

Report on Review of Interim Financial Information of
JSC RN Bank
for the six months ended 30 June 2017
August 2017

Translation of the original Russian version

**Report on Review of Interim Financial Information
of JSC RN Bank**

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Report on Review of Interim Financial Information

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To the Shareholders and the Board of Directors of
JSC RN Bank

Introduction

We have reviewed the accompanying interim condensed financial statements of JSC RN Bank, which comprise the interim condensed statement of financial position as of 30 June 2017, the interim condensed statement of profit or loss and comprehensive income, interim condensed statements of changes in equity and the interim condensed statement of cash flows for the six months then ended and selected explanatory notes (the "interim financial information"). Management of JSC RN Bank is responsible for the preparation and presentation of these interim financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

O.V. YOUSHENKOV
Partner
Ernst & Young LLC

21 August 2017

Details of the entity

Name: JSC RN Bank
Record made in the State Register of Legal Entities on 6 November 2002, State Registration Number 1025500003737.
Address: Russia 109028, Moscow, Serebryanicheskaya nab., 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 nab., 77, building 1.
Ernst & Young LLC is a member of Self-regulated Organization of Auditors "Russian Union of Auditors" (Association) ("SRO RUA"). Ernst & Young LLC is included in the control copy of the register of auditors and audit organizations, main registration number 11603050648.

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JSC RN Bank

Interim condensed financial statements

Interim condensed statement of financial position

As of 30 June 2017

(thousands of Russian rubles)

	Notes	30 June 2017 (unaudited)	31 December 2016
Assets			
Cash and cash equivalents	3	3,998,947	2,053,065
Obligatory reserve with the CBR		409,439	29,397
Amounts due from credit institutions	4	–	2,971,527
Derivative financial assets	5	846,836	136,743
Loans to customers	6	62,632,127	53,136,067
Investment securities available for sale		152,845	202,703
Property and equipment		22,901	18,533
Intangible assets		289,130	355,146
Income tax		104,699	120,225
Deferred income tax assets		855,912	864,603
Other assets		148,693	92,062
Total assets		69,461,529	59,980,071
Liabilities			
Amounts due to credit institutions	8	31,490,877	27,834,243
Debt securities issued	10	10,351,850	5,255,000
Derivative financial liabilities	5	1,631,458	3,097,474
Amounts due to customers	9	14,352,154	13,182,484
Other liabilities		1,904,575	1,886,612
Total liabilities		59,730,914	51,255,813
Equity			
Share capital		3,333,091	3,333,091
Share premium		5,580,800	5,580,800
Retained earnings / (accumulated deficit)		896,520	(31,235)
Unrealized gain on revaluation of securities available for sale		163	546
Unrealized loss on cash flow hedges		(79,959)	(158,944)
Total equity		9,730,615	8,724,258
Total equity and liabilities		69,461,529	59,980,071

Signed and authorized for release on behalf of the Management Board of the Bank

Chairman of the Management Board
Bruno Robert Louis Kintzinger



Chief Accountant
Darya Lvova

21 August 2017

The accompanying notes 1-14 are an integral part of these interim condensed financial statements.

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Interim condensed financial statements

Interim condensed statement of profit or loss and comprehensive income

For the six months ended 30 June 2017

(thousands of Russian rubles)

	<i>Notes</i>	<i>For the six months ended 30 June 2017 (unaudited)</i>	<i>For the six months ended 30 June 2016 (unaudited)</i>
Interest income			
Loans to customers		4,823,399	4,102,354
Amounts due from credit institutions		219,523	317,217
Gains from securities		9,012	9,380
Total interest income		5,051,934	4,428,951
Interest expense			
Amounts due to customers		(228,931)	(211,576)
Amounts due to credit institutions		(1,840,631)	(1,994,415)
Debt securities issued		(369,543)	-
Total interest expense		(2,439,105)	(2,205,991)
Net interest income		2,612,829	2,222,960
Allowance for loan impairment	4, 6	(358,699)	(94,520)
Net interest income after allowance for loan impairment		2,254,130	2,128,440
Fee and commission income		47,169	34,933
Fee and commission expense		(75,470)	(58,673)
Net fee and commission expense		(28,301)	(23,740)
Net loss from financial instruments at fair value through profit or loss		(278,235)	(872,292)
Net gains/(losses) from foreign currencies:		(46,261)	398,071
- dealing		242	(727)
- translation differences		(46,503)	398,798
Other income		1,422	869
Non-interest expense		(323,074)	(473,352)
Personnel expenses		(231,184)	(229,806)
Other administrative expenses		(323,064)	(300,545)
Depreciation of property and equipment		(9,096)	(5,995)
Depreciation of intangible assets		(98,349)	(89,616)
Operational expense		(661,693)	(625,962)
Profit before income tax expense		1,241,062	1,005,386
Income tax expense	7	(313,307)	(198,769)
Total net profit for the period		927,755	806,617
Other comprehensive income/(loss)			
<i>Items which may be reclassified to profit or loss in subsequent periods</i>			
Revaluation reserve for securities available for sale		(383)	369
Unrealized gain/(loss) on cash flow hedges		78,985	(135,647)
Other comprehensive income, net of tax		78,602	(135,278)
Total comprehensive income		1,006,357	671,339

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21 August 2017



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Interim condensed financial statements

Interim condensed statement of changes in equity

For the six months ended 30 June 2017

(thousands of Russian rubles)

	Share capital	Share premium	Unrealized gain / (accumulated deficit)	Unrealized gain / (accumulated loss) on securities revaluation	Provision for hedges	Total equity
1 January 2016	3,333,091	5,580,800	(1,038,271)	173	(22,863)	7,852,930
Profit for the period	-	-	806,617	-	-	806,617
Other comprehensive loss	-	-	-	369	(135,647)	(135,278)
Total comprehensive income/(loss) for the period	-	-	806,617	369	(135,647)	671,339
30 June 2016 (unaudited)	<u>3,333,091</u>	<u>5,580,800</u>	<u>(231,654)</u>	<u>542</u>	<u>(158,510)</u>	<u>8,524,269</u>
1 January 2017	3,333,091	5,580,800	(31,235)	546	(158,944)	8,724,258
Profit for the period	-	-	927,755	-	-	927,755
Other comprehensive income/(loss)	-	-	-	(383)	78,985	78,602
Total comprehensive income/(loss) for the period	-	-	927,755	(383)	78,985	1,006,357
30 June 2017 (unaudited)	<u>3,333,091</u>	<u>5,580,800</u>	<u>896,520</u>	<u>163</u>	<u>(79,959)</u>	<u>9,730,615</u>

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Chief Accountant
Darya Lvova

21 August 2017

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JSC RN Bank

Interim condensed financial statements

Interim condensed statement of cash flows

For the six months ended 30 June 2017

(thousands of Russian rubles)

	<i>For the six months ended</i> 30 June 2017	<i>For the six months ended</i> 30 June 2016
<i>Notes</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
Cash flows from operating activities		
Interest received	4,555,346	4,501,574
Interest paid	(1,387,164)	(1,359,574)
Fees and commissions received	49,464	36,991
Fees and commissions paid	(75,599)	(58,776)
Results of operations with financial instruments at fair value	(2,390,693)	(215,053)
Realized gains less losses from dealing in foreign currencies	243	(727)
Other income received	1,422	869
Personnel expenses paid	(273,459)	(240,201)
Other operating expenses paid	(134,325)	(142,989)
Cash flows from operating activities before changes in operating assets and liabilities	345,235	2,522,114
<i>Net (increase)/decrease in operating assets</i>		
Obligatory reserve with the CBR	(380,042)	(6,269)
Amounts due from credit institutions	2,976,332	(496,219)
Loans to customers	(9,423,314)	(5,916,664)
Other assets	(206,089)	(69,068)
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to the CBR	-	(2,000,000)
Amounts due to credit institutions	2,895,000	7,988,976
Amounts due to customers	963,156	618,234
Other liabilities	79,129	(85,661)
Net cash flows from operating activities before income tax	(2,750,593)	2,555,443
Income tax expense	(308,741)	(256,804)
Net cash used in / (from) operating activities	(3,059,334)	2,298,639
Cash flows from investing activities		
Purchase of property and equipment, intangible assets	(45,798)	(29,715)
Purchase of securities available for sale	-	(109,279)
Proceeds from sale and redemption of securities and other financial assets available for sale	49,379	108,265
Net cash from / (used in) investing activities	3,581	(30,729)
Cash flows from financing activities		
Debt securities issued	5,000,000	-
Net cash from financing activities	5,000,000	-
Effect of exchange rates changes on cash and cash equivalents	1,635	(815)
Net increase/(decrease) in cash and cash equivalents	1,945,882	2,267,095
Cash and cash equivalents, beginning	2,053,065	1,444,967
Cash and cash equivalents, ending	3,998,947	3,712,062

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Bruno Robert Louis Kintzinger

Chief Accountant
Darya Lvova

21 August 2017



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Notes to interim condensed financial statements
for the six months ended 30 June 2017

(thousands of Russian rubles)

1. Principal activities

These are the financial statements of JSC RN Bank.

The Bank (former CJSC Bank Sibir) was formed in the Russian Federation (the city of Omsk) on 9 March 1989. In order to align the legal structure with the legislation, in 1998, the Bank was renamed in the limited liability company – OOO OKB Sibir. In 2002 the Bank changed its legal form to a closed joint stock company. Since May 2013, the Bank is registered and located in 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.

Short name: CJSC RN Bank.

Location (legal address): Russia 109028, Moscow, Serebryanicheskaya nab., 29.

Main State Registration Number: 1025500003737.

Record concerning the establishment was made in the Uniform State Register of Legal Entities on 6 November 2002.

Bank's identification code (BIC): 044525147.

Taxpayer identification number (TIN): 5503067018.

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

Contact fax number: + 7 (495) 775-40-67.

Email address: help@rn-bank.ru

Web-site: www.rn-bank.ru

In 2014 the Bank changed its legal form from a closed joint stock company to a joint stock company. The decision was approved by the Shareholders on 31 October 2014. The change was made to the Unified Register of Legal Entities on 9 December 2014.

The Bank carries out its activities based on the following licenses:

- ▶ License No. 170 issued on 6 November 2013 to carry out banking operations in rubles and foreign currencies (without the right to accept deposits from individuals);
- ▶ License No. 170 issued on 6 November 2013 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 system operates under the federal laws and regulations and is governed by the State Corporation "Deposits Insurance Agency". Insurance covers the Bank's liabilities to individual depositors in the amount up to RUB 1,400 thousand both in 2017 and 2016 per each individual in case of a business failure or revocation of the CBR banking license.

As of 30 June 2017, the Bank:

- ▶ Is not a member of a banking group;
- ▶ Is not a professional participant of the securities market;
- ▶ Has no branches and representative offices in the Russian Federation;
- ▶ Does not have any subsidiaries or affiliates.

On 2 March 2017, Analytical Credit Rating Agency (ACRA) assigned the AA (RU) rating with a stable outlook to the Bank.

On 2 June 2017, International Credit rating agency S&P assigned the BB+ rating with a stable outlook to the Bank.

On 30 June 2017, the International Credit Rating Agency Fitch Ratings rescinded its rating on a regulatory basis since Marc Ladreit de Lacharrière, shareholder of Fitch Ratings that owns an interest exceeding 10%, is also a director of Renault SA, which is one of the ultimate shareholders of the bank.

As of 30 June 2017, the average headcount of the Bank was 190 employees (31 December 2016: 187 employees).

As of 30 June 2017 and 31 December 2016, Limited Liability Company BARN B.V. – Netherlands is the sole shareholder of the Bank. The ownership in the share capital of the Bank: 100.00%.

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JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2017

(thousands of Russian rubles)

2. Basis of preparation

General

These interim condensed financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard (IAS) 34 *Interim Financial Reporting*.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Bank's annual financial statements as of 31 December 2016.

Basis of measurement

These interim condensed financial statements have been prepared under the historical cost convention except for financial instruments at fair value. For example, derivative financial instruments have been measured by the Bank at fair value. The historical cost is generally estimated based on the fair value of consideration transferred in exchange of goods and services.

Presentation currency

These interim condensed financial statements are presented in thousands of Russian rubles ("RUB thousand").

Inflation accounting

The Russian economy was considered hyperinflationary until 31 December 2002. As such, the Bank applied IAS 29 *Financial Reporting in Hyperinflationary Economies*. The effect of applying IAS 29 is that non-monetary items, including components of equity, were restated to the measuring units current at 31 December 2002 by applying the relevant inflation indices to the historical cost, and that these restated values were used as a basis for accounting in subsequent periods.

The application of this standard resulted in an increase in the share capital by RUB 64,091 thousand and an increase in accumulated deficit by the similar amount.

Changes in accounting policies

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Bank's annual financial statements for the year ended 31 December 2016, except for the adoption of new Standards described below effective as of 1 January 2017. The Bank has not adopted early any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and effect of such changes are disclosed below. Although these new standards and amendments apply for the first time in 2017, they do not have a material effect on the annual statements of the Bank or the interim condensed financial statements of the Bank. The nature and the effect of each new standard or amendment are described below:

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendments, entities are not required to provide comparative information for preceding periods. The Bank is not required to provide additional disclosures in its condensed interim financial statements, but will disclose additional information in its annual financial statements for the year ended 31 December 2017.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

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Notes to interim condensed financial statements
for the six months ended 30 June 2017

(thousands of Russian rubles)

2. Basis of preparation (continued)

Changes in accounting policies (continued)

Annual improvements cycle 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the Scope of Disclosure Requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendment has no effect on the Bank's interim condensed financial statements.

3. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2017 (unaudited)	31 December 2016
Cash on hand	10	10
Balances on current accounts with the CBR	3,895,894	414,847
Balances on nostro accounts with other credit institutions rated not lower than BBB	103,043	137,839
Term deposits (up to 90 days) with other banks rated not lower than BBB	–	1,500,369
Total cash and cash equivalents	3,998,947	2,053,065

Cash and cash equivalents are neither impaired, nor past due.

As of 30 June 2017, the Bank had no balances with counterparties related to term deposits placed with banks for up to 90 days (2016: one counterparty).

4. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2017 (unaudited)	31 December 2016
Term deposits with credit institutions		
- Rated not lower than BBB	–	3,001,796
Allowance for impairment	–	(30,269)
Amounts due from credit institutions	–	2,971,527

As of 30 June 2017, the Bank had no balances with counterparties related to term deposits placed with banks for more than 90 days (2016: one counterparty).

See below the movements in the allowance for impairment broken by year:

	Allowance for impairment
1 January 2016	140,151
Charge/(reversal) of allowance	(100,151)
30 June 2016 (unaudited)	40,000
1 January 2017	30,269
Charge/(reversal) of allowance	(30,269)
30 June 2017 (unaudited)	–

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Notes to interim condensed financial statements
for the six months ended 30 June 2017

(thousands of Russian rubles)

5. Derivative financial instruments

The Bank did not enter into derivative financial instruments for trading purposes. Derivative financial instruments entered into since 1 January 2015, represent hedges. The table below shows the fair values of derivative financial instruments, recorded in the financial statements as assets or liabilities.

The Bank measures derivative financial instruments using valuation techniques based on the market interest rates. Significant changes in the specified variables may produce materially different estimates of fair values.

Below are fair values of the derivative financial assets recognized in assets and liabilities and their nominal values as of 30 June 2017.

	30 June 2017 <i>(unaudited)</i>			
	Nominal value		Fair value	
	Assets	Liabilities	Asset	Liabilities
Currency exchange contracts				
Swaps	535,929	757,607	–	(173,217)
Currency interest contracts				
Swaps	23,640,972	26,169,819	846,836	(1,458,241)
	24,176,901	26,927,426	846,836	(1,631,458)

Below are fair values of the derivative financial assets recognized in assets and liabilities and their nominal values as of 31 December 2016:

	31 December 2016			
	Nominal value		Fair value	
	Assets	Liabilities	Asset	Liabilities
Currency exchange contracts				
Swaps	540,197	854,414	–	(233,301)
Currency interest contracts				
Swaps	22,767,265	28,062,265	136,743	(2,864,173)
	23,307,462	28,916,679	136,743	(3,097,474)

As of 30 June 2017, the Bank had positions in the currency exchange swaps, which are contractual agreements between two parties to exchange movements in foreign currency rates, and currency interest swaps, which are contractual agreements that on a fixed date a party shall pay a fixed or variable interest in RUB to the other party and shall receive a payment of the interest at a floating rate in foreign currency.

As of 30 June 2017, the Bank entered into derivative transactions with six counterparties. As of 30 June 2017, total balances with all counterparties comprised as follows: 66% with non-resident counterparties and 34% with resident counterparties.

As of 31 December 2016, the Bank entered into derivative transactions with four counterparties. As of 31 December 2016, total balances with all counterparties comprised as follows: 77% with non-resident counterparties and 23% with resident counterparty.

To manage exposure to currency and interest rate risks, in 2017 the Bank continued to apply hedge accounting in relation to all derivative transactions that were concluded after 1 January 2015 and passed hedge effectiveness test.

The table below shows non-trading derivative financial instruments by hedges included in assets or liabilities as of 30 June 2017 and 31 December 2016, respectively.

	30 June 2017 <i>(unaudited)</i>	
	Asset	Liabilities
Hedging instruments		
Currency exchange contracts	–	(173,218)
- Fair value hedges	–	–
- Cash flow hedges	–	(173,218)
Currency interest contracts	223,433	(1,429,151)
- Fair value hedges	–	(371,946)
- Cash flow hedges	223,433	(1,057,205)
Non-hedging derivatives	623,403	(29,089)
Total	846,836	(1,631,458)

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Notes to interim condensed financial statements
for the six months ended 30 June 2017

(thousands of Russian rubles)

5. Derivative financial instruments (continued)

	31 December 2016	
	Asset	Liabilities
Hedging instruments		
Currency exchange contracts	–	(233,301)
- Fair value hedges	–	–
- Cash flow hedges	–	(233,301)
Currency interest contracts	–	(2,100,400)
- Fair value hedges	–	(543,782)
- Cash flow hedges	–	(1,556,618)
Non-hedging derivatives	136,743	(763,773)
Total	136,743	(3,097,474)

Non-hedging contracts comprise derivative transactions entered into before 1 January 2015 and transactions that were concluded after 1 January 2015 but not passed hedge effectiveness test.

For cash flow hedges:

- ▶ The expected period of the cash flows movement including when they are expected to affect profit or loss: from July 2017 through October 2019;
- ▶ During the six months of 2017, RUB 162 222 thousand was recognized in other comprehensive income, RUB 63,491 thousand was reclassified to profit or loss with RUB (759,440) thousand included in interest expense on amounts due to banks. Translation differences amounted to RUB 822,931 thousand;
- ▶ During the six months of 2016, RUB (1,236,097) thousand was recognized in other comprehensive income, RUB (1,100,819) thousand was reclassified to profit or loss with RUB (1,105) thousand included in interest expenses on amounts due to customers and RUB (640,165) thousand included in interest expense on amounts due to banks. Translation differences amounted to RUB (459,549) thousand.

Fair value hedges:

- ▶ During six months of 2017, RUB (73,341) thousand was recognized through profit or loss, including RUB (127,098) thousand of interest expense. Translation differences amounted to RUB 26,124 thousand with RUB 27,633 thousand of ineffective portion;
- ▶ During the six months of 2016, there were no fair value hedging transactions.

6. Loans to customers

Loans to customers comprise:

	30 June 2017 (unaudited)	31 December 2016
Loans to legal entities		
Factoring	20,033,925	13,422,736
Total gross loans of legal entities	20,033,925	13,422,736
Loans to individuals		
Car loans	42,749,427	39,702,515
Government grant receivable*	1,815,043	1,592,691
Total gross loans of individuals	44,564,470	41,295,206
Allowance for impairment	(1,966,268)	(1,581,875)
Total loans to customers	62,632,127	53,136,067

* Concessional car lending program of the Russian Ministry of Industry and Trade sets the reduced rate for the loans attracted for the credit purchase of new cars with the price not exceeding RUB 1.45 million. The program applies to RUB-denominated loans with a maturity of up to 3 years with the initial contribution of 20% of the car price.

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JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2017

(thousands of Russian rubles)

6. Loans to customers (continued)

Allowance for impairment of loans to customers

Below are movements in the allowance for impairment by groups of loans to customers for the period ended 30 June 2017 and 2016:

	<i>Loans to legal entities</i>	<i>Loans to individuals</i>	<i>Total</i>
1 January 2016	775,109	345,199	1,120,308
Charge	818	193,853	194,671
Write-off against allowance	–	–	–
30 June 2016 (unaudited)	775,927	539,052	1,314,979
1 January 2017	819,988	761,887	1,581,875
Charge	170,649	218,319	388,968
Write-off against allowance	–	(4,575)	(4,575)
30 June 2017 (unaudited)	990,637	975,631	1,966,268
Allowance for impairment on a collective basis	876,197	475,833	1,352,030
Allowance for impairment on an individual basis	114,440	499,798	614,238

Loans before allowance for impairment and the respective impairment amount as of 30 June 2017 are presented in the table below:

	<i>Loans, gross</i>	<i>Allowance</i>	<i>Loans less allowance for impairment</i>
Loans to legal entities			
Loans not individually impaired	19,919,485	876,197	19,043,288
- not overdue	19,816,234	867,625	18,948,609
- less than 31 days overdue	103,251	8,572	94,679
- 31 to 90 days overdue	–	–	–
Loans individually impaired	114,440	114,440	–
- not overdue	101,926	101,926	–
- less than 31 days overdue	–	–	–
- 31 to 90 days overdue	10,846	10,846	–
- 90 to 180 days overdue	–	–	–
- over 180 days overdue	1,668	1,668	–
Total loans to legal entities	20,033,925	990,637	19,043,288
Loans to individuals			
Loans not individually impaired	44,004,533	475,833	43,528,700
- not overdue	43,019,203	411,012	42,608,191
- less than 31 days overdue	744,837	22,697	722,140
- 31 to 90 days overdue	240,493	42,124	198,369
Loans individually impaired	559,937	499,798	60,139
- not overdue	12,857	12,857	–
- less than 31 days overdue	5,531	5,531	–
- 31 to 90 days overdue	7,233	7,233	–
- 90 to 180 days overdue	121,603	74,731	46,872
- over 180 days overdue	412,713	399,446	13,267
Total loans to individuals	44,564,470	975,631	43,588,839
Total loans to customers (unaudited)	64,598,395	1,966,268	62,632,127

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6. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

Loans before allowance for impairment and the respective impairment amount as of 31 December 2016 are presented in the table below:

	Loans, gross	Allowance	Loans less allowance for impairment
Loans to legal entities			
Loans not individually impaired	13,419,027	816,279	12,602,748
- not overdue	13,419,027	816,279	12,602,748
Loans individually impaired	3,709	3,709	–
- not overdue	–	–	–
- over 180 days overdue	3,709	3,709	–
Total loans to legal entities	13,422,736	819,988	12,602,748
Loans to individuals			
Loans not individually impaired	40,863,640	392,164	40,471,476
- not overdue	40,009,788	345,162	39,664,626
- less than 31 days overdue	629,404	15,032	614,372
- 31 to 90 days overdue	224,448	31,970	192,478
Loans individually impaired	431,566	369,723	61,843
- not overdue	22,863	22,863	–
- less than 31 days overdue	3,522	3,522	–
- 31 to 90 days overdue	13,117	13,117	–
- 90 to 180 days overdue	103,129	53,173	49,956
- over 180 days overdue	288,935	277,048	11,887
Total loans to individuals	41,295,206	761,887	40,533,319
Total loans to customers	54,717,942	1,581,875	53,136,067

Key assumptions and judgments in loan impairment assessment

A loan is impaired as a result of one or more events that occurred after the initial recognition of a loan and had an impact on the estimated future cash flows from the loan that can be reliably estimated. There is no direct objective evidence of impairment for loans not individually impaired.

Objective evidence of impairment of loans to legal entities and individuals is in particular associated with the following:

- ▶ At least one of the loan-related payments is over 90 days past due (fully or partially);
- ▶ The Client is subject to legal actions and complaints as a defendant in cases related to unsettled loans with the Bank;
- ▶ The loans of the Client were written off the Bank's balance sheet;
- ▶ The Client's debt was restructured and the outstanding amount was reduced through forgiving or postponement of the principle amount and/or interest and/or commission payment (as appropriate);
- ▶ The Client is subject to the insolvency procedure (liquidation/bankruptcy).

The Bank determines the impairment allowance for loan to legal entities based on the following major assumption:

- ▶ Financial position of the Client and the ability to fulfill obligations to the Bank;
- ▶ Collateral considered in the future cash flows assessment is collateral which may be sold on the market.

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6. Loans to customers (continued)

Restructured loans

As of 30 June 2017, 84 restructured loans to individuals, with the carrying amount of RUB 31,798 thousand, are recognized on the balance sheet.

As of 31 December 2016, 74 restructured loans to individuals, with the carrying amount of RUB 31,751 thousand, are recognized on the balance sheet.

Concentration of loans to customers

As of 30 June 2017, the concentration of loans issued to the ten largest groups of interrelated parties amounted to RUB 10,461,582 thousand (16.21% of total loan portfolio). An allowance of RUB 389,511 thousand was charged against these loans.

As of 31 December 2016, the concentration of loans issued to the ten largest groups of interrelated parties amounted to RUB 7,335,933 thousand (13.42% of total loan portfolio). An allowance of RUB 434,460 thousand was charged against these loans.

7. Taxation

The corporate income tax expense comprises:

	<i>For the six months ended 30 June 2017 (unaudited)</i>	<i>For the six months ended 30 June 2016 (unaudited)</i>
Current income tax expense	(324,266)	(256,804)
Deferred tax credit – origination and reversal of temporary differences	10,959	58,035
Income tax expense	(313,307)	(198,769)

Russian legal entities must file income tax declarations. The standard income tax rate for companies (including banks) was 20% for 2017 and 2016.

8. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	<i>30 June 2017 (unaudited)</i>	<i>31 December 2016</i>
Deposits received from banks rated not lower than BBB and maturing within 1 year	22,702,131	16,111,472
Deposits received from banks rated not lower than BBB and maturing after 1 year	8,788,746	11,722,771
Amounts due to credit institutions	31,490,877	27,834,243

As of 30 June 2017, the Bank raised RUB 17,294,251 thousand (2016: RUB 14,412,985 thousand) as deposits of resident banks and RUB 14,196,626 thousand (2016: RUB 13,421,258 thousand) as deposits of non-resident banks.

As of 30 June 2017, the Bank had balances on short-term and long-term deposits with six counterparties. As of 30 June 2017, total balances with all counterparties comprised as follows: 54.92% with resident banks and 45.08% with non-resident bank.

As of 31 December 2016, the Bank had balances on short-term and long-term deposits with three counterparties. As of 31 December 2016, total balances with all counterparties comprised as follows: 51.78% with resident banks and 48.22% with non-resident bank.

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9. Amounts due to customers

Amounts due to customers comprise:

	30 June 2017 (unaudited)	31 December 2016
Current accounts and demand deposits		
- Corporate customers	11,014	13,037
- Retail customers	1,410,487	1,395,505
Deposits of legal entities maturing within a year	8,264,953	4,457,588
Deposits of legal entities maturing after a year	4,665,700	7,316,354
Amounts due to customers	14,352,154	13,182,484

As of 30 June 2017, the Bank raised RUB 1,692,636 thousand (2016: RUB 709,810 thousand) as deposits of resident legal entities and RUB 11,238,017 thousand (2016: RUB 11,064,132 thousand) as deposits of non-resident legal entities.

As of 30 June 2017, the Bank had balances on deposits with multiple counterparties maturing within a year and deposits with two non-resident counterparties maturing after a year. As of 30 June 2017, balances with all counterparties totaled as follows: 86.9% with non-resident legal entity, 13.1% with resident legal entity of the total short-term and long-term deposits.

As of 31 December 2016, the Bank had balances on short-term deposits with multiple counterparties and long-term deposits with two counterparties. As of 31 December 2016, balances with all counterparties totaled as follows: 94% with resident legal entity, 6% with non-resident legal entity of the total short-term and long-term deposits.

10. Debt securities

	30 June 2017 (unaudited)	31 December 2016
Domestic bonds	10,351,850	5,255,000
Debt securities issued	10,351,850	5,255,000

The table below presents the structure of securities issued as of 30 June 2017:

<u>Bonds</u>	<u>Placement</u>	<u>Maturity</u>	<u>Annual coupon</u>	<u>Issue</u>	
Series	Number	date	date	rate, %	volume
1	40100170B	5 July 2016	9 July 2021, offer on 7 July 2018	10.4 – the rate was determined for 4 coupon periods. The rate for subsequent coupon periods will be determined in accordance with the issuance documents	5,000,000
BO-001P-01	4B020100170B001P	14 April 2017	16 April 2020	9.45%	5,000,000

11. Commitments and contingencies

Operating environment

Russia continues economic reforms and development of its legal, tax and regulatory frameworks as required by a market economy. The future stability of the Russian economy is largely dependent upon these reforms and developments and the effectiveness of economic, financial and monetary measures undertaken by the government.

The Russian economy has been negatively impacted by a decline in oil prices and sanctions imposed on Russia by a number of countries. The ruble interest rates remained high. The combination of the above resulted in reduced access to capital, a higher cost of capital, and increased uncertainty regarding economic growth, which could negatively affect the Bank's future financial position, results of operations and business prospects. Management believes it is taking appropriate measures to support the sustainability of the Bank's business in the current circumstances.

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Notes to interim condensed financial statements
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11. Commitments and contingencies (continued)

Legal

In the ordinary course of business, the Bank is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations of the Bank.

Taxation

A significant part of the Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect is vaguely drafted and is subject to varying interpretations, selective and inconsistent application and changes, which can occur frequently, at short notice and may apply retrospectively. Management's interpretation of such legislation as applied to the transactions and activity of the Bank may be challenged by the relevant regional and federal authorities. Recent events within the Russian Federation suggest that the tax authorities may be taking a more assertive position in their interpretation and application of various provisions of this legislation and in performing tax reviews. It is therefore possible that transactions and activities of the Bank that have not been challenged in the past may be challenged at any time in the future. As a result, significant additional taxes, penalties and interest may be assessed by the relevant authorities.

Fiscal periods remain open and subject to review by the tax authorities for a period of three calendar years immediately preceding the year in which the decision to conduct a tax review is taken. Under certain circumstances, reviews may cover longer periods.

Commitments and contingencies

As of 30 June 2017, the Bank's commitments and contingencies comprised the following:

	30 June 2017 (unaudited)	31 December 2016
Less than 1 year	99,210	85,190
From 1 to 5 years	30,202	42,526
Operating lease commitments	129,412	127,716

The Bank entered into operating lease agreement for the office premises that are the Bank's location and business address. In accordance with the agreement the total period of lease is 5 years with the options of renewal upon expiry and early termination. Lease payments are increasing annually, which reflects the market trends.

The Bank also entered into operating lease agreements for the cars used by the Bank in carrying out its core activities. The term of the agreements is 2 years.

12. Fair value measurements

Fair value hierarchy

The Bank uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- ▶ Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- ▶ Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- ▶ Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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12. Fair value measurements (continued)

Fair value hierarchy (continued)

As of 30 June 2017, fair value hierarchy disclosures are as follows:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Investment securities available for sale	152,845	–	–	152,845
Derivative financial instruments	–	846,836	–	846,836
Total assets measured at fair value	152,845	846,836	–	999,681
Assets for which fair values are disclosed				
Cash and cash equivalents	–	3,998,947	–	3,998,947
Amounts due from credit institutions	–	–	–	–
Loans to customers	–	–	60,584,513	60,584,513
Other assets	–	–	91,622	91,622
Total assets for which fair values are disclosed	–	3,998,947	60,676,135	64,675,082
Liabilities measured at fair value				
Derivative financial instruments	–	1,631,458	–	1,631,458
Total liabilities measured at fair value	–	1,631,458	–	1,631,458
Liabilities for which fair values are disclosed				
Debt securities issued	–	10,166,247	–	10,166,247
Amounts due to credit institutions	–	31,493,447	–	31,493,447
Amounts due to customers	–	–	14,400,302	14,400,302
Other liabilities	–	–	474,187	474,187
Total liabilities for which fair values are disclosed (unaudited)	–	41,659,694	14,874,489	56,534,183

As of 31 December 2016, fair value hierarchy disclosures are as follows:

	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Investment securities available for sale	202,703	–	–	202,703
Derivative financial instruments	–	136,743	–	136,743
Total assets measured at fair value	202,703	136,743	–	339,446
Assets for which fair values are disclosed				
Cash and cash equivalents	–	2,053,065	–	2,053,065
Amounts due from credit institutions	–	2,971,527	–	2,971,527
Loans to customers	–	–	51,776,034	51,776,034
Other assets	–	–	70,571	70,571
Total assets for which fair values are disclosed	–	5,024,592	51,846,605	56,871,197
Liabilities measured at fair value				
Derivative financial instruments	–	3,097,474	–	3,097,474
Total liabilities measured at fair value	–	3,097,474	–	3,097,474
Liabilities for which fair values are disclosed				
Debt securities issued	–	5,180,761	–	5,180,761
Amounts due to credit institutions	–	27,241,565	–	27,241,565
Amounts due to customers	–	–	12,755,665	12,755,665
Other liabilities	–	–	375,971	375,971
Total liabilities for which fair values are disclosed	–	32,422,326	13,131,636	45,553,962

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12. Fair value measurements (continued)

Financial instruments not recorded at fair value in the statement of financial position

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.

	30 June 2017 (unaudited)			31 December 2016		
	Carrying amount	Fair value	Unrecognized gain/(loss)	Carrying amount	Fair value	Unrecognized gain/(loss)
Financial assets						
Cash and cash equivalents	3,998,947	3,998,947	–	2,053,065	2,053,065	–
Amounts due from credit institutions	–	–	–	2,971,527	2,971,527	–
Loans to customers	62,632,127	60,584,513	(2,047,614)	53,136,067	51,776,034	(1,360,033)
Other assets	91,622	91,622	–	70,571	70,571	–
Total financial assets	66,722,696	64,675,082	(2,047,614)	58,231,230	56,871,197	(1,360,033)
Financial liabilities						
Amounts due to the CBR	–	–	–	–	–	–
Amounts due to credit institutions	31,490,877	31,493,447	(2,570)	27,834,243	27,241,565	592,678
Amounts due to customers	14,352,154	14,400,302	(48,148)	13,182,484	12,755,665	426,819
Debt securities issued	10,351,850	10,166,247	185,603	5,255,000	5,180,761	74,239
Other liabilities	474,187	474,187	–	375,971	375,971	–
Total financial liabilities	56,669,068	56,534,183	134,885	46,647,698	45,553,962	1,093,736
Total unrecognized change in fair value			(1,912,729)			(266,297)

Valuation techniques and assumptions

The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the financial statements.

Assets for which fair value approximates carrying value

For financial assets and financial liabilities that are liquid or having a short term maturity (less than three months) it is assumed that the carrying amounts approximate their fair value. This assumption is also applied to demand deposits and savings accounts without a specific maturity.

Financial assets and financial liabilities carried at amortized cost

The fair value of unquoted instruments, loans to customers, customer deposits, amounts due from credit institutions and amounts due to the CBR and credit institutions and other financial assets and liabilities, obligations under finance leases is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

13. Segment reporting

The Bank determined operating segments based on its organizational structure. The information on operating segments is presented in the same manner as the internal reporting is presented to the Management Board.

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

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13. Segment reporting (continued)

For the 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 of 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 the resource allocation and performance assessment. Transfer prices between business 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 methods similar to those applied in making decisions on the resource allocation between segments and performance assessment.

The breakdown of the Bank's assets and liabilities by operating segment in for the six months of 2017 and 2016 is shown in the table below.

	30 June 2017 (unaudited)	31 December 2016
Assets		
Retail banking	43,588,839	40,533,320
Corporate banking	19,043,288	12,602,748
In-house activities	6,829,402	6,844,003
Total assets	69,461,529	59,980,071
Liabilities		
Retail banking	1,411,259	1,396,277
Corporate banking	221,719	113,543
In-house activities	58,097,936	49,745,993
Total liabilities	59,730,914	51,255,813

The analysis of the Bank's income and expenses by segment for the six months ended 30 June 2017 and 2016 is shown in the table below.

	<i>For the six months ended 30 June 2017 (unaudited)</i>					<i>For the six months ended 30 June 2016 (unaudited)</i>				
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>In-house activities</i>	<i>Reconciliation</i>	<i>Total</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>In-house activities</i>	<i>Reconciliation</i>	<i>Total</i>
Revenue										
Interest income	3,726,628	1,107,034	218,272	–	5,051,934	3,172,319	936,454	320,178	–	4,428,951
Fee and commission income	–	47,169	–	–	47,169	–	34,933	–	–	34,933
Total revenue	3,726,628	1,154,203	218,272	–	5,099,103	3,172,319	971,387	320,178	–	4,463,884
Expenses										
Interest expense	(1,933,619)	(572,949)	(290,699)	358,162	(2,439,105)	(1,713,652)	(515,830)	(526,014)	549,505	(2,205,991)
Fee and commission expense	(75,470)	–	–	–	(75,470)	(58,673)	–	–	–	(58,673)
Allowance for impairment	(218,318)	(170,650)	30,269	–	(358,699)	(193,853)	(818)	100,151	–	(94,520)
Non-interest expense/(income)	–	–	35,088	(358,162)	(323,074)	–	–	76,153	(549,505)	(473,352)
Other administrative expenses	(528,310)	(133,383)	–	–	(661,693)	(501,092)	(124,870)	–	–	(625,962)
Total expenses	(2,755,717)	(876,982)	(225,342)	–	(3,858,041)	(2,467,270)	(641,518)	(349,710)	–	(3,458,498)
Profit/(loss) before income tax expense	970,911	277,221	(7,070)	–	1,241,062	705,049	329,869	(29,532)	–	1,005,386
Income tax expense	(231,383)	(81,924)	–	–	(313,307)	(151,288)	(47,481)	–	–	(198,769)
Total net profit for the year	739,528	195,297	(7,070)	–	927,755	553,761	282,388	(29,532)	–	806,617

* The differences relate to the effect of hedging transactions in 2014 and transactions that did not pass hedge effectiveness test.

In 2017 and 2016, the Bank had no revenue from transactions with a single external customer or counterparty that would amount to 10% or more of its total revenue.

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14. 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 or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

14.1. Transactions with the members of the Board of Directors and the Management Board

The total compensations to the members of the Board of Directors and the Management Board included in personnel expenses for the six months of 2017 and 2016 amounted to RUB 51,386 thousand and RUB 60,409 thousand, respectively.

14.2. Transactions with related parties

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, is under common control or can exercise significant influence over the other party in making financial or operational decisions.

The Bank entered into transactions with related parties as part of its normal business. There is no increased risk of arrears or other unfavorable events resulting from such transactions.

The Bank's related parties are as follows:

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 as of 30 August 2013. Ownership interest: 100.00%.

The direct owners of the Bank are:

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

The shares above are indicated without taking into account the ownership of Reno S.A. France in the share capital of Nissan Motor Co., Ltd., Japan, which as of 30 June 2017 was 43%.

	<u>30 June 2017</u>	<u>31 December 2016</u>
Shareholders	BARN B.V.	BARN B.V.
Transactions with other related parties	AO UniCredit Bank RCI Banque S.A. Nissan Financial Services Co, Ltd. Renault Finance S.A. RNGM S.A. OOO Nissan Manufacturing RUS OOO RN Finance RUS Nissan Motor Acceptance Corporation CJSC Renault Russia DIAC AO NPF AVTOVAZ	AO UniCredit Bank RCI Banque S.A. Nissan Financial Services Co, Ltd. Renault Finance S.A. RNGM S.A. OOO Nissan Manufacturing RUS OOO RN Finance RUS Nissan Motor Acceptance Corporation CJSC Renault Russia DIAC AO NPF AVTOVAZ

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14. Related party disclosures (continued)

14.2. Transactions with related parties (continued)

The outstanding balances of, and gains and losses resulting from, transactions with related parties are presented below:

	30 June 2017 (unaudited)		31 December 2016	
	Shareholder	Other related parties	Shareholder	Other related parties
Assets				
Cash and cash equivalents	–	23,296	–	57,950
Loans to customers	–	168,208	–	159,581
Financial assets at fair value through profit or loss	–	623,403	–	136,743
Other assets	–	84,530	–	69,662
Total assets	–	899,437	–	423,936
Liabilities				
Amounts due to credit institutions	–	24,928,763	–	27,828,851
Financial liabilities at fair value through profit or loss	–	1,259,512	–	2,681,101
Amounts due to customers	–	11,438,261	–	11,215,174
Other liabilities	–	9,025	–	4,737
Total liabilities	–	37,635,561	–	41,729,863
Commitments and guarantees received	–	87,830	–	190,830

	30 June 2017 (unaudited)		30 June 2016 (unaudited)	
Interest income	–	808,246	–	765,766
Interest expense	–	(1,692,269)	–	(1,956,955)
Debt securities issued	–	(4,500)	–	–
Fee and commission income	–	47,169	–	34,933
Fee and commission expense	–	(28,179)	–	(24,052)
Gains and losses from financial instruments	–	(379,219)	–	(872,292)
Other operating income	–	1,194	–	702
Other operating expenses	–	(22,928)	–	(10,951)
Net gains/(losses) from foreign currencies	–	(47,640)	–	397,538

Chairman of the Management Board
Bruno Robert Louis Kintzinger



Chief Accountant
Darya Lvova