

BUSINESS REPORT 1H 2017

RN Bank



RN BANK OVERVIEW

RN Bank is the captive Bank of the Alliance Renault-Nissan in Russia providing services and financing solutions for customers and dealers of the Alliance brands.

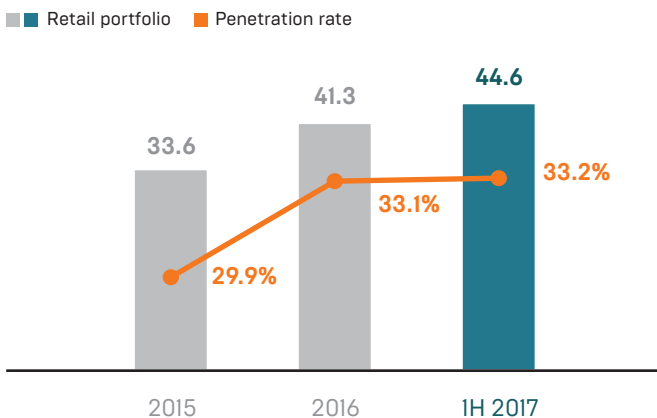
Our vision is to be the profitable captive bank of the Alliance in Russia by delivering customer-centric solutions driven by innovation.

Market overview

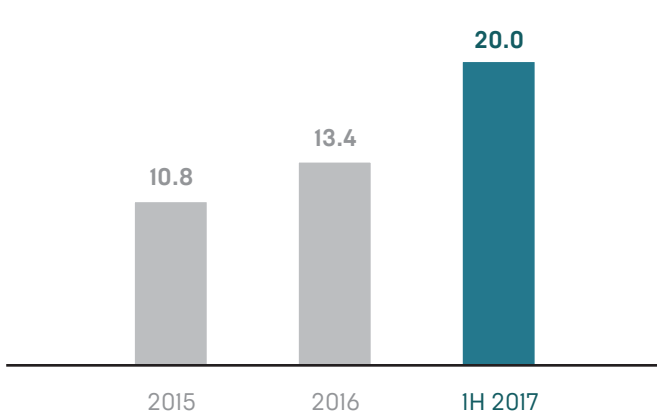
Since 2016 RN Bank is the largest captive bank in Russia after three years of operations with stable penetration rate in retail car sales at 33,2% of Alliance car sales in 1H 2017. In 1H 2017 in IFRS, retail gross loan portfolio reached 44.6 bln RUB, while the dealer financing (financing inventories of new vehicles, used vehicles and spare parts) portfolio hit 20.0 bn RUB.

RN Bank increase a number of additional products for customers by offering insurance products (credit protection, CASCO) and warranty extension for retail financing.

Retail portfolio (BRub) and penetration rate (%)



Dealer's stock financing (BRub)



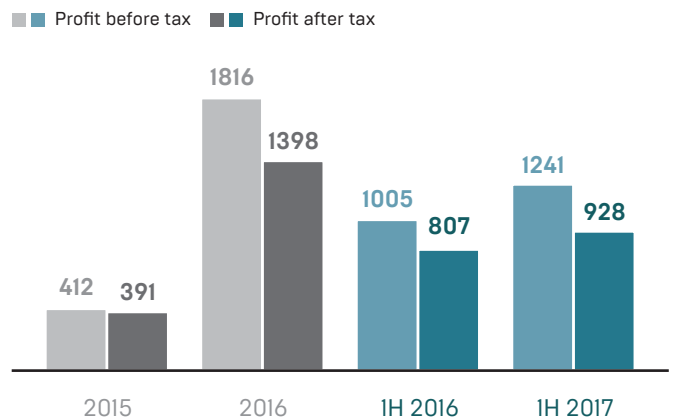
Results

The earnings before tax (IFRS) in 1H 2017 amounted to 1.241 mln RUB compared to 1.005 mln RUB in 1H 2016.

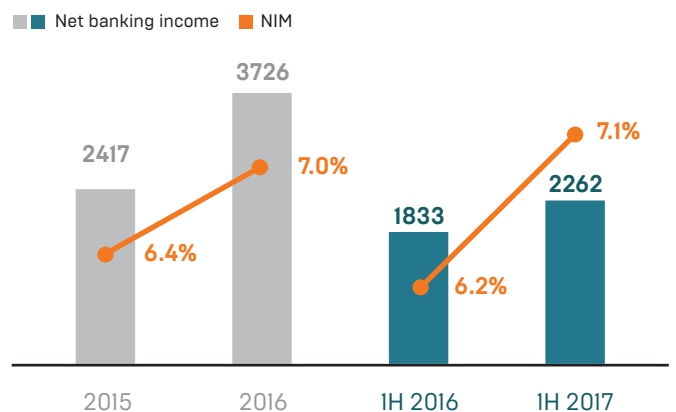
Net banking income reached 2.262 mln Rub (increase by 31.0% compared with 1H 2016).

| Bank income | Loan portfolio | Pre-tax profit |
|-------------------------|------------------------|-------------------------|
| 2.262 mln RUB | 64.6 bln RUB | 1.241 mln RUB |

Profit (MRub)



Net banking income (MRub) and NIM (%)



¹ the share of new retail cars (Alliance brands) financed by RN Bank loans

BUSINESS ACTIVITY IN 1H 2017

Financing

RN Bank penetration rate increased to 33,2% in 1H 2017 compared with 31,8% in 1H 2016, underlining the trend that further recovery in the automotive market (including Alliance sales) will likely be supported by credit sales.

The number of new cars financed in 1H 2017 amounted to 30 141 vehicles. The financing of used cars in 1H 2017 reached 1 607 retail contracts.

RN Bank is active in credit sales supported by the government subsidy program due to the car price positioning and manufacturing localization. Within this program favorable lending terms are offered.

In 2017 buy back credit products were launched for Renault, Nissan and Infiniti brands.

| | | |
|---------------------------|-----------------------|-------------------------|
| Number of new cars | Loan portfolio | Penetration rate |
| 30.141 | 18.1% | 33.2% |
| financed | increase on 2016 | in 1H 2017 |

Earnings

Net banking income rose in 1H 2017 to 2 262 mln RUB by 23,4% compared with 1 833 mln RUB in 1 H 2016. This increase was fueled by the growth in the loan portfolio to 64.6 bn RUB (18.1 % increase on 2016).

Operating expenses increased only by 5.7% to 662 m RUB in 1H 2017 from 623 m RUB in 1H 2016. This demonstrates the bank's ability to control costs while growing banking business and supporting Alliance brands.

The total cost of risk was 1.3% while pre-tax profit boosted to 1.241 m RUB in 1H 2017 from 1.005 m RUB in 1H 2016.

Solvency

Capital adequacy ratio made up 11.5% as of September 2017 is still significantly above CBR regulatory minimum of 8%. The decrease was caused by portfolio growth, adequate level of provisioning to cope with current environment and growth in operational risk due to profit growth based on CBR calculation.

Financial policy

RN Bank received rating from accredited rating agency ACRA at AA(RU)/ Stable and international rating agency S&P at BB+/Stable the same as Russian sovereign.

In July 2016 RN Bank issued debut bond for total amount of 5 bln RUB with 5-year maturity, coupon rate at 10,4%. In April 2017 second bond was issued for total amount of 5 bln RUB with 3-year maturity, coupon rate at 9,45%. Both issues are eligible for REPO transactions and are included into CBR Lombard list.

In 2017 strategic objective is to diversify funding sources between funding from shareholders and local sources (third party banks, corporate clients and bonds issues).

In 2017 the Bank registered stock exchange bond program totaling 100 bln RUB with up to 10-year maximum bond maturity allow the Bank to issue bonds on a regular basis.

Debt capital markets presence

| Type | Classical bond | Stock exchange bond |
|--------------------|----------------|---------------------|
| Volume in KRUB | 5 000 000 | 5 000 000 |
| Date of issue | 05.07.2016 | 14.04.2017 |
| Date of redemption | 05.07.2021 | 16.04.2020 |
| Coupon rate | 10,4% | 9,45% |
| MOEX listing level | 2-nd | 2-nd |

Debt structure as of 1 July 2017

