

Report on Review of Interim Financial Information of
JSC RN Bank
for the six months ended 30 June 2020

August 2020

Report on Review of Interim Financial Information of JSC RN Bank

Translation of the original Russian version

Contents	Page
Report on Review of Interim Financial Information	3
Appendices	
Interim statement of financial position	5
Interim statement of profit or loss and comprehensive income	6
Interim statement of changes in equity	7
Interim statement of cash flows	8
Notes to the interim condensed financial statements	
1. Principal activities	9
2. Basis of preparation	10
3. Cash and cash equivalents	11
4. Derivative financial instruments	11
5. Loans to customers	13
6. Investment securities	16
7. Taxation	16
8. Amounts due to credit institutions	17
9. Amounts due to customers	17
10. Equity	17
11. Debt securities issued	18
12. Commitments and contingencies	18
13. Fair value measurements	20
14. Segment reporting	22
15. Related party disclosures	23

Report on Review of Interim Financial Information

Translation of the original Russian version

To the Shareholder 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 statement of financial position as at 30 June 2020, the interim statement of profit or loss and comprehensive income, interim statement of changes in equity and the interim 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 this interim financial information in accordance with 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 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.

Translation of the original Russian version

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*.

A.F. LAPINA
Partner
Ernst & Young LLC

14 August 2020

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 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.

Translation of the original Russian version

JSC RN Bank

Interim condensed financial statements

Interim statement of financial position

as at 30 June 2020

(thousands of Russian rubles)

	<i>Notes</i>	30 June 2020 (unaudited)	31 December 2019
Assets			
Cash and cash equivalents	3	12,675,542	5,843,069
Obligatory reserves with the Bank of Russia		475,280	490,450
Derivative financial assets	4	2,635,166	868,323
Loans to customers	5	77,915,645	97,617,417
Investment securities – debt securities at FVOCI	6	1,006,093	1,004,477
Property and equipment and right-of-use assets		207,539	224,652
Intangible assets		175,919	146,025
Current income tax asset		114,129	208,462
Deferred income tax assets		666,112	660,193
Other assets		237,910	201,519
Total assets		96,109,335	107,264,587
Liabilities			
Amounts due to credit institutions	8	26,913,751	32,994,792
Debt securities issued	11	34,232,062	39,886,928
Derivative financial liabilities	4	–	154,064
Amounts due to customers	9	11,096,960	11,850,158
Other liabilities		2,616,385	2,970,778
Total liabilities		74,859,158	87,856,720
Equity			
Share capital		6,133,091	6,133,091
Share premium		5,780,800	5,780,800
Retained earnings (accumulated deficit)		9,325,789	7,491,534
Unrealized gain (loss) on revaluation of investment securities – debt securities at FVOCI		10,497	2,442
Total equity		21,250,177	19,407,867
Total equity and liabilities		96,109,335	107,264,587

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

 Chairman of the Management Board Derot Xavier Gerard		 Chief Accountant Darya Vladislavovna Dolgorukova
--	---	---

14 August 2020

Translation of the original Russian version

JSC RN Bank

Interim condensed financial statements

Interim statement of profit or loss and comprehensive income for the six months ended 30 June 2020

(thousands of Russian rubles)

Notes	For the six months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2019 (unaudited)
Interest income calculated using the EIR method		
Loans to customers	6,063,699	5,814,666
Amounts due from credit institutions	233,558	285,351
Gains from securities	27,427	15,302
Total interest income	6,324,684	6,115,319
Interest expense		
Amounts due to customers	(347,320)	(179,832)
Amounts due to credit institutions	(1,351,536)	(1,528,184)
Debt securities issued	(1,719,953)	(1,526,056)
Total interest expense	(3,418,809)	(3,234,072)
Net interest income	2,905,875	2,881,247
Credit loss expense	5 (204,562)	(421,897)
Net interest income after allowance for loan impairment	2,701,313	2,459,350
Fee and commission income	49,754	62,842
Fee and commission expense	(41,740)	(72,916)
Net fee and commission expense	8,014	(10,074)
Net gains/(losses) from financial instruments at fair value through profit or loss in the statement of profit or loss	430,921	(854,574)
Net gains/(losses) from foreign currencies:	(698)	932,092
- dealing	325	74
- translation differences	(1,023)	932,018
Other income	879	662
Non-interest income	431,102	78,180
Personnel expenses	(362,115)	(283,491)
Other administrative expenses	(419,720)	(224,182)
Depreciation of property and equipment	(28,555)	(17,550)
Amortization of intangible assets	(18,857)	(91,365)
Operating expenses	(829,247)	(616,588)
Profit before income tax expense	2,311,182	1,910,868
Income tax expense	7 (476,927)	(390,671)
Total net profit for the year	1,834,255	1,520,197
Other comprehensive income (loss)		
<i>Items which may be reclassified to profit or loss in subsequent periods</i>		
Revaluation reserve for investment securities – debt securities at FVOCI	8,055	725
Unrealized gain/(loss) on cash flow hedges	-	5,328
Other comprehensive income, net of tax	8,055	6,053
Total comprehensive income	1,842,310	1,526,250

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

Chairman of the Management Board
Derot Xavier Gerard



Chief Accountant
Darya Vladislavovna Dolgorukova

14 August 2020

The accompanying notes 1-15 are an integral part of these interim condensed financial statements.

6

Confidential C

Translation of the original Russian version

JSC RN Bank

Interim condensed financial statements

Interim statement of changes in equity for the six months ended 30 June 2020

(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 2019	6,133,091	5,780,800	4,323,404	(703)	(5,328)	16,231,264
Profit for the period	-	-	1,520,197	-	-	1,520,197
Other comprehensive income/(loss)	-	-	-	725	5,328	6,053
Total comprehensive income/(loss) for the period	-	-	1,520,197	725	5,328	1,526,250
30 June 2019 (unaudited)	6,133,091	5,780,800	5,843,601	22	-	17,757,514
1 January 2020	6,133,091	5,780,800	7,491,534	2,442	-	19,407,867
Profit for the period	-	-	1,834,255	-	-	1,834,255
Other comprehensive income/(loss)	-	-	-	8,055	-	8,055
Total comprehensive income/(loss) for the period	-	-	1,834,255	8,055	-	1,842,310
30 June 2020 (unaudited)	6,133,091	5,780,800	9,325,789	10,497	-	21,250,177

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

Chairman of the Management Board
Derot Xavier Gerard



Chief Accountant
Darya Vladislavovna Dolgorukova

14 August 2020

Translation of the original Russian version

JSC RN Bank

Interim condensed financial statements

Interim statement of cash flows for the six months ended 30 June 2020

(thousands of Russian rubles)

Notes	For the six months ended 30 June 2020 (unaudited)	For the six months ended 30 June 2019 (unaudited)
Cash flows from operating activities		
Interest received	6,394,849	5,979,643
Interest paid	(3,049,329)	(2,337,849)
Fees and commissions received	48,581	62,309
Fees and commissions paid	(41,963)	(73,039)
Results of operations with financial instruments at fair value through profit or loss for the period	(194,672)	(788,003)
Realized gains less losses from dealing in foreign currencies	326	74
Other income received	879	662
Personnel expenses paid	(349,908)	(304,153)
Other operating expenses paid	(510,923)	(323,324)
Cash flows from operating activities before changes in operating assets and liabilities	2,297,840	2,216,320
<i>Net (increase)/decrease in operating assets</i>		
Obligatory reserves with the Bank of Russia	15,170	(149,311)
Amounts due from credit institutions	-	(915)
Loans to customers	19,736,356	(9,785,215)
Other assets	126,059	(279,988)
<i>Net increase/(decrease) in operating liabilities</i>		
Amounts due to credit institutions	(6,644,361)	(5,281,226)
Amounts due to customers	(1,885,059)	(400,333)
Other liabilities	(550,135)	188,149
Net cash used in operating activities before income tax	13,095,870	(13,492,519)
Income tax expense	(388,513)	(245,110)
Net cash (used in)/from operating activities	12,707,357	(13,737,629)
Cash flows from investing activities		
Purchase of property and equipment	(4,000)	(712)
Purchase of intangible assets	(18,050)	(37,023)
Purchase of investment securities	-	-
Proceeds from sale and redemption of investment securities at FVOCI	6,439	(398)
Net cash (from)/used in investing activities	(15,611)	(38,133)
Cash flows from financing activities		
Proceeds from increase in share capital	-	-
Debt securities issued	(5,867,382)	13,000,000
Net cash from financing activities	(5,867,382)	13,000,000
Effect of exchange rates changes on cash and cash equivalents	8,109	(3,848)
Net increase/(decrease) in cash and cash equivalents	6,832,473	(779,610)
Cash and cash equivalents, beginning	5,843,069	9,593,279
Cash and cash equivalents, ending	12,675,542	8,813,669

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

Chairman of the Management Board
Derot Xavier Gerard



Chief Accountant
Darya Vladislavovna Dolgorukova

14 August 2020

The accompanying notes 1-15 are an integral part of these interim condensed financial statements.

8

Confidential C

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

1. Principal activities

These are the financial statements of JSC RN Bank prepared in accordance with IFRS.

The Bank (former CJSC Bank Sibir) was formed in the Russian Federation (the city of Omsk) on 9 March 1989. In 1995, 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. 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 of 5 September 2013), the Bank changed its name as follows:

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

Short name: JSC RN Bank.

Location (legal address): Russia 109028, Moscow, Serebryanicheskaya naberezhnaya, 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 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 system operates under the federal laws and regulations and is governed by the State Corporation "Agency for Deposits Insurance." Insurance covers the Bank's liabilities to individual depositors in the amount up to RUB 1,400 thousand both in 2020 and 2019 per each individual in case of a business failure or revocation of the CBR banking license.

As at 30 June 2020, the Bank:

- ▶ Is a member (an associate) of a banking group with Joint Stock Company "UniCredit Bank" as a parent;
- ▶ Is not a professional participant of the securities market;
- ▶ Has no branches or representative offices in the Russian Federation;
- ▶ Has no subsidiaries or associates.

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

On 14 July 2020, International Credit Rating Agency S&P Global Ratings confirmed the Bank's long-term credit rating at BB+ with a stable outlook.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

1. Principal activities (continued)

As at 30 June 2020, the headcount of the Bank was 279 employees (31 December 2019: 259 employees).

As at 30 June 2020 and 31 December 2019, Limited Liability Company BARN B.V. – Netherlands is the sole shareholder of the Bank. The ownership in the share capital of the Bank is 100.00%.

2. Basis of preparation

General information

These interim condensed financial statements for the six months ended 30 June 2020 have been prepared in accordance with International Accounting Standard 34 (“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 at 31 December 2019.

Presentation currency

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

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.

The effect of COVID-19 pandemic

At the beginning of 2020, due to the rapid spread of the COVID-19 pandemic, governments of many countries, including the Government of the Russian Federation, took various outbreak control measures, including travel restrictions, quarantine, closure of enterprises and institutions, and lockdown in certain regions. These measures affected the global supply system, the demand for goods and services, and business activity in general. It is expected that the pandemic and measures to mitigate its consequences may negatively affect businesses across various industries. Since March 2020, stock exchange, currency and commodity markets have shown extreme volatility, including the oil price crash and the depreciation of the Russian ruble against the US dollar and the euro.

In 2020, the Government and the Bank of Russia introduced economic support measures to prevent significant deterioration of Russian economy due to the outbreak of COVID-19. These measures include, among others, preferential loans to entities operating in affected areas and to affected individuals, repayment holidays and reliefs of certain regulatory restrictions aimed at supporting the financial sector and its ability to provide funds and assist clients in preventing deficit of liquidity following the measures to stop the spread of COVID-19.

The Bank continues assessing the effect of the pandemic and the changes in micro- and macroeconomic conditions on its business, financial position and financial performance.

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 2019, except for the adoption of new standards effective as at 1 January 2020 noted below. The Bank has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

2. Basis of preparation (continued)

New and amended standards

The following amendments to standards and interpretations became effective on 1 January 2020 but had no material impact on the Bank:

- ▶ Amendments to *Conceptual Framework for Financial Reporting* (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- ▶ Amendments to IFRS 3: *Definition of a Business* (issued on 22 October 2018 and effective for acquisitions for annual periods beginning on or after 1 January 2020);
- ▶ Amendments to IAS 1 and IAS 8: *Definition of Material* (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- ▶ Amendments to IFRS 9, IAS 39 and IFRS 7: *Interest Rate Benchmark Reform* (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

3. Cash and cash equivalents

Cash and cash equivalents comprise:

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	10	10
Current accounts with the Bank of Russia	1,890,751	2,186,720
Balances on nostro accounts with other credit institutions	85,681	56,339
Term deposits (up to 90 days) with the Bank of Russia	7,700,000	3,600,000
Term deposits (up to 90 days) with other banks	2,999,100	-
Total cash and cash equivalents	12,675,542	5,843,069

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

As at 30 June 2020, the Bank had balances with two counterparties (2019: one counterparty).

As at 30 June 2020, total balances of deposits placed with each counterparty comprised 60.75% and 23.66% of the total cash and cash equivalents (2019: 61.61% of the total cash and cash equivalents).

4. Derivative financial instruments

The Bank does not enter into derivative financial instruments for trading purposes. Derivative financial instruments 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 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 instruments recognized in assets and liabilities and their notional amount as at 30 June 2020.

	30 June 2020 (unaudited)			
	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate contracts				
Swaps	11,664,786	(11,037,485)	1,362,917	-
Interest rate contracts				
Swaps	3,165,487	(2,116,815)	1,272,249	-
	14,830,273	(13,154,300)	2,635,166	-

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

4. Derivative financial instruments (continued)

Below are fair values of the derivative financial instruments recognized in assets and liabilities and their notional amount as at 31 December 2019.

	31 December 2019			
	Nominal value		Fair value	
	Assets	Liabilities	Assets	Liabilities
Cross-currency interest rate contracts				
Swaps	10,219,852	(11,577,515)	-	(154,064)
Interest rate contracts				
Swaps	4,033,622	(3,311,710)	868,323	-
	14,253,474	(14,889,225)	868,323	(154,064)

As at 30 June 2020, the Bank had positions in the cross-currency interest rate swaps, which are contractual agreements stipulating that on the fixed date a party shall pay a fixed or floating interest in RUB to the other party and shall receive a payment of the interest at a floating or fixed rate in foreign currency, and non-deliverable interest rate swaps, which are contractual agreements that on the fixed date a party shall pay a fixed interest in RUB to the other party and shall receive a payment of the interest at a floating rate in RUB.

As at 30 June 2020, the Bank entered into derivative transactions with four counterparties, all of which are resident counterparties.

As at 31 December 2019, the Bank entered into derivative transactions with five counterparties, all of which are resident counterparties.

To manage exposure to currency and interest rate risks, in 2020 the Bank continued to apply hedge accounting in relation to all derivative transactions that passed hedge effectiveness test.

The table below shows non-trading derivative financial instruments by hedges included in assets or liabilities as at 30 June 2020 and 31 December 2019, respectively.

	30 June 2020 (unaudited)	
	Assets	Liabilities
Hedging instruments		
Cross-currency interest rate contracts	1,362,917	-
Fair value hedges	1,362,917	-
Interest rate contracts	1,272,249	-
Fair value hedges	1,272,249	-
Non-hedging derivatives	-	-
Total	2,635,166	-
	31 December 2019	
	Assets	Liabilities
Hedging instruments		
Cross-currency interest rate contracts	-	(154,064)
Fair value hedges	-	(154,064)
Cash flow hedges	-	-
Interest rate contracts	868,323	-
Fair value hedges	868,323	-
Non-hedging derivatives	-	-
Total	868,323	(154,064)

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

4. Derivative financial instruments (continued)

Non-hedging contracts comprise derivative transactions that have not passed hedge effectiveness test.

Cash flow hedges:

- ▶ As at 30 June 2020, the Bank had no derivative financial instruments, which qualify for recognition in other comprehensive income.
- ▶ As at 30 June 2019, the Bank had no derivative financial instruments, which qualify for recognition in other comprehensive income.

Fair value hedges:

- ▶ During the six months of 2020, RUB 1,340,413 thousand was recognized in profit or loss, including RUB (121,632) thousand of interest expense, RUB 1,416,946 thousand of translation differences and RUB 45,099 thousand of the ineffective portion.
- ▶ During the six months of 2019, RUB (1,191,759) thousand was recognized in profit or loss, including RUB (356,154) thousand of interest expense, RUB (881,834) thousand of translation differences and RUB 46,228 thousand of the ineffective portion.

5. Loans to customers

Loans to customers comprise:

	30 June 2020 (unaudited)	31 December 2019
Loans to legal entities		
Factoring	22,240,396	42,679,478
Total gross loans to legal entities	22,240,396	42,679,478
Loans to individuals		
Car loans	59,712,400	58,771,438
Total gross loans to individuals	59,712,400	58,771,438
Allowance for expected credit losses	(4,037,151)	(3,833,499)
Total loans to customers	77,915,645	97,617,417

The table below shows movements in the gross carrying amount of loans to legal entities measured at amortized cost for the year ended 30 June 2020.

Loans to legal entities	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2020	38,900,872	3,778,606	-	42,679,478
Transfers to Stage 1	21,249	(21,249)	-	-
Transfers to Stage 2	(31,560)	31,560	-	-
Transfers to Stage 3	-	(5,953)	5,953	-
Assets recognized during the period	123,003,780	2,573,124	10,404	125,587,308
Assets disposed or redeemed (except for write-offs)	(142,521,926)	(3,504,396)	(68)	(146,026,390)
Write-offs	-	-	-	-
Balance at 30 June 2020	19,372,415	2,851,692	16,289	22,240,396

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

5. Loans to customers (continued)

The table below shows movements in the gross carrying amount of loans to legal entities measured at amortized cost for the year ended 31 December 2019.

<i>Loans to legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2019	28,170,682	4,341,406	–	32,512,088
Transfers to Stage 1	–	–	–	–
Transfers to Stage 2	–	–	–	–
Transfers to Stage 3	–	–	–	–
Assets recognized during the period	381,703,013	3,785,218	–	385,488,231
Assets disposed or redeemed (except for write-offs)	(370,972,823)	(4,348,018)	–	(375,320,841)
Write-offs	–	–	–	–
Balance at 31 December 2019	38,900,872	3,778,606	–	42,679,478

The table below shows movements in the gross carrying amount of loans to individuals measured at amortized cost for the year ended 30 June 2020.

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2020	56,881,995	795,141	1,094,303	58,771,439
Transfers to Stage 1	87,498	(87,498)	–	–
Transfers to Stage 2	(848,299)	871,758	(23,459)	–
Transfers to Stage 3	(249,579)	(204,225)	453,804	–
Assets recognized during the period	22,388,594	220,500	26,895	22,635,989
Assets disposed or redeemed (except for write-offs)	(21,297,456)	(230,343)	(167,229)	(21,695,028)
Write-offs	–	–	–	–
Balance at 30 June 2020	56,962,753	1,365,333	1,384,314	59,712,400

The table below shows movements in the gross carrying amount of loans to individuals measured at amortized cost for the year ended 31 December 2019.

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2019	47,917,263	1,004,157	928,421	49,849,841
Transfers to Stage 1	152,839	(152,839)	–	–
Transfers to Stage 2	(442,511)	466,983	(24,472)	–
Transfers to Stage 3	(259,210)	(113,139)	372,349	–
Assets recognized during the period	48,815,348	225,650	81,334	49,122,332
Assets disposed or redeemed (except for write-offs)	(39,301,734)	(635,671)	(157,668)	(40,095,073)
Write-offs	–	–	(105,662)	(105,662)
Balance at 31 December 2019	56,881,995	795,141	1,094,302	58,771,438

Loans to individuals are carried with the discounted value of future cash flows from Minpromtorg related to loans of RUB 264,321 thousand issued under state programs in 2015-20 (2015-19: RUB 273,816 thousand).

Allowance for impairment of loans to customers

The table below shows movements in ECL (expected credit losses) on loans to legal entities measured at amortized cost for the period ended 30 June 2020 (unaudited).

<i>Loans to legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2020	1,346,731	382,870	–	1,729,601
Transfers to Stage 1	13,323	(13,323)	–	–
Transfers to Stage 2	(1,846)	1,846	–	–
Transfers to Stage 3	(1)	(1,809)	1,810	–
Charge/(reversal) for the period	(85,985)	(16,318)	3,357	(98,946)
Write-offs	–	–	–	–
Balance at 30 June 2020	1,272,222	353,266	5,167	1,630,655

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

5. Loans to customers (continued)

Allowance for impairment of loans to customers (continued)

The table below shows movements in ECL (expected credit losses) on loans to individuals measured at amortized cost for the period ended 30 June 2020 (unaudited).

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2020	964,558	163,988	975,352	2,103,898
Transfers to Stage 1	1,011	(1,011)	-	-
Transfers to Stage 2	(229,210)	234,710	(5,500)	-
Transfers to Stage 3	(217,923)	(165,354)	383,277	-
Charge/(reversal) for the period	287,499	149,388	(134,289)	302,598
Write-offs	-	-	-	-
Balance at 30 June 2020	805,935	381,721	1,218,840	2,406,496

The table below shows movements in ECL (expected credit losses) on loans to legal entities measured at amortized cost for the year ended 30 June 2019.

<i>Loans to legal entities</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2019	752,328	850,548	-	1,602,876
Transfers to Stage 1	3,164	(3,164)	-	-
Transfers to Stage 2	(8,432)	8,432	-	-
Transfers to Stage 3	-	-	-	-
Charge/(reversal) for the period of expected credit losses	513,204	(360,784)	38,337	190,757
Write-offs	-	-	-	-
Balance at 30 June 2019	1,260,264	495,032	38,337	1,793,633

The table below shows movements in ECL (expected credit losses) on loans to individuals measured at amortized cost for the year ended 30 June 2019.

<i>Loans to individuals</i>	<i>Stage 1</i>	<i>Stage 2</i>	<i>Stage 3</i>	<i>Total</i>
Balance at 1 January 2019	497,274	191,298	982,293	1,670,865
Transfers to Stage 1	1,080	(1,080)	-	-
Transfers to Stage 2	(97,665)	97,665	-	-
Transfers to Stage 3	(187,266)	(176,503)	363,769	-
Charge/(reversal) for the period of expected credit losses	412,181	95,438	(233,494)	274,125
Write-offs	-	-	(24,624)	(24,624)
Balance at 30 June 2019	625,604	206,818	1,087,944	1,920,366

As at 30 June 2020, due to the ongoing COVID-19 pandemic, the Bank introduced certain changes to the assessment of expected credit losses. In particular, it revised the indicators of an increase in the credit risk and in case of loan modification as a result of government support measures it did not automatically conclude that there was an increase in the credit risk. In addition, the Bank updated its forecast, including macroeconomic forecast and scenario weights, including loans to car dealers. The Bank downgraded its forecast for sales of new cars in Russia in 2020. The Bank applied additional industry adjustments based on rating changes or other stress-affected parameters to appropriately record the uncertainty related to the spread of the COVID-19 pandemic. 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.

Modified and restructured loans

The Bank does not derecognize loans to customers as part of the restructuring process, as loan restructuring does not imply a significant change of cash flows and net income/expense from loan restructuring is insignificant. Loans restructured by the Bank are not material to the total portfolio of loans to individuals.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

5. Loans to customers (continued)

Modified and restructured loans (continued)

The restructuring decision takes into account the parameters of the loan, solvency and the debt load of the client. In terms of restructured loans, the Bank continued to apply the approved IFRS 9 methodology: in the event of a loan delay or arrears prior to restructuring, the loan relates to Stage 2 in terms of assessing expected credit losses.

As at 30 June 2020, 2,259 restructured loans to individuals with the carrying amount of RUB 1,137,664 thousand and 240 loans to individuals covered by an approved repayment holiday with the carrying amount of RUB 78,677 thousand, are recognized on the balance sheet.

As at 31 December 2019, 130 restructured loans to individuals, with the carrying amount of RUB 46,415 thousand, are recognized on the balance sheet.

During the first half of the year, the number of clients who applied for debt restructuring increased due to the worsening financial situation during the period of the lockdown of citizens.

The Bank started accepting client applications for repayment holidays from 3 April 2020 pursuant to Law No. 106-FZ. The largest increase in applications was in April 2020. Starting from May, there has been a gradual decrease in borrowers' applications for restructuring programs, including repayment holidays.

Concentration of loans to customers

As at 30 June 2020, the concentration of loans issued to the ten largest groups of interrelated parties amounted to RUB 5,344,085 thousand (6.52% of the total loan portfolio before allowance). An allowance of RUB 229,494 thousand was charged against these loans.

As at 31 December 2019, the concentration of loans issued to the ten largest groups of interrelated parties amounted to RUB 10,465,735 thousand (10.32% of the total loan portfolio). An allowance of RUB 286,223 thousand was charged against these loans.

6. Investment securities

Investment securities comprise:

	30 June 2020 <i>(unaudited)</i>	31 December 2019
Debt securities at FVOCI		
Bonds of the Russian Ministry of Finance	1,006,093	1,004,477
Total debt securities at FVOCI	1,006,903	1,004,477

7. Taxation

Income tax expense comprises:

	For the six months ended 30 June 2020 <i>(unaudited)</i>	For the six months ended 30 June 2019 <i>(unaudited)</i>
Current income tax expense	(484,861)	(200,967)
Deferred tax credit – origination (reversal) of temporary differences	7,934	(189,704)
Income tax expense	(476,927)	(390,671)

Russian legal entities must file income tax declarations. The standard income tax rate for companies (including banks) was 20% for 2020 and 2019.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

8. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2020 (unaudited)	31 December 2019
Deposits received from banks and maturing within 1 year	22,172,713	27,196,105
Deposits received from banks and maturing after 1 year	4,741,038	5,798,687
Amounts due to credit institutions	26,913,751	32,994,792

As at 30 June 2020, the Bank raised RUB 22,123,877 thousand (2019: RUB 28,808,149 thousand) in deposits from resident banks and RUB 4,789,874 thousand (2019: RUB 4,186,643 thousand) in deposits from non-resident banks.

As at 30 June 2020, the Bank had balances of short-term and long-term deposits with seven counterparties. As at 30 June 2020, total balances with all counterparties comprised as follows: 82.20% with resident banks and 17.80% with non-resident banks.

As at 31 December 2019, the Bank had balances of short-term and long-term deposits with eight counterparties. As at 31 December 2019, total balances with all counterparties comprised as follows: 87.31% with resident banks and 12.69% with a non-resident bank (located in France).

9. Amounts due to customers

Amounts due to customers comprise:

	30 June 2020 (unaudited)	31 December 2019
Current accounts and demand deposits		
- Corporate customers	135,239	24,290
- Retail customers	2,034,106	2,558,745
Assigned rights of claim for factoring transactions	233,770	-
Deposits of legal entities maturing within 1 year	1,911,448	3,474,260
Deposits of legal entities maturing after 1 year	6,782,397	5,792,863
Amounts due to customers	11,096,960	11,850,158

As at 30 June 2020, the Bank raised RUB 1,911,448 thousand (2019: RUB 3,474,260 thousand) in deposits from resident legal entities and RUB 6,782,397 thousand (2019: RUB 5,792,863 thousand) in deposits from non-resident legal entities.

As at 30 June 2020, the Bank had balances of short-term deposits with multiple counterparties. Total balances with all counterparties comprised the following: 78.01% and 21.99% of total short-term and long-term deposits with a non-resident legal entity (located in Japan) and a resident legal entity, respectively.

As at 31 December 2019, the Bank had balances of short-term deposits with multiple counterparties. Total balances with all counterparties as at 31 December 2019 comprised the following: 62.51% and 37.49% of total short-term and long-term deposits with non-resident legal entities (one located in Japan) and resident legal entities, respectively.

10. Equity

The authorized, issued and fully paid share capital comprises:

	2020			2019		
	<i>Number of shares</i>	<i>Nominal value</i>	<i>Inflation- adjusted amount</i>	<i>Number of shares</i>	<i>Nominal value</i>	<i>Inflation- adjusted amount</i>
Ordinary shares	4,335,000	6,069,000	6,133,091	4,335,000	6,069,000	6,133,091
Total share capital	4,335,000	6,069,000	6,133,091	4,335,000	6,069,000	6,133,091

For the six months of 2020 and in 2019, the Bank neither declared nor paid any dividends to its shareholders.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

11. Debt securities issued

	30 June 2020 (unaudited)	31 December 2019
Bank's bonds	34,232,062	39,886,928
Debt securities issued	34,232,062	39,886,928

The table below presents the structure of securities issued as at 30 June 2020.

Bonds				Annual coupon rate, %	Principal	Interest accrued/ discounts	Total
Series	Number	Placement date	Maturity date				
1	40100170B	5 July 2016	9 July 2021, offer on 7 January 2020	7.9	2,563,845	79,274	2,643,119
BO-001R-02	4B020200170B001P	12 October 2017	14 October 2020	8.45	5,000,000	75,437	5,075,437
BO-001R-03	4B020300170B001P	20 November 2018	22 November 2021	9.25	5,000,000	342,030	5,342,030
BO-001R-04	4B020400170B001P	14 February 2019	16 February 2022	9.15	5,000,000	333,005	5,333,005
BO-001R-05	4B020500170B001P	23 April 2019	25 April 2022	8.9	8,000,000	363,895	8,363,895
BO-001R-06	4B020600170B001P	24 September 2019	24 September 2022	7.65	7,000,000	474,576	7,474,576

In 2020, changes in liabilities arising from financing activities and disclosed in the statement of cash flows in "Cash flows from financing activities" result only from cash outflows from debt securities repaid and payments on debt securities (including interest).

12. Commitments and contingencies

Operating environment

Russia continues economic reforms and the 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 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.

As the COVID-19 outbreak is still evolving, there is uncertainty regarding its further development and duration, as well as the extent of economic recovery in the near future. The government continues to take various measures, and their influence is still evolving. Therefore, management of the Bank continuously monitors the increased risks, the effect of the pandemic and measures taken by the government.

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 position or performance of the Bank.

Taxation

The Bank's business activity is carried out in the Russian Federation. Russian tax, currency and customs legislation as currently in effect 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 activity of the Bank may be challenged by the relevant 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 relevant authorities.

(thousands of Russian rubles)

12. Commitments and contingencies (continued)

Taxation (continued)

The Russian transfer pricing tax legislation allows the Russian tax authorities to apply transfer pricing adjustments and impose additional income tax and value added tax liabilities in respect of all controlled transactions if the transaction price differs from the market price and unless the Bank is able to demonstrate the use of market prices with respect to the controlled transactions. Transactions with securities and derivatives are subject to special transfer pricing rules. In 2020, the Bank determined its tax liabilities arising from controlled transactions using actual transaction prices. Management believes that the Bank complies with the requirements of the Russian transfer pricing legislation with regard to controlled transactions, including proper preparation and presentation of notifications and, if necessary, transfer pricing documentation to the tax authorities, confirming that the Bank used market prices in performing controlled transactions.

Tax legislation introduced special rules for recognizing income and expenses arising from hedging transactions. In accordance with 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. Given that the above rules have not been applied consistently with regard to the confirmation of the foreign entities' actual right to 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 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.

Tax legislation contains rules prohibiting taxpayers to reduce a tax base and (or) an amount payable, including in cases when an obligation assumed in the transaction is performed by a person that is not a party to the contract with a taxpayer and (or) by a person to whom the obligation in the transaction is assigned under contract or by law. As there is no well-established practice for applying the above rules, there is uncertainty regarding the procedure for their application and possible interpretation by the Russian tax authorities. It is possible that with the evolution of these rules and changes in the approaches 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 have a negative impact on the Bank's financial position.

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, conducting tax audits and imposing additional tax requirements. At the same time, it is impossible to evaluate the potential impact the adoption of these norms may have and the probability of negative outcomes of litigations if challenged by the Russian tax authorities. Consequently, the tax authorities may challenge the transactions and methods of accounting which have not been challenged before. As a result, significant additional taxes, penalties and fines may be assessed. Tax field audits of the accuracy of tax calculation and payments conducted by tax authorities may cover three calendar years preceding the year during which the tax audit decision was made. Under certain circumstances tax reviews may cover longer periods.

As at 30 June 2020, the Bank's management holds a conservative position when interpreting applicable legislation and creates a provision for undetermined tax liabilities.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

13. Fair value measurements

Fair value hierarchy

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

- ▶ Level 1: quoted (unadjusted) market 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.

As at 30 June 2020, fair value hierarchy disclosures are as follows:

	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
Assets measured at fair value				
Investment securities – debt securities at FVOCI	1,006,093	–	–	1,006,093
Derivative financial instruments	–	2,635,166	–	2,635,166
Total assets measured at fair value	1,006,093	2,635,166	–	3,641,259
Assets for which fair values are disclosed				
Cash and cash equivalents	–	12,675,542	–	12,675,542
Amounts due from credit institutions	–	–	–	–
Loans to customers	–	–	72,854,257	72,854,257
Other assets	–	–	146,449	146,449
Total assets for which fair values are disclosed	–	12,675,542	73,000,706	85,676,248
Liabilities measured at fair value				
Derivative financial instruments	–	–	–	–
Total liabilities measured at fair value	–	–	–	–
Liabilities for which fair values are disclosed				
Debt securities issued	34,901,214	–	–	34,901,214
Amounts due to credit institutions	–	–	27,057,506	27,057,506
Amounts due to customers	–	–	11,130,315	11,130,315
Other liabilities	–	–	590,306	590,306
Total liabilities for which fair values are disclosed	34,901,214	–	38,778,128	73,679,342

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

13. Fair value measurements (continued)

Fair value hierarchy (continued)

As at 31 December 2019, fair value hierarchy disclosures are as follows:

	<i>Quoted prices in active markets (Level 1)</i>	<i>Significant observable inputs (Level 2)</i>	<i>Significant unobservable inputs (Level 3)</i>	<i>Total</i>
Assets measured at fair value				
Investment securities – debt securities at FVOCI	1,004,477	–	–	1,004,477
Derivative financial instruments	–	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 and cash equivalents	–	5,843,069	–	5,843,069
Amounts due from credit institutions	–	–	–	–
Loans to customers	–	–	93,551,832	93,551,832
Other assets	–	–	142,621	142,621
Total assets for which fair values are disclosed	–	5,843,069	93,694,453	99,537,522
Liabilities measured at fair value				
Derivative financial instruments	–	154,064	–	154,064
Total liabilities measured at fair value	–	154,064	–	154,064
Liabilities for which fair values are disclosed				
Debt securities issued	40,266,743	–	–	40,266,743
Amounts due to credit institutions	–	–	33,046,754	33,046,754
Amounts due to customers	–	–	12,003,498	12,003,498
Other liabilities	–	–	1,174,830	1,174,830
Total liabilities for which fair values are disclosed	40,266,743	–	46,225,082	86,491,825

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 2020 (unaudited)			31 December 2019		
	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>	<i>Carrying amount</i>	<i>Fair value</i>	<i>Unrecognized gain/(loss)</i>
Financial assets						
Cash and cash equivalents	12,675,542	12,675,542	–	5,843,069	5,843,069	–
Amounts due from credit institutions	–	–	–	–	–	–
Loans to customers	77,915,645	72,854,257	(5,061,388)	97,617,417	93,551,832	(4,065,585)
Other assets	146,449	146,449	–	142,621	142,621	–
	90,737,636	85,676,248	(5,061,388)	103,603,107	99,537,522	(4,065,585)
Financial liabilities						
Amounts due to credit institutions	26,913,751	27,057,506	(143,755)	32,994,792	33,046,754	(51,962)
Amounts due to customers	11,096,960	11,130,315	(33,355)	11,850,158	12,003,498	(153,340)
Debt securities issued	34,232,062	34,901,214	(669,152)	39,886,928	40,266,743	(379,815)
Other liabilities	590,307	590,307	–	1,174,830	1,174,830	–
Total financial liabilities	72,833,080	73,679,342	(846,262)	85,906,708	86,491,825	(585,117)
Total unrecognized change in fair value			(5,907,650)			(4,650,702)

(thousands of Russian rubles)

13. Fair value measurements (continued)

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 amount

For financial assets and financial liabilities that are liquid or have a short term maturity (less than three months), it is assumed that the carrying amount 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 Bank of Russia and other credit institutions, 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.

14. 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*.

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*.

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 the 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 methods similar to those applied in making decisions on the resource allocation between segments and performance assessment.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

14. Segment reporting (continued)

The breakdown of the Bank's assets and liabilities by operating segment for the six months of 2020 and for the year of 2019 is shown in the table below.

	30 June 2020 <i>(unaudited)</i>	31 December 2019
Assets		
Retail banking	59,712,400	56,667,541
Corporate banking	22,240,396	40,949,876
In-house activities	14,156,539	9,647,170
Total assets	96,109,335	107,264,587
Liabilities		
Retail banking	2,034,106	2,559,517
Corporate banking	369,010	1,133,472
In-house activities	72,456,043	84,163,733
Total liabilities	74,859,159	87,856,722

The analysis of the Bank's income and expenses by segment for the six months ended 30 June 2020 and 30 June 2019 is shown in the table below.

	<i>For the six months ended 30 June 2020</i> <i>(unaudited)</i>				<i>For the six months ended 30 June 2019</i> <i>(unaudited)</i>			
	<i>Retail banking</i>	<i>Corporate banking</i>	<i>In-house activities</i>	<i>Total</i>	<i>Retail banking</i>	<i>Corporate banking</i>	<i>In-house activities</i>	<i>Total</i>
Revenue								
Interest income	4,345,267	1,720,003	259,413	6,324,683	3,726,693	2,089,431	299,196	6,115,320
Fee and commission income	-	49,754	-	49,754	-	62,842	-	62,842
Total revenue	4,345,267	1,769,757	259,413	6,374,437	3,726,693	2,152,273	299,196	6,178,162
Expenses								
Interest expense	(1,954,204)	(775,878)	(688,727)	(3,418,809)	(1,892,528)	(964,465)	(377,080)	(3,234,073)
Fee and commission expense	(41,740)	-	-	(41,740)	(72,916)	-	-	(72,916)
Allowance for impairment	(302,599)	98,947	(909)	(204,561)	(230,824)	(190,757)	(315)	(421,896)
Non-interest (expense)/ income	-	-	431,102	431,102	-	-	78,180	78,180
Other administrative expenses	(591,012)	(238,234)	-	(829,246)	(357,216)	(259,373)	-	(616,589)
Total expenses	(2,890,555)	(915,165)	(258,534)	(4,063,254)	(2,553,484)	(1,414,595)	(299,215)	(4,267,294)
Profit/(loss) before income tax expense	1,455,712	854,592	879	2,311,183	1,173,209	737,678	(19)	1,910,868
Income tax expense	(308,672)	(168,255)	-	(476,927)	(230,222)	(160,449)	-	(390,671)
Total net profit for the year	1,147,040	686,337	879	1,834,256	942,987	577,229	(19)	1,520,197

In 2020 and 2019, 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.

15. 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.

15.1. 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 2020 and the six months of 2019 amounted to RUB 49,012 thousand and RUB 48,503 thousand, respectively.

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

15. Related party disclosures (continued)

15.2. 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) has become the Bank's sole shareholder since 29 August 2013. Ownership interest: 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 are indicated without taking into account the ownership of Renault S.A., France, in the share capital of Nissan Motor Co., Ltd., Japan, which was 43% as at 30 June 2020.

	30 June 2020	31 December 2019
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 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

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

	30 June 2020 (unaudited)		31 December 2019	
	Shareholder	Other related parties	Shareholder	Other related parties
Assets				
Cash and cash equivalents	-	34,967	-	12,178
Loans to customers	-	1,021,447	-	846,581
Financial assets at fair value through profit or loss	-	678,616	-	336,083
Other assets	-	-	-	-
Total assets	-	1,735,030	-	1,194,842
Liabilities				
Amounts due to credit institutions	-	13,632,000	-	15,453,292
Financial liabilities at fair value through profit or loss	-	-	-	60,779
Amounts due to customers	-	6,663,835	-	5,724,072
Other liabilities	-	19,395	-	1,306
Total liabilities	-	20,315,230	-	21,239,449
Commitments and guarantees received	-	182,235	-	177,735

Translation of the original Russian version

JSC RN Bank

Notes to interim condensed financial statements
for the six months ended 30 June 2020

(thousands of Russian rubles)

15. Related party disclosures (continued)

15.2. Transactions with related parties (continued)

	30 June 2020 (unaudited)		30 June 2019 (unaudited)	
	Shareholder	Other related parties	Shareholder	Other related parties
Interest income	-	1,188,363	-	1,438,991
Interest expense	-	(938,491)	-	(1,699,790)
Debt securities issued	-	-	-	-
Fee and commission income	-	49,754	-	62,843
Fee and commission expense	-	(20,821)	-	(50,167)
Result of operations with financial instruments	-	19,967	-	270,121
Other operating income	-	141	-	214
Other operating expenses	-	(21,996)	-	(24,734)
Net gains/(losses) from foreign currencies	-	280,218	-	856,061

Chairman of the Management Board
Derot Xavier Gerard



Chief Accountant
Darya Vladislavovna Dolgorukova