861,778	(74,587)	787,191
Loans receivable from individuals	–	56,891,083	10,640,816	401,828	2,215,029	70,148,756	503,869	1,793,678	194,805	2,188,459	4,680,811	(2,359,070)	2,321,741
Other assets assessed for provisioning purposes	**22,252**	**13,036**	**41,679**	**11,150**	**100,300**	**188,417**	**2,595**	**17,005**	**5,575**	**100,291**	**125,466**	**(75,456)**	**50,010**
Other claims	22,252	13,036	41,679	11,150	100,300	188,417	2,595	17,005	5,575	100,291	125,466	(75,456)	50,010
Credit-related commitments assessed for provisioning purposes	**141,600**	**12,802,357**	**1,710,676**	**64,582**	**198,880**	**14,918,095**	**104,500**	**409,950**	**31,367**	**196,095**	**741,912**	**(457,180)**	**284,732**
Credit-related commitments to legal entities	141,600	279,348	–	–	–	420,948	5,287	–	–	–	5,287	3,879	9,166
Credit-related commitments to individuals	–	12,523,009	1,710,676	64,582	198,880	14,497,147	99,213	409,950	31,367	196,095	736,625	(461,059)	275,566

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

	Asset quality category						Provisions for potential losses					ECL allowance adjustment	ECL allowance
Type of asset	*I*	*II*	*III*	*IV*	*V*	*Total*	*II*	*III*	*IV*	*V*	*Total*		
Assets assessed for provisioning purposes	**34,732,109**	**53,270,909**	**10,423,336**	**177,906**	**6,136,574**	**104,740,834**	**482,687**	**1,681,094**	**86,644**	**3,799,825**	**6,050,250**	**(2,811,048)**	**3,239,202**
Claims on credit institutions	55,971	–	–	–	368	56,339	–	–	–	368	368	(351)	17
Loans receivable from legal entities	34,676,138	3,085,420	280,153	–	4,637,768	42,679,479	15,393	29,800	–	2,317,102	2,362,295	(1,083,646)	1,278,649
Loans receivable from individuals	–	50,185,489	10,143,183	177,906	1,498,438	62,005,016	467,294	1,651,294	86,644	1,482,355	3,687,587	(1,727,051)	1,960,536
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**	**(191,569)**	**98,423**
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	(192,929)	96,066

As of 1 January 2021, 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 2021, the Bank failed to disclose investments in securities after a new version of Regulation No. 611-P became effective on 12 June 2020. According to the new version, Regulation No. 611-P does not apply to investments in federal loan bonds.

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 none of the criteria in clause 1.2. of the above Instructive Regulation of the Bank of Russia.

Information on financial assets' exposure to credit risk

The table below presents information about the types of loans receivable at amortized value, credit-related commitments and respective ECL allowances:

	1 January 2021	*1 January 2020*
Deposits with the Bank of Russia	5,000,000	3,600,000
ECL allowances	–	–
Loans receivable from legal entities	28,757,615	42,679,479
ECL allowances	(787,192)	(1,278,649)
Loans receivable from individuals	67,529,629	58,938,347
ECL allowances	(2,321,741)	(1,960,536)
Undrawn credit facilities of legal entities	420,948	214,175
ECL allowances	(9,166)	(2,357)
Undrawn credit facilities of individuals	14,497,147	7,482,848
ECL allowances	(275,566)	(96,066)

The table below presents information about changes in loans receivable at amortized cost and respective ECL allowances allocated to stages in accordance with IFRS 9:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Deposits with the Bank of Russia				
1 January 2020	**3,600,000**	**–**	**–**	**3,600,000**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Loans recognized in the period	1,449,800,000	–	–	1,449,800,000
Loans disposed of or repaid	1,448,400,000	–	–	1,448,400,000
Loans written off	–	–	–	–
1 January 2021	**5,000,000**	**–**	**–**	**5,000,000**
Loans receivable from legal entities				
1 January 2020	**38,877,728**	**3,801,751**	**–**	**42,679,479**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	(3,394)	3,394	–	–
Transfers to Stage 3	(23,285)	–	23,285	–
Loans recognized in the period	156,964,520	–	–	156,964,520
Loans disposed of or repaid	(166,778,567)	(3,470,374)	–	(170,248,941)
Loans written off	–	–	–	–
Advance payment for the factoring commission				*(637,443)*
1 January 2021	**29,037,002**	**334,771**	**23,285**	**28,757,615**

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Loans receivable from individuals				
1 January 2020	**59,968,260**	**841,225**	**1,195,531**	**62,005,016**
Transfers to Stage 1	114,934	(114,934)		–
Transfers to Stage 2	(853,113)	919,358	(66,243)	–
Transfers to Stage 3	(715,502)	(164,075)	879,577	–
Loans recognized in the period	57,626,314	–	–	57,626,314
Loans disposed of or repaid	(48,962,649)	(228,191)	(223,505)	(49,414,346)
Loans written off	–	–	(68,227)	(68,227)
Costs and other income from provision (placement) of funds				*(2,619,128)*
1 January 2021	**67,178,241**	**1,253,383**	**1,717,133**	**67,529,629**
Claims for reimbursement of interest on subsidized loans to individuals*				1,118,279
Total loans receivable as of 1 January 2021	**101,215,243**	**1,588,154**	**1,740,418**	**102,405,523**

* Claims for reimbursement of interest on subsidized loans and costs and other income from provision (placement) 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.

The table below presents information about changes in credit-related commitments and respective ECL allowances allocated to stages in accordance with IFRS 9:

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Undrawn credit facilities of legal entities				
1 January 2020	**214,175**	**–**	**–**	**214,175**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Commitments that arose in the period	404,948	–	–	404,948
Commitments repaid	(198,175)	–	–	(198,175)
1 January 2021	**420,948**	**–**	**–**	**420,948**
Undrawn credit facilities of individuals				
1 January 2020	**7,462,780**	**16,614**	**3,454**	**7,482,848**
Transfers to Stage 1	4,458	(4,458)	–	–
Transfers to Stage 2	(189,792)	188,037	1,755	–
Transfers to Stage 3	(97,295)	–	97,295	–
Commitments that arose in the period	7,123,994	–	–	7,123,994
Commitments repaid	(107,733)	(167)	(1,795)	(109,695)
1 January 2021	**14,196,412**	**200,026**	**100,709**	**14,497,147**
Total undrawn credit facilities as of 1 January 2021	**14,617,360**	**200,026**	**100,709**	**14,918,095**

Allowances for expected credit losses

The table below shows changes in the allowance for ECL calculated in accordance with IFRS 9 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 2020	**986,892**	**291,757**	**–**	**1,278,649**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
			4,665	
Change due to liabilities that arose in the period	672,752	49,719	–	727,136
Change due to repayment of liabilities in the period	(986,151)	(291,726)	–	(1,277,877)
Increase due to a change in credit risk	59,284	–	–	59,284
Decrease due to a change in credit risk	–	–	–	–
1 January 2021	**732,777**	**49,750**	**4,665**	**787,192**

	Allowance for expected credit losses			
	Stage 1	***Stage 2***	***Stage 3***	***Total***
Total for loans receivable from individuals				
1 January 2020	**853,520**	**160,453**	**946,563**	**1,960,536**
Transfers to Stage 1	(500,375)	134,963	365,412	–
Transfers to Stage 2	(44,997)	(44,533)	89,530	–
Transfers to Stage 3	–	(60,242)	60,242	–
Change due to liabilities that arose in the period	423,989	78,896	163,827	666,712
Change due to repayment of liabilities in the period	(62,463)	(20,441)	(119,715)	(202,619)
Increase due to a change in credit risk	67,282	16,559	–	83,841
Decrease due to a change in credit risk	–	–	(118,502)	(118,502)
Write-offs	–	–	(68,227)	(68,227)
1 January 2021	**736,956**	**265,655**	**1,319,130**	**2,321,741**

The table below shows changes in the allowance for ECL calculated in accordance with IFRS 9 on credit-related commitments:

	Allowance for expected credit losses			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Total for undrawn credit facilities of legal entities				
1 January 2020	**2,357**	**–**	**–**	**2,357**
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
			–	
Change due to liabilities that arose in the period	8,993	–	–	8,993
Change due to repayment of liabilities in the period	(2,274)	–	–	(2,274)
Increase due to a change in credit risk	90	–	–	90
Decrease due to a change in credit risk	–	–	–	–
1 January 2021	**9,166**	**–**	**–**	**9,166**
Total for undrawn credit facilities of individuals				
1 January 2020	**89,843**	**3,488**	**2,735**	**96,066**
Transfers to Stage 1	(1,116)	1,116	–	–
Transfers to Stage 2	(32,828)	29,573	3,255	–
Transfers to Stage 3	(52,077)	–	52,077	–
			17,940	
Change due to liabilities that arose in the period	55,160	9,230	–	82,330
Change due to repayment of liabilities in the period	(1,326)	(40)	(1,420)	(2,786)
Increase due to a change in credit risk	94,736	2,440	2,780	99,956
Decrease due to a change in credit risk	–	–	–	–
1 January 2021	**152,392**	**45,807**	**77,367**	**275,566**

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:

1 January 2021	*Stage*	*High grade*	*Standard grade*	*Sub-standard grade*	*Impaired*	*Total*
Correspondent account with the Bank of Russia	Stage 1	**2,592,891**	**–**	**–**	**–**	**2,592,891**
Correspondent accounts with credit institutions	Stage 1	**–**	**93,062**	**–**	**–**	**93,062**
Net loans receivable at amortized cost, including:	–	**5,000,000**	**97,803,397**	**–**	**1,740,418**	**104,543,816**
Deposits with the Bank of Russia	Stage 1	5,000,000	–	–	–	5,000,000
Loans to legal entities, including:	Stage 1	–	29,037,002	–	–	29,037,002
	Stage 2	–	334,771	–	–	334,771
	Stage 3	–	–	–	23,285	23,285
Advance payment for the factoring commission	–	–	–	–	–	(637,443)
Loans to individuals, including:	Stage 1	–	67,178,241	–	–	67,178,241
	Stage 2	–	1,253,383	–	–	1,253,383
	Stage 3	–	–	–	1,717,133	1,717,133
Costs and other income from provision (placement) of funds	–	–	–	–	–	(2,619,128)
Claims for reimbursement of interest on subsidized loans	–	–	–	–	–	1,118,279
Net investments in financial assets at fair value through other comprehensive income	Stage 1	**–**	**993,084**	**–**	**–**	**993,084**

1 January 2020	*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	**–**	**56,322**	**–**	**–**	**56,322**
Net loans receivable at amortized cost, including:	–	**3,600,000**	**103,488,963**	**–**	**1,195,532**	**105,558,275**
Deposits with the Bank of Russia	Stage 1	3,600,000	–	–	–	3,600,000
Loans to legal entities, including:	Stage 1	–	38,877,728	–	–	38,877,728
	Stage 2	–	3,801,751	–	–	3,801,751
	Stage 3	–	–	–	–	–
Loans to individuals, including:	Stage 1	–	59,968,259	–	–	59,968,259
	Stage 2	–	841,225	–	–	841,225
	Stage 3	–	–	–	1,195,532	1,195,532
Costs and other income from provision (placement) of funds	–	–	–	–	–	(3,066,669)
Claims for reimbursement of interest on subsidized loans	–	–	–	–	–	340,449
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:

Types of collateral	Carrying amount of collateral	Carrying amount of loans	Carrying amount of collateral	Carrying amount of loans
	1 January 2021		1 January 2020	
Loans to legal entities	**174,666,821**	**28,757,615**	**185,585,358**	**42,679,479**
Vehicles	18,275,285	–	40,514,349	–
Guarantees of credit institutions	539,115	–	603,760	–
Pledge of receivables related to deposits of legal entities	301,733	–	282,832	–
Goods in turnover	765,125	–	561,285	–
Pledge of property rights	362,196	–	–	–
Sureties of legal entities	86,571,229	–	84,956,678	–
Sureties of individuals	67,852,138	–	58,666,454	–
Loans to individuals	**126,815,560**	**67,529,629**	**138,311,653**	**58,938,347**
Vehicles	126,807,785	–	138,296,202	–
Sureties of individuals	7,775	–	15,451	–
Total loans to customers	**301,482,381**	**96,287,244**	**323,897,011**	**101,617,826**

The carrying amount of collateral is a contractual value as of the date when a loan was issued; the value of collateral is regularly remeasured over the life of the contract. As of 1 January 2021 and 1 January 2020, the fair value of collateral insignificantly differs from its carrying amount.

The table below shows the amount of collateral accepted to mitigate credit risk in accordance with Regulations No. 590-P and 611-P as of 1 January 2021 and 1 January 2020:

1 January 2021	*Amount of claim*	*Estimated provision*	*Estimated provision adjusted for collateral*	*Actual provision*	*Collateral to decrease provision*
Loans to legal entities	29,395,058	1,594,903	871,138	871,138	723,764
Advance payment for the factoring commission	(637,443)	–	–	–	–
Loans to individuals (car loans)	70,148,757	4,721,187	4,680,814	4,680,814	40,373
Costs and other income from provision (placement) of funds	(2,619,128)	–	–	–	–
Total	**96,287,244**	**6,316,090**	**5,551,952**	**5,551,952**	**764,137**

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
Costs and other income from provision (placement) of funds	(3,066,669)	–	–	–	–
Total	**101,617,826**	**8,505,210**	**6,049,889**	**6,049,889**	**2,455,321**

In 2020, as a result of repossession of collateral for loans to individuals, the Bank received motor vehicles in the amount of kRUR 14,501. As a result of revaluation and sale of motor vehicles, collateral amounts to kRUR 729 as of 1 January 2021.

14.3. 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 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 and complies with the regulator's liquidity requirements on a daily basis. As part of this process, the Bank maintains target ratios that are significantly better than the statutory levels. In particular, the Bank's liquidity ratios as of 1 January 2021 and 1 January 2020 were as follows:

	Permissible value, %	***1 January 2021***	***1 January 2020***
Instant liquidity ratio (N2)	At least 15%	247.44	244.24
Current liquidity ratio (N3)	At least 50 %	226.78	130.19
Long-term liquidity ratio (N4)	No more than 120%	87.61	67.33

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 from the Bank's units information on the structure of their financial assets and liabilities and forecast cash flows arising from projected future operations;
- Models cash flows by currency and calculates the required levels of liquid assets;
- Performs regular stress tests under a variety of possible 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;
- 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 temporarily available funds only in first-class financial instruments of reliable borrowers 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*. The amounts of assets and liabilities by remaining maturities are recorded on a cumulative basis. When assessing the maturities of assets and liabilities, if the contract contains no clear maturities of assets and liabilities, the Bank relies on the prudence principle, i.e. it includes assets in a column with the latest maturity of all possible maturities for assets, and includes liabilities in a column with the earliest maturity of all possible maturities for liabilities. Therefore, the Bank assesses the balance between the maturities of assets and liabilities through estimation of gaps by time period. Based on the obtained results, the Bank takes preventive measures to raise additional financing or, vice versa, finds ways to decrease the excessive liquidity. Together with other analytical methods, this principle significantly increases the financial stability of the Bank.

The table below provides an analysis of liquidity for the Bank's assets and liabilities as of 1 January 2021 and 1 January 2020 (without taking into account IFRS 9):

1 January 2021	***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	14,889,538	38,382,925	48,512,498	75,076,425	123,574,456
Financial liabilities	6,796,121	15,090,611	25,207,740	67,932,550	100,977,983
Off-balance sheet liabilities	14,918,095	14,918,095	14,918,095	14,918,095	14,918,095
Excess (deficit) of liquidity	**(6,824,678)**	**8,374,219**	**8,386,663**	**(7,774,220)**	**7,678,378**
Liquidity excess (deficit) ratio	**-100.4%**	**55.5%**	**33.3%**	**-11.4%**	**7.6%**

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 its liabilities at all time intervals. An excess of liquidity exists at all time intervals for the off-balance sheet position, as it is mainly formed by credit facilities of individuals, which are unlikely to be drawn simultaneously and which bear no concentration risk.

14.4. 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.

The Bank's strategy in financial markets

The Bank pursues a conservative policy in financial markets in accordance with the development strategy set by shareholders. The Bank is not a professional securities market participant, has no trading portfolio, does not open trade positions and does not enter into transactions with equity securities. The Bank acquires highly-liquid bonds denominated in Russian rubles for subsequent use as collateral for financing received from the Bank of Russia and to maintain statutory liquidity ratios.

The Bank's foreign currency transactions include taking term deposits from its shareholders in accordance with a financing plan approved by the Bank's Board of Directors 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 enters into derivative financial instruments in the over-the-counter market in order to regulate interest rate and foreign currency risks (interest rate and cross-currency interest rate swaps). The Bank enters into derivative financial instruments within interest rate and market risk limits set by the Bank's Board of Directors, as well as counterparty limits.

The main sources of market risk for the Bank are over-the-counter transactions with interest rate and cross-currency interest rate derivatives, securities purchased for trading, foreign currency transactions and positions opened in foreign currencies.

Methods to assess and measure market risk

In accordance with the Risk and Capital Management Strategy, the Bank treats market risk as significant financial risk 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 of market risk: interest rate risk, foreign currency risk, equity risk and commodity risk.

Procedure for the market risk calculation

Within interest rate risk, the Bank calculates overall interest rate risk for derivative financial instruments where foreign currency is an underlying asset (cross-currency interest rate swaps). Foreign currency risk is calculated in accordance with approaches described in Regulation No. 511-P.

During 2020 and 2019, the Bank did not calculate equity risk, as it did not acquire financial instruments for which such risk should be 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 amount of market risk as of 1 January 2021 and 1 January 2020 is as follows:

	1 January 2021	*1 January 2020*
Interest rate risk, including:	**50,044**	**70,879**
- Total interest rate risk	50,044	70,879
Foreign currency risk	**–**	**30,277**
Equity risk	**–**	**–**
Commodity risk	**–**	**–**
Market risk, total	**50,044**	**101,156**

As of 1 January 2021, 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 625,550. Capital requirements for market risk are attributable to interest rate risk on derivative financial instruments (cross-currency interest rate swaps). Foreign currency risk on open positions in foreign currencies is not a component in the market risk calculation, as the percentage ratio of the aggregate amount of the open currency positions and the amount of equity (capital) is less than 2%.

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 interest rate risk on derivative financial instruments (cross-currency interest rate swaps) 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%.

Market risk management

The major goals of market risk management are as follows:

- Ensure the maximum safety of the Bank's assets and equity on the basis of timely identification and mitigation of market risk
- Mitigate financial losses and, hence, increase profitability
- Accept and maintain market risk at the level approved by the authorized bodies of the Bank.

The Bank's market risk management is a range of measures to identify transactions exposed to market risk, assess and measure market risk, limit the amount of market risk, monitor the level of assumed risk, maintain accepted risk at a level determined by the current development strategy, minimize assumed risk, perform stress testing of market risk, prepare the market risk management report 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.

Market risk management has three levels:

- First line of defense − risk owners that perform business processes and take risks. The goal at this level is to meet risk triggers/limits set by the second line of defense and the Bank's authorized bodies.
- Second line of defense − 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 the first line.
- Third line of defense − 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.

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 effect on the statement of income of the assumed upward and downward changes in foreign exchange rates is presented below. 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. The analysis assumes that all other variables, in particular interest rates, remain constant.

Currency	***Increase in % 2020***	***Effect on equity (capital) 2020***
USD	16	606
EUR	16	15,989
JPY	16	23,178

Currency	***Decrease in % 2020***	***Effect on equity (capital) 2020***
USD	16	(606)
EUR	16	(15,989)
JPY	16	(23,178)

Currency	***Increase in % 2019***	***Effect on equity (capital) 2019***
USD	13	240
EUR	13	15,989
JPY	13	23,178

Currency	***Decrease in % 2019***	***Effect on equity (capital) 2019***
USD	13	(240)
EUR	13	(15,989)
JPY	13	(23,178)

A sensitivity analysis of the interest rate risk of the banking book is provided in Section 14.5.

14.5. Interest rate risk of the banking book

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

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. The following table demonstrates the sensitivity of the Bank's statement of income to a possible change in interest rates.

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.

Sensitivity analysis of interest rate risk

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.

Currency	*Increase in basis points* 2020	*Effect on net interest income, kRUR* 2020	*Effect on equity (capital), kRUR* 2020
RUR	100	57,357	45,886
EUR	100	−	−
JPY	100	−	−

Currency	*Decrease in basis points* 2020	*Effect on net interest income, kRUR* 2020	*Effect on equity (capital), kRUR* 2020
RUR	100	(57,357)	(45,886)
EUR	100	−	−
JPY	100	−	−

Currency	*Increase in basis points* 2019	*Effect on net interest income, kRUR* 2019	*Effect on equity (capital), kRUR* 2019
RUR	100	63,267	50,614
EUR	100	−	−
JPY	100	−	−

Currency	*Decrease in basis points* 2019	*Effect on net interest income, kRUR* 2019	*Effect on equity (capital), kRUR* 2019
RUR	100	(63,267)	(50,614)
EUR	100	−	−
JPY	100	−	−

15. 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.

The system to manage the overall level of risk, capital adequacy and risk-weighted performance is an integral part of the Bank’s risk management, corporate governance, financial and strategic planning, managerial reporting and performance evaluation systems that are governed by the respective internal regulations of the Bank.

The internal regulations form a system of interbank settlement of issues related to application of capital adequacy assessment procedures and procedures used to manage the overall risk.

A systemic approach to establishment and control of risk appetite, capital adequacy and risk-weighted performance helps to reduce the uncertainty of the future financial result of the Bank and to ensure the required reliability.

The objectives of the capital management policy are as follows:

- Compliance with prudential ratios and other prudential restrictions;
- Maintaining sustainable profitability and long-term stability;
- Keeping the required balance between the profitability and the level of accepted risk;
- Increasing transparency of the management processes.

The Bank uses the following processes to manage overall risk and capital adequacy:

- Setting risk appetite and limits and monitoring of compliance;
- Planning of capital requirements;
- Monitoring of capital adequacy, prudential ratios and other prudential restrictions;
- Risk-weighted performance measurement.

To control the volume and structure of overall risk, the Bank regularly prepares internal risk and capital reports for management bodies, the Head of the Risk Management Function and members of committees authorized to make risk management decisions.

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”). 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, the equity (capital) of a credit institution 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.

In accordance with the requirement of the Bank of Russia, when calculating equity (capital) and prudential ratios, the Bank includes prudential provisions for potential losses formed in accordance with Regulation No. 590-P and Regulation No. 611-P and does not take into account the adjustments of provision for potential losses to the amount of the allowance for expected credit losses.

The table below shows equity (capital) instruments of the Bank as of 1 January 2021 and 1 January 2020:

Capital instrument	*1 January 2021*	*1 January 2020*
Main capital, including:	**19,669,565**	**17,999,467**
Core capital, including:	**19,669,565**	**17,999,467**
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)	8,336,904	7,446,973
Amounts decreasing core	–	–
capital, including:	–	–
Intangible assets	(252,907)	(166,441)
Other investments in equity	(571,866)	(1,439,234)
Interest income accrued but not actually received, classified in quality categories 4 and 5	(735)	–
Additional capital	**–**	**–**
Supplementary capital, including:	**3,809,452**	**579,334**
Profit of the current year (unaudited)	3,807,515	581,497
Revaluation of securities at fair value through other comprehensive income	–	–
Amounts decreasing core	–	–
capital, including:	–	–
Other investments in equity	(3,913)	–
Interest income accrued but not actually received, classified in quality categories 4 and 5	(2,044)	(1,628)
Equity (capital)	**23,479,017**	**18,578,801**

As of 1 January 2021 and 1 January 2020, 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 8,336,904. Amounts decreasing core capital include intangible assets of kRUR 252,907, income of kRUR 571,866 not included in sources of capital and interest income accrued but not actually received, classified in quality categories 4 and 5 of kRUR 735. Amounts decreasing supplementary capital include income of kRUR 3,913 not included in sources of capital and interest income accrued but not actually received, classified in quality categories 4 and 5 of kRUR 2,044. Income not included in sources of capital is deemed to be non-qualified income generated from the Bank's cash:

- 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;
- Insurance premiums returned by an insurance company to the account of an individual borrower of the Bank due to his/her withdrawal from the insurance agreement, including in the cooling-off period, that were used to repay the borrower's debt (interest and fines accrued in accordance with the loan agreement).

In 2020, in accordance with the requirements of the Bank of Russia, the Bank excluded the effect of adopting IRFS 16, as well as the following components of the current year profit arising on the adoption of IFRS (IFRS) 9 from its supplementary capital:

- Cumulative negative effect of adopting IFRS 16 in the amount of kRUR 15,526;
- Allowances for ECL of kRUR 316,367;
- Deferred income tax expense of kRUR 43,822, which arose due to revaluation of financial assets in accordance with IFRS 9;
- Expenses on financial liabilities and financial assets of kRUR 613,529.

Information on capital requirements and capital adequacy

The table below presents information about the main components of risk-weighted assets included in the calculation of equity (capital) adequacy ratios as of 1 January 2021 and 1 January 2020:

1 January 2021	***N1.0***	***N1.1***	***N1.2***
Risk-weighted assets	**118,673,467**	**118,673,467**	**118,673,467**
Credit risk	104,305,492	104,305,492	104,305,492
Market risk	625,550	625,550	625,550
Operational risk	13,742,425	13,742,425	13,742,425

1 January 2020	***N1.0***	***N1.1***	***N1.2***
Risk-weighted assets	**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

In 2020 and 2019, 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 2021 and 1 January 2020.

1 January 2021	***Minimum, %***	***Actual ratio, %***
Equity (capital) adequacy ratio (N1.0)	8.0	19.785
Core capital adequacy ratio (N1.1)	6.0	16.575
Main capital adequacy ratio (N1.2)	4.5	16.575
Capital conservation buffer	2.5	10.575
Counter-cyclical buffer	0.0	0.0

1 January 2020	***Minimum, %***	***Actual ratio, %***
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	0.0

Information on risk-weighted assets

	1 January 2021	*1 January 2020*
Total credit risk on balance sheet assets, including:	92,278,206	101,256,207
Credit risk on balance sheet assets (standard)	90,402,132	100,634,350
Transactions with an increased risk factor	1,876,074	621,857
Credit risk on credit-related commitments	7,088,093	3,659,798
Credit risk on derivative financial instruments	4,939,193	2,306,418
Market risk	625,550	1,264,450
Operational risk	13,742,425	12,170,113
Total risk-weighted assets	**118,673,467**	**120,656,986**

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

- Instruction No. 199-I, including the procedure to calculate credit risk. Calculations of risk-weighted assets are based on the approach in clause 3.3 of Instruction No. 199-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 2021	*1 January 2020*
Risk-weighted assets required to be covered by core capital	118,673,467	120,656,986
Risk-weighted assets required to be covered by main capital	118,673,467	120,656,986
Total risk-weighted assets required to be covered by capital	118,673,467	120,656,986
Core capital	19,669,565	17,999,467
Main capital	19,669,565	17,999,467
Equity (capital)	23,479,017	18,578,801
Core capital adequacy ratio (N1.1), regulatory value 4.5%	16.6%	14.9%
Main capital adequacy ratio (N1.2), regulatory value 6.0%	16.6%	14.9%
Total capital adequacy ratio (N1.0), regulatory value 8.0%	19.8%	15.4%

16. 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 2021	*1 January 2020*
Assets		
Corporate banking	29,087,957	41,230,606
Retail banking	65,225,247	57,334,890
In-house activities	13,104,472	9,018,548
Total assets	**107,417,676**	**107,584,044**
Liabilities		
Corporate banking	9,243,509	9,672,277
Retail banking	3,120,298	2,662,398
In-house activities	69,976,791	74,223,367
Total liabilities	**82,340,598**	**86,558,042**

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.

	1 January 2021			
	Retail banking	*Corporate banking*	*In-house activities*	*Total*
Net interest income/expense	5,328,558	1,575,226	–	6,903,784
Interest income	*11,580,222*	*2,771,414*	–	*14,351,636*
Interest expense	*(6,251,664)*	*(1,196,188)*	–	*(7,447,852)*
Net fee and commission income	210,779	6,225	–	217,004
Losses from securities	–	–	–	–
Gains/losses from foreign currency transactions	–	–	538	538
Operating expenses	(1,278,064)	(373,500)	(24,239)	(1,675,803)
Net gains from financial assets at fair value through profit or loss	–	–	2,696,889	2,696,889
Foreign currency translation	–	–	(2,752,005)	(2,752,005)
Change in provision for potential losses and ECL allowance	(810,737)	879,495	(6)	68,752
Financial result before tax	**3,450,536**	**2,087,446**	**(78,823)**	**5,459,159**
Tax expense	–	–	–	(1,412,251)
Net financial result	**3,450,536**	**2,087,446**	**(78,823)**	**4,046,908**

	1 January 2021			
	Retail banking	*Corporate banking*	*In-house activities*	*Total*
Net interest income/expense	4,837,621	2,544,382	–	7,382,003
Interest income	*10,133,453*	*4,485,595*	–	*14,619,048*
Interest expense	*(5,295,832)*	*(1,941,213)*	–	*(7,237,045)*
Net fee and commission income	148,880	(1,021)	–	147,859
Losses from securities	–	–	(200)	(200)
Gains/losses from foreign currency transactions	–	–	(270,726)	(270,726)
Operating expenses	(1,054,850)	(532,887)	(62,666)	(1,650,403)
Net gains from financial assets at fair value through profit or loss	–	–	(907,888)	(907,888)
Foreign currency translation	–	–	1,327,876	1,327,876
Change in provision for potential losses and ECL allowance	(851,161)	231,404	415	(619,342)
Financial result before tax	**3,080,490**	**2,241,878**	**86,811**	**5,409,179**
Tax expense	–	–	–	(678,234)
Net financial result	**3,080,490**	**2,241,878**	**86,811**	**4,730,945**

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 2021 and 1 January 2020, 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 2021 and 1 January 2020, the Bank's income was generated from operations in the Russian Federation.

17. 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 the banking group − JSC UniCredit Bank;
- Key management personnel − members of the Board of Directors and members of the Bank's 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 2021.

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

Balances of related party transactions, by related party category, as of 1 January 2021 and 1 January 2020 are provided in the tables below.

1 January 2021	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Assets				
Amounts due from credit institutions	19,222	−	4,285	23,508
Financial assets at fair value through profit or loss	883,631	−	−	883,631
Net loans receivable	−	−	386,673	386,673
Other assets	−	−	38	38
Total assets	**902,853**	**−**	**390,996**	**1,293,850**

1 January 2021	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Liabilities				
Amounts due to credit institutions	10,136,721	–	5,461,411	15,598,132
Amounts due to customers (other than credit institutions)	–	–	7,215,954	7,215,954
Current accounts of individuals	–	–	48	48
Financial liabilities at fair value through profit or loss	–	–	–	–
Other liabilities	–	–	516	516
Total liabilities	**10,136,721**	–	**12,677,929**	**22,814,650**
Claims and liabilities under derivative financial instruments				
Claims under derivative financial instruments	3,889,878	–	–	3,889,878
Liabilities under derivative financial instruments	3,033,522	–	–	3,033,522

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

Income and expenses from transactions with related parties as of 1 January 2021 and 1 January 2020 are disclosed in the table below:

1 January 2021	*Parent credit institution of banking group*	*Key management personnel*	*Other related parties, including insiders*	*Total*
Interest income	(22,987)	–	1,847,378	1,824,391
Interest expense	(780,536)	–	(239,035)	(1,019,571)
Net gains (losses) from financial assets at fair value	(59,019)	–	–	(59,019)
Net gains (losses) from dealing in foreign currencies	537	–	–	537
Net fee and commission income (expense)	(298)	–	–	(298)
Other operating income	–	–	2,704	2,704
Operating expenses	(5,333)	(104,191)	(56,906)	(166,430)
Tax expense	–	–	(1,489)	(1,489)

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)

As of 1 January 2021 and 1 January 2020, the Bank had neither outstanding amounts under related party transactions nor expenses recorded on bad or doubtful receivables from related parties.

Compensation to key management personnel

In 2020, compensation to key management personnel amounted to kRUR 104,191 (of which long-term compensation amounted to kRUR 3,525). In 2019, payments to key management personnel amounted to kRUR 77,670 (long-term compensation was not paid). The Bank discloses compensation to key management personnel in operating expenses of the statement of income.

1. Long-term employee benefits

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

2. Share-based payments

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

3. 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

АКЦИОНЕРНОЕ ОБЩЕСТВО «РН БАНК» ОГРН 1025500003737 РН Банк Лицензия № 170 ИНН 5503067018 РОССИЯ Г.МОСКВА

Chief Accountant
Daria Dolgorukova

19 March 2021