

ROSBANK Group

**Interim condensed consolidated
financial statements**

*3 months ended 31 March 2020
(unaudited)*

ROSBANK GROUP

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ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 MARCH 2020 (UNAUDITED) (in millions of Russian Roubles)

| | Notes | 31 March 2020 (unaudited) | 31 December 2019 |
|---|-----------|------------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 6, 29 | 217,305 | 190,970 |
| Mandatory cash balances with the Central Bank of the Russian Federation | | 9,404 | 9,042 |
| Financial assets at fair value through profit or loss | 7, 9, 29 | 68,460 | 36,472 |
| Due from banks | 8, 29 | 13,231 | 13,634 |
| Loans to customers | 10, 29 | 826,835 | 771,447 |
| Investments at fair value through other comprehensive income | 11, 29 | 82,136 | 63,100 |
| Investments at amortized cost | 12, 29 | 100,483 | 82,740 |
| Changes in fair value of hedged items | | 12 | 131 |
| Property and equipment and right-of-use assets | | 25,139 | 24,636 |
| Intangible assets | | 6,301 | 5,813 |
| Current income tax assets | | 102 | 85 |
| Deferred income tax assets | 26 | 2,042 | 2,248 |
| Other assets | | 18,392 | 18,449 |
| Total assets | | 1,369,842 | 1,218,767 |
| LIABILITIES AND EQUITY | | | |
| LIABILITIES: | | | |
| Financial liabilities at fair value through profit or loss | 9, 13, 29 | 67,568 | 34,971 |
| Due to the Central Bank of the Russian Federation | | 17 | 18 |
| Due to banks | 14, 29 | 48,419 | 49,344 |
| Customer accounts | 15, 29 | 937,695 | 813,162 |
| Debt securities issued | 16, 29 | 92,581 | 108,067 |
| Other provisions | 28 | 481 | 477 |
| Current income tax liabilities | | 85 | 557 |
| Deferred income tax liabilities | 26 | 1,626 | 1,540 |
| Other liabilities | 29 | 18,602 | 20,645 |
| Subordinated debt | 17, 29 | 22,848 | 17,987 |
| Total liabilities | | 1,189,922 | 1,046,768 |
| EQUITY: | | | |
| Share capital | 18 | 17,587 | 17,587 |
| Share premium | 18 | 59,707 | 59,707 |
| Treasury shares | | (17) | (17) |
| Perpetual subordinated debt | 19, 29 | 23,320 | 18,572 |
| Property and equipment revaluation reserve | | 3,915 | 3,993 |
| Fair value reserve | | 55 | 50 |
| Cash flow hedge | | 311 | (37) |
| Retained earnings | | 75,042 | 72,144 |
| Total equity | | 179,920 | 171,999 |
| TOTAL LIABILITIES AND EQUITY | | 1,369,842 | 1,218,767 |

Chairman of the Management Board
I.A. Polyakov

27 May 2020
Moscow



The notes on pages 8-39 form an integral part of these interim condensed consolidated financial statements.

ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

(in millions of Russian Roubles, except for earnings per share which are in Roubles)

| | Notes | 3 months ended | |
|---|--------|---------------------------|---------------|
| | | 31 March 2020 (unaudited) | 2019 |
| Interest income at effective interest rate | 20, 29 | 22,686 | 22,645 |
| Other interest income | 20, 29 | 94 | 24 |
| Interest expense | 20, 29 | (10,566) | (11,165) |
| Net interest income before credit loss expense | | 12,214 | 11,504 |
| Credit loss expense | 21 | (2,405) | (2,146) |
| Net interest income | | 9,809 | 9,358 |
| Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards | 22, 29 | 2,983 | (593) |
| Net gain/(loss) on foreign exchange operations | 23 | 2,999 | 718 |
| Net gain/(loss) on precious metals operations | | 1 | 26 |
| Net realized (loss)/gain on investments at fair value through other comprehensive income | | (7) | (5) |
| Net gain/(loss) on investments at amortized cost | | (1) | — |
| Fee and commission income | 24, 29 | 3,991 | 3,746 |
| Fee and commission expense | 24, 29 | (1,253) | (1,087) |
| Other provisions | | (42) | (13) |
| Other income | | 261 | 166 |
| Net non-interest income | | 8,932 | 2,958 |
| Operating income | | 18,741 | 12,316 |
| Operating expenses | 25 | (9,426) | (9,537) |
| Other non-operating income/(expense) | | (5) | (4) |
| Profit before income tax | | 9,310 | 2,775 |
| Income tax expense | 26 | (1,464) | (567) |
| Net profit for the period | | 7,846 | 2,208 |
| EARNINGS PER SHARE | | | |
| Basic and diluted (in RUB) | 27 | 5.06 | 1.42 |

Chairman of the Management Board
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Moscow



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INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED) (in millions of Russian Rubles)

| | Notes | 3 months ended | |
|--|-------|----------------------|--------------|
| | | 31 March (unaudited) | |
| | | 2020 | 2019 |
| Net profit for the period | | 7,846 | 2,208 |
| Other comprehensive income/(expense) | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | – | (13) |
| Income tax on translating foreign operations | | – | 3 |
| Cash flow hedge | | 434 | (92) |
| Income tax on cash flow hedge | | (86) | 17 |
| Net change in fair value of investments and loans at fair value through other comprehensive income | | – | (24) |
| Income tax on fair value of investments and loans at fair value through other comprehensive income during the period | | – | 5 |
| Impairment of investments and loans at fair value through other comprehensive income | | 5 | – |
| Other comprehensive income/(expense) after income tax | | 353 | (104) |
| Total comprehensive income | | 8,199 | 2,104 |

Chairman of the Management Board
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27 May 2020
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INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED) (in millions of Russian Roubles)

| | Share capital | Share premium | Common shares repurchased | Perpetual subordinated debt | Cumulative translation reserve | Property and equipment revaluation reserve | Fair value reserve | Cash flow hedge | Retained earnings | Total equity |
|--|---------------|---------------|---------------------------|-----------------------------|--------------------------------|--|--------------------|-----------------|-------------------|----------------|
| 31 December 2018 | 17,587 | 59,707 | - | 10,421 | 172 | 4,218 | 4 | 62 | 60,534 | 152,805 |
| Net profit/(loss) for the period | - | - | - | - | - | - | - | - | 2,208 | 2,208 |
| Other comprehensive income/(expense) for the period | - | - | - | - | (10) | - | (19) | (75) | - | (104) |
| Total comprehensive income/(expense) for the period | - | - | - | - | (10) | - | (19) | (75) | 2,208 | 2,104 |
| Property and equipment disposal (net of deferred tax of RUB 36 millions) | - | - | - | - | - | (144) | - | - | 144 | - |
| Perpetual subordinated debt | - | - | - | 9,019 | - | - | - | - | - | 9,019 |
| Payment of interest on perpetual subordinated debt | - | - | - | - | - | - | - | - | (713) | (713) |
| Tax on payment of interest on perpetual subordinated debt | - | - | - | - | - | - | - | - | 142 | 142 |
| 31 March 2019 (unaudited) | 17,587 | 59,707 | - | 19,440 | 162 | 4,074 | (15) | (13) | 62,415 | 163,357 |
| 31 December 2019 | 17,587 | 59,707 | (17) | 18,572 | - | 3,993 | 50 | (37) | 72,144 | 171,999 |
| Net profit/(loss) for the period | - | - | - | - | - | - | - | - | 7,846 | 7,846 |
| Other comprehensive income/(expense) for the period | - | - | - | - | - | - | 5 | 348 | - | 353 |
| Total comprehensive income/(expense) for the period | - | - | - | - | - | - | 5 | 348 | 7,846 | 8,199 |
| Property and equipment disposal (net of deferred tax of RUB 20 millions) | - | - | - | - | - | (78) | - | - | 78 | - |
| Perpetual subordinated debt | - | - | - | - | - | - | - | - | - | - |
| Payment of interest on perpetual subordinated debt | - | - | - | - | - | - | - | - | (1,228) | (1,228) |
| Effect of exchange rate changes on perpetual subordinated debt | - | - | - | 4,748 | - | - | - | - | (4,748) | - |
| Tax effect of exchange rate changes on perpetual subordinated debt | - | - | - | - | - | - | - | - | 950 | 950 |
| 31 March 2020 (unaudited) | 17,587 | 59,707 | (17) | 23,320 | - | 3,915 | 55 | 311 | 75,042 | 179,920 |

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27 May 2020
Moscow

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ROSBANK GROUP

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED) (in millions of Russian Roubles)

| | Notes | 3 months ended | |
|--|-------|----------------------|----------------|
| | | 31 March (unaudited) | |
| | | 2020 | 2019 |
| Cash flows from operating activities: | | | |
| Interest received | | 22,624 | 22,275 |
| Interest paid | | (10,141) | (10,687) |
| Fees and commissions received | | 4,424 | 3,746 |
| Fees and commissions paid | | (1,215) | (1,087) |
| Receipts from/(payment for) financial assets at fair value through profit or loss | | (575) | 2,117 |
| Receipts from/(payment for) trading in foreign currencies | | 8,556 | (1,025) |
| Other operating income received | | 261 | 108 |
| Receipts from/(payment for) precious metals operations | | 171 | 57 |
| Administrative and other operating expenses paid | | (7,409) | (6,996) |
| Income tax received/(paid) | | (797) | (476) |
| Cash flows from/(used in) operating activities before changes in operating assets and liabilities | | 15,899 | 8,032 |
| Changes in operating assets and liabilities | | | |
| Net (increase)/decrease in mandatory cash balances with the Central Bank of the Russian Federation | | (362) | (298) |
| Net (increase)/decrease in financial assets at fair value through profit or loss | | 2,435 | (2,298) |
| Net (increase)/decrease in due from banks | | 8,030 | 1,940 |
| Net (increase)/decrease in loans to customers | | (34,813) | (29,772) |
| Net (increase)/decrease in other assets | | (990) | (1,105) |
| Net increase/(decrease) in financial liabilities at fair value through profit or loss | | (1,308) | 483 |
| Net increase/(decrease) in due to the Central Bank of the Russian Federation | | (1) | (4) |
| Net increase/(decrease) in due to banks | | (8,196) | (23,835) |
| Net increase/(decrease) in customer accounts | | 62,462 | 58,863 |
| Net increase/(decrease) in debt securities issued, other than bonds issued | | (12,395) | 802 |
| Net increase/(decrease) in other liabilities | | (2,721) | 337 |
| Net cash from/(used in) operating activities | | 28,040 | 13,145 |
| Cash flows from investing activities | | | |
| Purchase of financial assets at fair value through other comprehensive income | | (80,900) | (50,406) |
| Proceeds from disposal and redemption of financial assets at fair value through other comprehensive income | | 61,975 | 44,975 |
| Proceeds from sale and redemption of financial assets at amortised cost | | 618 | 939 |
| Purchase of financial assets at amortised cost | | (10,406) | - |
| Purchase of property, equipment and intangible assets | | (2,415) | (1,780) |
| Proceeds from disposal of property and equipment | | 54 | 187 |
| Net cash from/(used in) investing activities | | (31,074) | (6,085) |
| Cash flows from financing activities | | | |
| Redemption of bonds issued by the Group | | (3,019) | - |
| Issue of bonds | | - | 10,000 |
| Buy back of bonds issued | | (249) | 125 |
| Payment of interest on perpetual subordinated debt | | (1,228) | (713) |
| Payments of the lease liability | | (305) | - |
| Net cash from/(used in) financing activities | | (4,801) | 9,412 |
| Effect of exchange rate changes on the balance of cash held in foreign currencies | | 34,169 | (7,366) |
| Net increase/(decrease) in cash and cash equivalents | | 26,334 | 9,106 |
| CASH AND CASH EQUIVALENTS, beginning of the period | 6 | 190,975 | 191,285 |
| CASH AND CASH EQUIVALENTS, end of the period | 6 | 217,309 | 200,391 |

Chairman of the Management Board
I.A. Polyakov

27 May 2020
Moscow



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ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

1. Organization

ROSBANK (initially named “Nezavisimost”) is a joint stock bank which was incorporated in the Russian Federation in 1993. Over the subsequent five years, ROSBANK customers were mainly comprised of medium-sized trade, finance and technology companies, for which it conducted a variety of activities, including corporate lending, settlement, government bond trading, foreign exchange and money market transactions. In 1998 ROSBANK was acquired by the Interros Group with the initial purpose of providing banking services to Interros Group companies. In 2000 ROSBANK acquired Uneximbank which was merged into ROSBANK and ceased to exist as a legal entity. In 2002 the businesses of ROSBANK and Commercial Bank “MFK Bank”, specializing in investment banking, were consolidated. In 2003 the Interros Group acquired OVK group – one of Russia’s largest retail banking institutions. The integration of OVK with ROSBANK has transformed ROSBANK into a financial institution capable of offering universal services.

Societe Generale became the owner of 20% minus 1 share of Rosbank in 2006. In February 2008 Societe Generale became the owner of Rosbank controlling stock interest by exercising the option for acquisition of 30% stocks. In March 2008 Societe Generale offered to buy the stakes of minority shareholders at 194.09 roubles per share. Having performed the buy-out Societe Generale raised its interest in Rosbank to 57.57%. On 23 March 2009 ROSBANK issued 26,665,928 shares by way of public subscription. The issue was bought by Societe Generale and PHARANCO HOLDINGS CO. LIMITED in the proportion 60.6786% and 39.3214%, respectively. On 27 May 2009 Societe Generale increased its share in Rosbank by 7% after the purchase of this share from PHARANCO HOLDINGS CO. LIMITED.

In February 2010, Societe Generale with the consent of other shareholders of Rosbank Group took the decision to reorganize the legal structure of its Russian subsidiaries in order to build a major financial group.

The first step was achieved in January 2011 with the acquisition of 100% of the share capital of Rusfinance and Delta Credit. The two companies kept acting as separate entities, Rusfinance being mainly dedicated to consumer credit and Delta Credit to mortgages.

The second step was achieved in July 2011 with the merger of the two universal banks ROSBANK and BSGV into a single and unified company ultimately operating under a single brand. Benefiting from their differentiated positioning on both corporate and retail segments, the new structure aims at improving its financial performance by increasing revenues through cross-selling strategy and developing synergies in order to reduce operational costs.

During 2013, Societe Generale further consolidated its positions in Russian market by acquiring in December 2013 an additional 10% stake in ROSBANK equity from VTB Group, increasing it up to 92.4%. As part of the agreement ROSBANK sold to VTB Group certain Russian assets: shares listed on Moscow Exchange as well as some loans and real-estate assets.

In April 2015 Societe Generale acquired further 7% of ROSBANK’s share capital from Interros group, raising its stake to 99.4%, in line with its strategy of building up the Group’s stake in ROSBANK.

On 1 June 2019 the merger process of the mortgage bank Delta Credit and Rosbank is officially completed. “Rosbank Dom” branch has become part of the retail business of Rosbank.

ROSBANK is regulated by the Central Bank of the Russian Federation (the “CBR”) and conducts its business under license number 2272. ROSBANK is engaged in a full range of banking activities, including commercial and investment banking and custodial services.

The registered office of ROSBANK is located at 34, Masha Poryvaeva Street, Moscow, 107078, Russian Federation.

As of 31 March 2020 and 31 December 2019 ROSBANK had 9 branches operating in the Russian Federation.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

ROSBANK (“the Bank”) is the parent company of a banking group (the “Group”) which consists of the following material enterprises as of 31 March 2020, 31 December 2019 and 31 March 2019:

| Name | Country of incorporation | Group’s ownership interest / voting rights, % | | | Type of operations |
|-------------------------------|--------------------------|---|------------------|---------------|----------------------------|
| | | 31 March 2020 | 31 December 2019 | 31 March 2019 | |
| Delta Credit Bank JSC | Russia | – | Merged | 100/100 | Banking |
| Rusfinance Bank LLC | Russia | 100/100 | 100/100 | 100/100 | Banking |
| Rusfinance LLC | Russia | 100/100 | 100/100 | 100/100 | Commerce |
| RB Factoring LLC | Russia | 100/100 | 100/100 | 100/100 | Factoring |
| RB LEASING LLC | Russia | 100/100 | 100/100 | 100/100 | Leasing |
| ORS JSC | Russia | 100/100 | 100/100 | 100/100 | In Liquidation |
| RB Specialized Depository LLC | Russia | 100/100 | 100/100 | 100/100 | Depository services |
| RB Service LLC | Russia | 100/100 | 100/100 | 100/100 | Service company |
| Telsikom CJSC | Russia | 100/100 | 100/100 | 100/100 | Telecommunication services |
| SG Finance CJSC | Russia | 100/100 | 100/100 | 100/100 | Leasing |

In October 2017 the Group acquired 100% shares in SG Finance, a company operating in leasing. The purchase consideration amounted to RUB 168 million, which was settled in cash.

On 12 March 2020 the Group took decision to close its subsidiary – ORS JSC. The liquidation process is subject to authorisation by Central Bank of Russia.

As of 31 March 2020 and 31 December 2019, the controlling shareholder of ROSBANK is Societe Generale S.A. with share more than 99%.

2. Going concern

These interim condensed consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholders have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. Management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short-term obligations will be refinanced in the normal course of business.

3. Basis of presentation

Statement of compliance

These interim condensed consolidated financial statements have been prepared in accordance with IAS 34 “Interim Financial Reporting”.

The interim condensed consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group’s annual consolidated financial statements for 2019 prepared in accordance with IFRS. Management believes that the disclosures in these interim condensed consolidated financial statements are adequate to make the information presented not misleading if these financial statements are read in conjunction with the Group’s annual consolidated financial statements for 2019 prepared in accordance with IFRS. In the opinion of management, these financial statements reflect all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in equity and cash flows for the interim reporting periods.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

Since the results of the Group's operations closely relate to and depend on changing market conditions, the results of the Group's operations for the interim period are not necessarily indicative of the results for the full year.

Other basis of presentation criteria

These interim condensed consolidated financial statements have been prepared assuming that the Group is a going concern and will continue operation for the foreseeable future.

These interim condensed consolidated financial statements are presented in millions of Russian Roubles ("mRUB"), unless otherwise indicated.

These interim condensed consolidated financial statements have been prepared under the historical cost basis, except for certain financial instruments that are measured at fair values, and certain land and buildings that are measured at revalued amounts according to International Accounting Standard 16 *Property, Plant and Equipment* ("IAS 16"). Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these interim condensed consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Bank and its consolidated companies, registered in the Russian Federation, maintain their accounting records in accordance with Russian Accounting Standards (RAS), foreign consolidated companies of the Group maintain their accounting records in accordance with the law of the countries, in which they operate. These interim condensed consolidated financial statements have been prepared from the statutory accounting records and have been adjusted to conform to IFRS.

Functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the parent of the Group is the Russian rouble (RUB). The presentation currency of the interim condensed consolidated financial statements of the Group is the RUB. All values are rounded to the nearest million RUB, except when otherwise indicated.

Offset of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the interim condensed consolidated statement of financial position only when there is a currently legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or to realize the asset

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

and settle the liability simultaneously. Income and expense is not offset in the interim condensed consolidated statement of profit or loss unless required or permitted by any accounting standard or interpretation permitted by any IFRS, and as specifically disclosed in the accounting policies of the Group.

4. Significant accounting policies

The same accounting policies, presentation and methods of computation have been followed in these interim condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2019, except for the accounting policies and impact of the adoption of the Standards and Interpretations described below.

Rates of exchange and commodity prices

The exchange rates and commodity prices at period-end used by the Group in the preparation of the interim condensed consolidated financial statements are as follows:

| | 31 March 2020 | 31 December 2019 |
|-------------------------|---------------|------------------|
| RUB/1 US Dollar | 77.7325 | 61.9057 |
| RUB/1 Euro | 85.7389 | 69.3406 |
| RUB/Gold (1 ounce) | 125,067.71 | 94,282.38 |
| RUB/Platinum (1 ounce) | 56,511.53 | 60,110.43 |
| RUB/Palladium (1 ounce) | 179,328.88 | 118,858.94 |
| RUB/Silver (1 ounce) | 1,082.81 | 1,117.09 |

Critical accounting judgements and key sources of estimation uncertainty

In preparing these interim condensed consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were consistent with those that applied to the Group's annual consolidated financial statements for 2019 prepared in accordance with IFRS.

The Group adopted new Standards effective as of 1 January 2020 as described below. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

5. Application of new and revised International Financial Reporting Standards (IFRS)

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2019, except for the adoption of new standards effective as of 1 January 2020. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The nature and the impact of each amendment is described below:

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the interim condensed consolidated financial statements of the Group, but may impact future periods should the Group enter into any business combinations.

ROSBANK GROUP

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

Amendments to IFRS 7, IFRS 9 and IAS 39: Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments had no impact on the interim condensed consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8: Definition of Material

The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the interim condensed consolidated financial statements of, nor is there expected to be any future impact to the Group.

6. Cash and cash equivalents

Cash and cash equivalents comprise:

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|--|--------------------------------------|-----------------------------|
| Cash | 12,440 | 18,591 |
| Balances with the Central Bank of the Russian Federation | 10,073 | 22,327 |
| Current accounts in banks | 114,443 | 33,875 |
| Demand deposits in banks | 17,715 | 14,127 |
| Loans under reverse repurchase agreements | 3,872 | 5,328 |
| Due from banks with original maturity within 90 days | 58,766 | 96,727 |
| Cash and cash equivalents | 217,309 | 190,975 |
| Less – credit loss allowance | (4) | (5) |
| Total cash and cash equivalents | 217,305 | 190,970 |

Fair value of assets pledged and carrying value of loans under the reverse repurchase agreements as at 31 March 2020 and 31 December 2019 comprise:

| | 31 March 2020 mRUB (unaudited) | | 31 December 2019 mRUB | |
|--|--------------------------------------|-----------------------------|---------------------------|-----------------------------|
| | Carrying value of loan | Fair value of collateral | Carrying value of loan | Fair value of collateral |
| Bonds of the Russian Federation | 2,800 | 2,964 | 4,177 | 4,402 |
| Shares of Russian banks | 1,072 | 1,621 | 1,151 | 1,735 |
| Total loans under reverse repurchase agreements | 3,872 | 4,585 | 5,328 | 6,137 |

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7. Financial assets at fair value through profit or loss

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|--|---|-----------------------------|
| Debt securities | 2,589 | 6,914 |
| Derivative financial instruments (Note 9) | 65,680 | 29,367 |
| Shares | 191 | 191 |
| Total financial assets at fair value through profit or loss | 68,460 | 36,472 |

The debt securities included in financial assets at fair value through profit or loss relate entirely to financial assets held-for-trading.

| | 31 March 2020 (unaudited) Amount mRUB | 31 December 2019 Amount mRUB |
|---|--|---------------------------------------|
| Debt securities: | | |
| Debt securities of Russian companies | 1,551 | 1,751 |
| Debt securities of the Russian Federation | 1,038 | 4,653 |
| Debt securities of Russian banks | – | 510 |
| Total debt securities | 2,589 | 6,914 |

8. Due from banks

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|------------------------------|--------------------------------------|-----------------------------|
| Term deposits in banks | 13,235 | 13,637 |
| Less – credit loss allowance | (4) | (3) |
| Total due from banks | 13,231 | 13,634 |

As of 31 March 2020 and 31 December 2019 the Group didn't have loans and advances to banks, which individually exceeded 10% of the Group's equity.

9. Derivative financial instruments

Derivative financial instruments comprise:

| | 31 March 2020 mRUB (unaudited) | | | 31 December 2019 mRUB | | |
|--|--------------------------------------|----------------------|---------------------------|--------------------------|----------------------|---------------------------|
| | Nominal value | Fair value Assets | Fair value Liabilities | Nominal value | Fair value Assets | Fair value Liabilities |
| Derivative financial instruments | | | | | | |
| Foreign exchange, interest rates, equities contracts | | | | | | |
| Swaps | 229,074 | 6,294 | (4,590) | 168,790 | 100 | (2,023) |
| Forwards | 106,046 | 5,470 | (9,755) | 91,503 | 2,253 | (825) |
| IRS/CIRS | 531,986 | 48,704 | (47,952) | 416,715 | 25,611 | (26,497) |
| Cash flow hedge | 19,639 | 3,091 | (433) | 168 | – | (45) |
| Fair value hedge | 5,000 | – | (26) | 5,000 | – | (184) |
| Foreign exchange, interest rate, equities options | 77,062 | 1,922 | (1,927) | 51,526 | 778 | (780) |
| Total foreign exchange interest rates, equities contracts | | 65,481 | (64,683) | | 28,742 | (30,354) |
| Contracts on precious metals and commodities | | | | | | |
| Forwards | 110 | 29 | (29) | 191 | 24 | (24) |
| Options | 6,218 | 170 | (172) | 8,705 | 601 | (601) |
| Total contracts on precious metals and commodities | | 199 | (201) | | 625 | (625) |
| Total | | 65,680 | (64,884) | | 29,367 | (30,979) |

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Cash flow hedge

Cash flow hedging is represented by a swap agreement (hedging instrument) that provides the Group with protection against adverse changes in future cash flows related to a subordinated loan, received from Societe General, denominated in US Dollars, as a result of a change in exchange rate. As at 31 March 2020, this portion of the group's cash flow hedging relates to a portion of the subordinated loan in the amount of RUB 11,979 million.

Another part of the group's cash flow hedge relates to the risk of changes in the estimated cash flows of financial liabilities related to the Societe General Group share-based payment program.

Fair value hedge

The group's fair value hedge relates to the risk of changes in the fair value of securities carried at amortized cost due to changes in interest rates. As at 31 March 2020, the fair value hedge relates to Government bonds of Russian Federation at fixed rate with a par value of RUB 5,000 million.

Embedded derivatives

The Group issued structural bonds with embedded derivatives included in financial assets at fair value through profit and loss in amount RUB 3,337 million as at 31 March 2020 and in amount RUB 2,671 million as at 31 December 2019, respectively. Simultaneously the Group entered into interest rate swap contracts to compensate future cash flows to be paid on structural bonds issued. The fair value of interest rate swaps included in financial liabilities at fair value through profit and loss amounted to RUB 3,337 million as at 31 March 2020 and amounted to RUB 2,662 million as at 31 December 2019, respectively.

10. Loans to customers

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|---|--------------------------------------|-----------------------------|
| Loans at amortised cost | | |
| <i>Loans to Corporate business</i> | | |
| Loans to legal entities | 321,418 | 271,397 |
| Net investments in finance lease | 21,230 | 19,964 |
| Account receivable from RF Government on financed loans | 226 | 416 |
| Loans under reverse repurchase agreements | – | 450 |
| <i>Loans to Retail business</i> | | |
| Loans to individuals | 522,019 | 515,091 |
| Total loans at amortized cost | 864,893 | 807,318 |
| Loans at fair value through other comprehensive income | | |
| Loans to individuals | 2,241 | 1,464 |
| Total loans at fair value through other comprehensive income | 2,241 | 1,464 |
| Total loans to customers before credit loss allowance | 867,134 | 808,782 |
| Less – credit loss allowance | (40,299) | (37,335) |
| Total loans to customers | 826,835 | 771,447 |

As of 31 March 2020 the Group had loans to one group of customers which individually exceeded 10% of the Group's equity.

As of 31 December 2019 the Group had loans to two groups of customers which individually exceeded 10% of the Group's equity.

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As of 31 March 2020 the amount receivable from RF Government on the financed car loan program amounted to RUB 226 million (as of 31 December 2019 – to RUB 416 million).

Fair value of assets pledged and carrying value of loans under repurchase agreements as at 31 December 2019:

| | 31 December 2019 mRUB | |
|-----------------------------|---------------------------|-----------------------------|
| | Carrying value of loan | Fair value of collateral |
| Shares of Russian companies | 450 | 530 |
| | <u>450</u> | <u>530</u> |

11. Investments at fair value through other comprehensive income

| | | 31 March 2020 (unaudited) Amount mRUB | | 31 December 2019 Amount mRUB |
|---------------------------------|----------------------------|--|----------------------------|------------------------------------|
| | Nominal interest rate % | | Nominal interest rate % | |
| Debt securities | | | | |
| Bonds of the Russian Federation | 6.0%-6.5% | 81,218 | 6.25%-6.5% | 63,100 |
| Bonds of Russian companies | 5.0%-8.75% | 918 | – | – |
| | | <u>82,136</u> | | <u>63,100</u> |

12. Investments at amortised cost

| | | 31 March 2020 (unaudited) Amount mRUB | | 31 December 2019 Amount mRUB |
|--------------------------------------|---------------------------------|--|---------------------------------|------------------------------------|
| | Nominal annual interest rate | | Nominal annual interest rate | |
| Bonds of the Russian Federation | 4.5%-8.5% | 63,669 | 7.0%-8.15% | 53,101 |
| Eurobonds of the Russian Federation | 4.5%-7.5% | 36,831 | 4.5%-7.5% | 29,654 |
| Less – credit loss allowance | | <u>(17)</u> | | <u>(15)</u> |
| Investments at amortised cost | | <u>100,483</u> | | <u>82,740</u> |

13. Financial liabilities at fair value through profit or loss

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|---|--------------------------------------|-----------------------------|
| Derivative financial instruments | 64,884 | 30,979 |
| Short position on securities purchased | 2,684 | 3,992 |
| Total financial liabilities at fair value through profit or loss | <u>67,568</u> | <u>34,971</u> |

Derivative financial instruments are disclosed in Note 9.

14. Due to banks

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|---------------------------|--------------------------------------|-----------------------------|
| Demand accounts | 38,432 | 47,339 |
| Time deposits | 9,987 | 2,005 |
| Total due to banks | <u>48,419</u> | <u>49,344</u> |

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The Group is obligated to comply with financial covenants in relation to certain balances deposited by banks deposits. These covenants include various financial performance ratios.

As of 31 March 2020 and 31 December 2019 the Group has no balances deposited by banks deposits on which financial covenants should be comply.

As at 31 March 2020 and 31 December 2019 included in due to banks are RUB 22,926 million and RUB 23,873 million (13% and 14% of Group equity), respectively, that were due to three and three banks, respectively, which represents a significant concentration.

15. Customer accounts

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|--------------------------------|--------------------------------------|-----------------------------|
| Corporate | | |
| Time deposits | 271,527 | 275,459 |
| Repayable on demand | <u>325,902</u> | <u>219,686</u> |
| Total corporate | <u>597,429</u> | <u>495,145</u> |
| Individuals | | |
| Time deposits | 164,098 | 165,573 |
| Repayable on demand | <u>176,168</u> | <u>152,444</u> |
| Total individuals | <u>340,266</u> | <u>318,017</u> |
| Total customer accounts | <u>937,695</u> | <u>813,162</u> |

Customer accounts which were held as security against letters of credit and guarantees issued and other transaction related contingent obligations of the Group are presented in Note 28.

16. Debt securities issued

| | Annual coupon rates % | 31 March 2020 mRUB (unaudited) | Annual coupon rates % | 31 December 2019 mRUB |
|---|-----------------------------|--------------------------------------|-----------------------------|-----------------------------|
| Bonds of Rosbank due in 2020-2026 | 6.55%-12.00% | 80,870 | 6.55%-12.00% | 80,758 |
| Exchange structural bonds of Rosbank due in 2024 | 7.84%-9.89% | 10,263 | 7.84%-9.89% | 10,146 |
| Discount bearing promissory notes | 7.23%-8.55% | 1,448 | 7.23%-8.55% | 14,067 |
| Bonds of Rusfinancebank due in 2019-2021 | - | - | 9.55% | <u>3,096</u> |
| Total debt securities issued | | <u>92,581</u> | | <u>108,067</u> |

During the period January – March 2020 the following bonds were redeemed:

| Issuer | Issue date | Maturity date | Debt volume, mRUB | Annual coupon rate, % |
|-----------------|------------|---------------|-------------------------|-----------------------------|
| Rusfinance Bank | 21.03.2017 | 23.03.2020 | 3,019 | 9.55% |

17. Subordinated debt

| | Currency | Interest Rate % | 31 March 2020 mRUB (unaudited) | Interest Rate, % | 31 December 2019 mRUB |
|---|----------|-----------------------|---|----------------------|-----------------------------|
| Societe Generale S.A. due in 2020-2023 | USD | LIBOR 6M + 268 bp | <u>22,848</u> | LIBOR 6M + 268 bp | <u>17,987</u> |
| Total subordinated debt | | | <u>22,848</u> | | <u>17,987</u> |

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In January 2019 the terms of subordinated loan attracted by the Group from Societe Generale S.A. in August 2012 in the amount of USD 150 million and annual interest rate of LIBOR 6M + 765.2 bp and maturity in December 2022 were modified (Note 19).

In December 2019 the terms of subordinated loans attracted by the Group from Societe General S.A. in February 2008 and January 2010 in the amount of USD 125 million, 165 million and annual interest rates of 6.5% и 6.8% and mature in February 2023 and January 2023 were modified. According to amended terms of the agreement Societe Generale S.A. granted to the Group subordinated loans in the amount of USD 125 million, 165 million with an annual initial interest rate of LIBOR 6 months + 268 bp and half year interest payment. Rate of interest is to be reset every half year.

In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

18. Share capital

As of 31 March 2020 and 31 December 2019 the nominal share capital totaling RUB 17,587 million issued and fully paid comprised 1,551,401,853 ordinary shares with par value of RUB 10 each. All shares are ranked equally and carry one vote. The hyperinflation effect has been recorded in the amount of RUB 2,073 million.

As of 31 March 2020 and 31 December 2019 share premium totaling RUB 59,707 million represents an excess of contributions received in share capital over the nominal value of shares issued.

As at 31 March 2020 and 31 December 2019 the Group's share capital comprised the following number of shares of RUB 10 each:

| | Share capital authorized | Share capital authorized but not issued | Share capital issued and paid in |
|---|-----------------------------|---|--|
| Number of ordinary shares <i>including share capital repurchased</i> | 1,846,461,466 - | 295,059,613 - | 1,551,401,853 276,716 |

19. Perpetual subordinated debt

The Group accounts for the perpetual subordinated loans as an equity instrument in the consolidated statement of financial position due to undefined maturity and an option for cancellation of both the debt and the interest payment by the Group.

Interest payments may be cancelled in accordance with the terms of the perpetual subordinated loan. At the moment the interest under the perpetual subordinated loan becomes non-cancellable, it is recorded as a part of equity.

Central Bank of Russian Federation has approved the inclusion of the perpetual subordinated loan in the regulatory capital calculation of the Bank.

| | Currency | Interest Rate % | 31 March 2020 mRUB (unaudited) | Interest Rate, % | 31 December 2019 mRUB |
|--|----------|-----------------------|---|----------------------|-----------------------------|
| Societe Generale S.A. | USD | 7.25%* | 11,660 | 7.25%* | 9,286 |
| Societe Generale S.A. | USD | LIBOR 6M + 687 bp | 11,660 | LIBOR 6M + 687 bp | 9,286 |
| Total perpetual subordinated debt | | | 23,320 | | 18,572 |

* Annual initial interest rate of 7.25% and annual interest payment. Rate of interest is to be reset every 5 years.

In January 2019 the terms of subordinated loan attracted by the Group from Societe General S.A. in August 2012 in the amount of USD 150 million and annual interest rate of 6M + 765.2 and maturity in

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December 2022 were modified. According to amended terms of the agreement Societe Generale S.A. granted to the Group perpetual subordinated loan in the amount of USD 150 million with an interest rate of LIBOR 6M + 687 bp and half-annual interest payment.

20. Net interest income

| | 3 months ended 31 March mRUB (unaudited) | |
|--|--|---------------|
| | 2020 | 2019 |
| Interest income at effective interest rate | | |
| <i>Interest income on financial assets recorded at amortized cost</i> | | |
| Interest on loans to individuals | 14,171 | 13,993 |
| Interest on loans to corporate customers | 4,971 | 5,112 |
| Interest on investments at amortised cost | 1,336 | 1,383 |
| Interest on due from banks | 1,129 | 1,138 |
| <i>Interest income on financial assets recorded at fair value through other comprehensive income</i> | | |
| Interest income on investments at fair value through other comprehensive income | 1,039 | 941 |
| Interest on loans to individuals at fair value through other comprehensive income | 40 | 78 |
| Total interest income at effective interest rate | 22,686 | 22,645 |
| Other interest income | | |
| Interest income on financial assets at fair value through profit and loss | 94 | 24 |
| Total other interest income | 94 | 24 |
| Total interest income | 22,780 | 22,669 |
| Interest expense at effective interest rate | | |
| <i>Interest expense on financial liabilities recorded at amortized cost</i> | | |
| Interest on corporate customer accounts | 5,154 | 4,840 |
| Interest on deposits from individuals | 2,926 | 2,691 |
| Interest on debt securities issued | 2,040 | 2,304 |
| Interest on deposits from banks | 241 | 778 |
| Interest on subordinated debt | 120 | 411 |
| Total interest expense calculated using effective interest rate | 10,481 | 11,024 |
| Other interest expense | | |
| Lease liabilities | 85 | 141 |
| Total other interest expense | 85 | 141 |
| Total interest expense | 10,566 | 11,165 |
| Net interest income | 12,214 | 11,504 |

21. Credit loss expense and other provisions

For 3 months ended 31 March 2020 and 2019 the amount of credit loss expenses in the interim condensed consolidated statement of profit or loss comprises:

| | 3 months ended 31 March mRUB (unaudited) | |
|--------------------------------------|--|--------------|
| | 2020 | 2019 |
| Stage 1 net allocations | (344) | (119) |
| Stage 2 net allocations | 1,528 | 973 |
| Stage 3 net allocations | 1,220 | 1,266 |
| POCI net allocations | (1) | 1 |
| Recoveries of loans written off | - | (4) |
| Write offs not covered by provisions | 2 | 29 |
| Credit loss expenses | 2,405 | 2,146 |

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An analysis of changes in the ECLs for financial assets for 3 months ended 31 March 2020 is, as follows:

| | Cash and cash equivalents and due from banks mRUB (unaudited) | Loans to Corporate business mRUB (unaudited) | Loans to Retail business mRUB (unaudited) | Investments at amortised cost mRUB (unaudited) | Investments and loans at FVOCI mRUB (unaudited) | Total mRUB (unaudited) |
|---------------------------------|---|--|---|--|---|------------------------------|
| Stage 1 | | | | | | |
| ECL as at 1 January 2020 | 8 | 622 | 4,868 | 15 | 2 | 5,515 |
| Transfers to Stage 1 | – | 4 | 264 | – | – | 268 |
| Transfers to Stage 2 | – | (26) | (37) | – | – | (63) |
| Transfers to Stage 3 | – | (1) | (23) | – | – | (24) |
| Net allocations | (1) | 42 | (371) | 1 | 2 | (327) |
| Foreign exchange adjustments | 1 | 28 | 82 | 1 | – | 112 |
| ECL as at 31 March 2020 | 8 | 669 | 4,783 | 17 | 4 | 5,481 |
| Stage 2 | | | | | | |
| ECL as at 1 January 2020 | – | 52 | 1,413 | – | – | 1,465 |
| Transfers to Stage 1 | – | (3) | (170) | – | – | (173) |
| Transfers to Stage 2 | – | 27 | 87 | – | – | 114 |
| Transfers to Stage 3 | – | (1) | (939) | – | – | (940) |
| Net allocations | – | 274 | 1,268 | – | – | 1,542 |
| Foreign exchange adjustments | – | 1 | 2 | – | – | 3 |
| ECL as at 31 March 2020 | – | 350 | 1,661 | – | – | 2,011 |
| Stage 3 | | | | | | |
| ECL as at 1 January 2020 | – | 5,237 | 25,129 | – | – | 30,366 |
| Transfers to Stage 1 | – | (1) | (94) | – | – | (95) |
| Transfers to Stage 2 | – | (1) | (50) | – | – | (51) |
| Transfers to Stage 3 | – | 2 | 962 | – | – | 964 |
| Net allocations | – | 54 | 1,136 | – | – | 1,190 |
| Amounts written off | – | (41) | (355) | – | – | (396) |
| Foreign exchange adjustments | – | 672 | 173 | – | – | 845 |
| ECL as at 31 March 2020 | – | 5,922 | 26,901 | – | – | 32,823 |
| POCI | | | | | | |
| ECL as at 1 January 2020 | – | – | 14 | – | – | 14 |
| Allowance charge | – | – | (1) | – | – | (1) |
| ECL as at 31 March 2020 | – | – | 13 | – | – | 13 |
| Total at 1 January 2020 | 8 | 5,911 | 31,424 | 15 | 2 | 37,360 |
| Total at 31 March 2020 | 8 | 6,941 | 33,358 | 17 | 4 | 40,328 |

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An analysis of changes in the ECLs for financial assets for three months ended 31 March 2019 is, as follows:

| | Cash and cash equivalents and due from banks mRUB (unaudited) | Loans to Corporate business mRUB (unaudited) | Loans to Retail business mRUB (unaudited) | Investments at amortised cost mRUB (unaudited) | Investments and loans at FVOCI mRUB (unaudited) | Total mRUB (unaudited) |
|---------------------------------|---|--|---|--|---|------------------------------|
| Stage 1 | | | | | | |
| ECL as at 1 January 2019 | 7 | 601 | 4,838 | 34 | 3 | 5,483 |
| Transfers to Stage 1 | – | – | 184 | – | – | 184 |
| Transfers to Stage 2 | – | (23) | (53) | – | – | (76) |
| Transfers to Stage 3 | – | – | (24) | – | – | (24) |
| Net allocations | (4) | (36) | (66) | (9) | (1) | (116) |
| Foreign exchange adjustments | – | (18) | (31) | (1) | – | (50) |
| ECL as at 31 March 2019 | 3 | 524 | 4,848 | 24 | 2 | 5,401 |
| Stage 2 | | | | | | |
| ECL as at 1 January 2019 | – | 35 | 1,204 | – | – | 1,239 |
| Transfers to Stage 1 | – | – | (149) | – | – | (149) |
| Transfers to Stage 2 | – | 23 | 118 | – | – | 141 |
| Transfers to Stage 3 | – | (1) | (752) | – | – | (753) |
| Net allocations | – | 51 | 922 | – | – | 973 |
| Foreign exchange adjustments | – | – | (3) | – | – | (3) |
| ECL as at 31 March 2019 | – | 108 | 1,340 | – | – | 1,448 |
| Stage 3 | | | | | | |
| ECL as at 1 January 2019 | – | 10,108 | 27,268 | – | – | 37,376 |
| Transfers to Stage 1 | – | – | (35) | – | – | (35) |
| Transfers to Stage 2 | – | – | (65) | – | – | (65) |
| Transfers to Stage 3 | – | 2 | 776 | – | – | 778 |
| Net allocations | – | 948 | 420 | – | – | 1,368 |
| Amounts written off | – | (5) | (555) | – | – | (560) |
| Foreign exchange adjustments | – | (211) | (113) | – | – | (324) |
| ECL as at 31 March 2019 | – | 10,842 | 27,696 | – | – | 38,538 |
| POCI | | | | | | |
| ECL as at 1 January 2019 | – | – | 9 | – | – | 9 |
| Net allocations | – | – | 1 | – | – | 1 |
| ECL as at 31 March 2019 | – | – | 10 | – | – | 10 |
| Total at 1 January 2019 | 7 | 10,744 | 33,319 | 34 | 3 | 44,107 |
| Total at 31 March 2019 | 3 | 11,474 | 33,894 | 24 | 2 | 45,397 |

For 3 months ended 31 March 2020 and 2019 the amount of other provision comprises:

| | 3 months ended 31 March mRUB (unaudited) | |
|---|--|-----------|
| | 2020 | 2019 |
| Net allocations | 53 | 12 |
| Recoveries of debtors receivables written off | (26) | (8) |
| Write offs not covered by provisions | 15 | 9 |
| Other provisions | 42 | 13 |

The information about other provisions of the Group is disclosed in Note 28.

Allowance for impairment losses on assets is deducted from the respective assets. Provision for impairment losses on financial guarantees issued, claims and other commitments is presented in liabilities.

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An analysis of changes in the ECLs for other financial assets financial guarantees, credit lines, letters of credit and for 3 months ended 31 March 2020 is, as follows:

| | Provisions for financial guarantees, credit lines, letters of credit mRUB (unaudited) | Provision for other assets mRUB (unaudited) | Total mRUB (unaudited) |
|----------------------------------|--|--|---------------------------------------|
| Stage 1 | | | |
| ECL as at 1 January 2020 | 118 | 7 | 125 |
| Transfers to Stage 1 | 1 | – | 1 |
| Transfers to Stage 2 | (4) | – | (4) |
| Transfers to Stage 3 | – | – | – |
| Net allocations | (16) | (1) | (17) |
| Foreign exchange adjustments | 10 | – | 10 |
| ECL as at 31 March 2020 | 109 | 6 | 115 |
| Stage 2 | | | |
| ECLs as at 1 January 2020 | 17 | 4 | 21 |
| Transfers to Stage 1 | (1) | – | (1) |
| Transfers to Stage 2 | 30 | – | 30 |
| Transfers to Stage 3 | – | – | – |
| Net allocations | (14) | – | (14) |
| Foreign exchange adjustments | 8 | 1 | 9 |
| ECL as at 31 March 2020 | 40 | 5 | 45 |
| Stage 3 | | | |
| ECLs as at 1 January 2020 | 44 | 1,058 | 1,102 |
| Transfers to Stage 1 | – | – | – |
| Transfers to Stage 2 | (33) | – | (33) |
| Transfers to Stage 3 | – | – | – |
| Net allocations | 20 | 10 | 30 |
| Amounts written off | – | (2) | (2) |
| Foreign exchange adjustments | – | 10 | 10 |
| ECL as at 31 March 2020 | 31 | 1,076 | 1,107 |
| Total at 1 January 2020 | 179 | 1,069 | 1,248 |
| Total at 31 March 2020 | 180 | 1,087 | 1,267 |

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An analysis of changes in the ECLs for other financial assets for three months ended 31 March 2019 is, as follows:

| | Provisions for financial guarantees, credit lines, letters of credit mRUB (unaudited) | Provision for other assets mRUB (unaudited) | Total mRUB (unaudited) |
|----------------------------------|---|--|----------------------------------|
| Stage 1 | | | |
| ECL as at 1 January 2019 | 107 | – | 107 |
| Transfers to Stage 1 | – | – | – |
| Transfers to Stage 2 | (2) | – | (2) |
| Transfers to Stage 3 | – | – | – |
| Net allocations | (7) | 4 | (3) |
| Foreign exchange adjustments | 2 | 2 | 4 |
| ECL as at 31 March 2019 | 100 | 6 | 106 |
| Stage 2 | | | |
| ECLs as at 1 January 2019 | 23 | 4 | 27 |
| Transfers to Stage 1 | – | – | – |
| Transfers to Stage 2 | (2) | – | (2) |
| Transfers to Stage 3 | – | – | – |
| Net allocations | – | – | – |
| Foreign exchange adjustments | (2) | – | (2) |
| ECL as at 31 March 2019 | 19 | 4 | 23 |
| Stage 3 | | | |
| ECLs as at 1 January 2019 | 127 | 952 | 1,079 |
| Transfers to Stage 1 | – | – | – |
| Transfers to Stage 2 | – | – | – |
| Transfers to Stage 3 | – | – | – |
| Accounting transfer | – | – | – |
| Net allocations | (109) | 7 | (102) |
| Amounts written off | – | (6) | (6) |
| Foreign exchange adjustments | (11) | – | (11) |
| ECL as at 31 March 2019 | 7 | 953 | 960 |
| Total at 1 January 2019 | 257 | 956 | 1,213 |
| Total at 31 March 2019 | 126 | 963 | 1,089 |

The movements in provisions according to IAS 36 and IAS 37 were as follows:

| | Provision for claims and other commitments mRUB (unaudited) | Provision for repossessed assets mRUB (unaudited) | Total mRUB (unaudited) |
|---------------------------------------|---|---|----------------------------------|
| Provision as at 1 January 2019 | 426 | 574 | 1,000 |
| Allowance charge | 9 | 28 | 37 |
| Recoveries | (4) | (21) | (25) |
| Amounts written off | (245) | (2) | (247) |
| Foreign exchange adjustments | (13) | – | (13) |
| Provision as at 31 March 2019 | 173 | 579 | 752 |
| Provision as at 1 January 2020 | 298 | 516 | 814 |
| Allowance charge | 38 | 32 | 70 |
| Recoveries | (17) | – | (17) |
| Amounts written off | – | 1 | 1 |
| Foreign exchange adjustments | (18) | – | (18) |
| Provision as at 31 March 2020 | 301 | 549 | 850 |

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NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR 3 MONTHS ENDED 31 MARCH 2020 (UNAUDITED)

22. Net gain/(loss) on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards

Net loss on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards comprises:

| | 3 months ended 31 March | |
|--|-------------------------|-----------------------------|
| | 2020 | mRUB (unaudited) 2019 |
| Net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss comprise: | | |
| Realized gain/(loss) on trading operations | 219 | (123) |
| Unrealized revaluation of securities at fair value through profit or loss | (367) | 38 |
| Net gain/(loss) on operations with derivative financial instruments, except forex swaps and forwards | <u>3,131</u> | <u>(508)</u> |
| Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards | <u>2,983</u> | <u>(593)</u> |

23. Net gain/(loss) on foreign exchange operations

| | 3 months ended 31 March | |
|---|-------------------------|-----------------------------|
| | 2020 | mRUB (unaudited) 2019 |
| Net gain/(loss) on foreign exchange operations | 233 | 788 |
| Exchange differences | 3,289 | 80 |
| Effect of foreign currency swap instruments | <u>(523)</u> | <u>(150)</u> |
| Total net gain/(loss) on foreign exchange operations | <u>2,999</u> | <u>718</u> |

24. Fee and commission income and expense

| | 3 months ended 31 March | |
|---|-------------------------|-----------------------------|
| | 2020 | mRUB (unaudited) 2019 |
| Fee and commission income: | | |
| Plastic cards operations | 1,108 | 985 |
| Agency operations | 1,039 | 959 |
| Settlements | 648 | 458 |
| Documentary operations | 324 | 348 |
| Internet bank | 314 | 246 |
| Cash operations | 122 | 157 |
| SMS-informing | 120 | 308 |
| Other operations | <u>316</u> | <u>285</u> |
| Total fee and commission income | <u>3,991</u> | <u>3,746</u> |
| Fee and commission expense: | | |
| Plastic cards operations | 700 | 637 |
| Agency operations | 184 | 146 |
| Cash operations | 134 | 149 |
| Settlements | 112 | 109 |
| Documentary operations | 48 | 8 |
| Other operations | <u>75</u> | <u>38</u> |
| Total fee and commission expense | <u>1,253</u> | <u>1,087</u> |

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25. Operating expenses

| | 3 months ended 31 March mRUB (unaudited) | |
|---|--|--------------|
| | 2020 | 2019 |
| Salary and bonuses | 4,098 | 4,435 |
| Unified social tax contribution | 1,252 | 1,266 |
| Depreciation charge on property and equipment and right-of-use assets | 1,293 | 1,068 |
| Deposit insurance charge | 540 | 483 |
| Repairs and maintenance expense | 486 | 322 |
| Professional services | 319 | 567 |
| Communications | 288 | 233 |
| Advertising and marketing expenses | 285 | 305 |
| Operating lease expense | 66 | 94 |
| Security | 45 | 55 |
| Transportation expenses | 45 | 25 |
| Other | 709 | 684 |
| Total operating expenses | 9,426 | 9,537 |

26. Income tax

The Group measures and records its current income tax payable in its assets and liabilities in accordance with the tax regulations of RF and countries where the Group and its subsidiaries operate, which may differ from IFRS.

The Group is subject to certain permanent tax differences due to the non-tax deductibility of certain expenses and certain income being treated as non-taxable for tax purposes.

Deferred taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Temporary differences as of 31 March 2020 and 31 December 2019 relate mostly to different methods/timing of income and expense recognition as well as to temporary differences generated by tax - book bases' differences for certain assets.

The tax rate used for the reconciliations below is the corporate tax rate of 20% payable by corporate entities in the RF on taxable profits (as defined) under tax law in that jurisdiction.

Based on semi-annual tax business planning exercise, the Group believes that it will generate sufficient taxable profits to recover the deferred tax assets recognized as of 31 March 2020.

Income tax expense for 3 months ended 31 March 2020 and 2019 comprise:

| | 3 months ended 31 March mRUB (unaudited) | |
|--|--|------------|
| | 2020 | 2019 |
| Current tax charge | 1,260 | 1,198 |
| Deferred tax (credit)/charge- origination and reversal of temporary differences and tax loss carried forward | 291 | (799) |
| Less: deferred tax recognized directly in other comprehensive income | (87) | 168 |
| Income tax expense | 1,464 | 567 |

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27. Earnings per share attributable to equity holders of the parent

| | 3 months ended 31 March mRUB (unaudited) | |
|---|--|---------------|
| | 2020 | 2019 |
| Profit | | |
| Net profit attributable to equity holders of the parent for the period (mRUB) | 7,846 | 2,208 |
| Weighted average number of ordinary shares | | |
| For basic and diluted earnings per share | 1,551,233,087 | 1,551,401,853 |
| Earnings per share - basic and diluted (RUB) | 5.06 | 1.42 |

28. Commitments and contingencies

In the normal course of business, the Group is a party to financial instruments with off-balance sheet risk in order to meet the needs of its customers. These instruments, involving varying degrees of credit risk, are not reflected in the statement of financial position.

The Group's maximum exposure to credit risk under contingent liabilities and commitments to extend credit, in the event of non-performance by the other party where all counterclaims, collateral or security prove valueless, is represented by the contractual amounts of those instruments.

The Group uses the same credit control and management policies in undertaking off-balance sheet commitments as it does for on-balance operations. Extension of loans to customers within credit line limits is approved by the Group on a case-by-case basis and depends on borrowers' financial performance, debt service and other conditions.

| | 31 March 2020 mRUB (unaudited) | 31 December 2019 mRUB |
|--|--------------------------------------|-----------------------------|
| Litigations and other provisions | 301 | 298 |
| Provision for losses on letters of credit and guarantees | 180 | 179 |
| Total other provisions | 481 | 477 |

As of 31 March 2020 and 31 December 2019, letters of credit and other transactions related to contingent obligations covered by cash on customers' accounts amounted to RUB 65 million and RUB 220 million, respectively and guarantees issued covered by cash amounted to RUB 8 million and RUB 6 million, respectively.

As of 31 March 2020 and 31 December 2019, the nominal or contract amounts were:

| | 31 March 2020 (unaudited) Nominal amount mRUB | 31 December 2019 Nominal amount mRUB |
|--|--|--|
| Contingent liabilities and credit commitments | | |
| Guarantees issued and similar commitments | 123,619 | 119,323 |
| Commitments on loans and unused credit lines | 114,394 | 100,780 |
| Letters of credit and other transaction related contingent obligations | 50,421 | 37,259 |
| Total contingent liabilities and credit commitments | 288,434 | 257,362 |

The Group has commitments to provide funds under credit lines facilities. However, the Group has a right not to exercise such commitments due to certain conditions.

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Legal proceedings

From time to time and in the normal course of business, claims against the Group are received from customers and counterparties. Management is of the opinion that no material unaccrued losses will be incurred.

Taxation

The current provisions of the Russian tax legislation are characterized by a significant degree of uncertainty, allow ambiguous interpretation, selective and inconsistent application, and are subject to frequent changes with the possibility of their retrospective application. Every year the approach of the Russian tax authorities in interpreting tax legislation becomes tougher. As a result, previously uncontested approaches to calculating taxes could be challenged in future tax audits.

Russian transfer pricing regulations set out reporting and documentation requirements of the Group's companies aimed to control prices in transactions between related parties. In case the prices applied in controlled transactions differ from the market level, the amounts of taxable income / expenses on such transactions could be disputed by the Russian tax authorities. The sum of potential liabilities from tax authorities pertaining to the transfer pricing could not be estimated. In the management's opinion prices applied by the related parties of the Group in controlled transactions at arm length principle; the Group's methodology for determining market level in transactions between related parties comply with the Russian transfer pricing rules.

Russian tax legislation establishes the order of taxation the controlled foreign companies' profits and relevant reporting requirements. The Group complies with all tax legislation requirements on reporting of controlled foreign companies.

Russian tax legislation establishes the obligation for taxpayers that are constituent entities of a multinational group to submit a Country by country report. Group companies are obliged to provide Russian tax authorities with the following documents: CbCR Notification and CbC report.

Russian tax legislation regulates the procedure for the automatic exchange of information on financial accounts with foreign countries (territories). As part of the requirements for the automatic exchange of information on the financial accounts of a company, the Group is obliged to perform additional procedures to identify its clients, their beneficiaries and (or) persons controlling them, in order to identify tax residents of foreign countries (territories), and to submit annual reports on the accounts of such entities to the Federal Tax Service.

Russian tax legislation sets out a special order for the application of certain provisions of the Double Tax Treaty Agreements. Group companies could be entitled to tax exemption or reduced tax rates stipulated by the Double Tax Treaty for income paid to foreign entities if such entity is a beneficial owner of income. At the same time, for the determining the beneficial owner of income it is possible to use "look through approach". The Group companies have developed a procedure for analyzing and documenting the existence of beneficial owner of income for foreign entities. In the management's opinion the procedures applied by the Group enable to minimize potential tax risks arising from taxation of income in favor of entities.

The Russian tax law sets out the concept of "unjustified tax benefit". Based on this concept Russian tax authorities could refuse in tax deduction input VAT and challenge the deduction expenses for profit tax purposes, due to cumulative risks and deficiencies in the counterparty's activities and transactions with it. In the management' opinion Group companies do not receive unjustified tax benefits from their business.

The COVID-19 coronavirus pandemic has affected many processes, including taxation, of companies in various industries around the world. In these circumstances the Group companies comply with all tax legislation requirements for reporting and paying taxes on time.

In the Management's opinion in Q1 2020 the provisions of the tax legislation were appropriately applied to the Group companies.

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Operating environment

Emerging markets such as Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russian Federation continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russian Federation is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russian Federation produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market, which has shown significant degree of volatility over 2018-2020. Management is unable to reliably estimate the effects of any further price fluctuations on the Group's financial position.

Starting from March 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. Global geopolitical landscape remains complicated due to stress around numerous regions.

Starting from 2020, several countries, including Russian Federation, introduced restrictive measures to combat the spread of the coronavirus.

As a consequence of these factors, Russian financial assets have suffered a material rise in volatility over 2018-2020. These developments may result in reduced access of the Russian businesses to international capital and export markets, capital flight, weakening of the Russian Rouble and other negative economic consequences.

The impact of further political and economic developments in Russian Federation on future operations and financial position of the Group is at this stage difficult to determine.

Share-based payments

The Group engages in cash settled share-based payment transactions in respect of services received from certain employees. The fair value of the services received is measured by reference to the fair value of the shares initially on the date of the grant and then subsequently at each reporting date. The cost of the employee services received in respect of the shares granted is recognized in the interim condensed consolidated statement of profit or loss within administrative expenses, over the period that the services are received, which is the vesting period. A liability equal to the portion of the goods and services received is recognized at the current fair value determined at each balance sheet date for cash settled payments.

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29. Transactions with related parties

Transactions between the Group and its subsidiaries, which are related parties of the Group, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

| | Related party transactions | 31 March 2020 mRUB (unaudited) Total category as per financial statement caption | Related party transactions | 31 December 2019 mRUB Total category as per financial statement caption |
|---|-------------------------------|---|-------------------------------|--|
| Cash and cash equivalents, gross | 64,777 | 217,309 | 112,353 | 190,975 |
| - shareholders | 64,758 | | 112,317 | |
| - related parties under common control with the Group | 19 | | 36 | |
| Financial assets at fair value through profit or loss | 28,351 | 68,460 | 9,977 | 36,472 |
| - shareholders | 28,272 | | 9,898 | |
| - related parties under common control with the Group | 79 | | 79 | |
| Loans to customers, gross | 3,012 | 867,134 | 3,136 | 808,782 |
| - key management personnel of the Group | 4 | | 2 | |
| - related parties under common control with the Group | 3,008 | | 3,134 | |
| Other assets | 704 | 18,392 | 52 | 18,449 |
| - shareholders | 605 | | 8 | |
| - related parties under common control with the Group | 99 | | 44 | |
| Financial liabilities at fair value through profit or loss | 33,826 | 67,568 | 19,807 | 34,971 |
| - shareholders | 33,826 | | 19,807 | |
| Due to banks | 12,523 | 48,419 | 10,054 | 49,344 |
| - shareholders | 9,309 | | 8,498 | |
| - related parties under common control with the Group | 3,214 | | 1,556 | |
| Customer accounts | 5,266 | 937,695 | 5,245 | 813,162 |
| - shareholders | 678 | | 17 | |
| - key management personnel of the Group | 157 | | 186 | |
| - related parties under common control with the Group | 4,431 | | 5,042 | |
| Debt securities issued | 529 | 92,581 | 537 | 108,067 |
| - related parties under common control with the Group | 529 | | 537 | |
| Other liabilities | 586 | 18,602 | 619 | 20,645 |
| - shareholders | 524 | | 615 | |
| - related parties under common control with the Group | 62 | | 4 | |
| Subordinated debt | 22,848 | 22,848 | 17,987 | 17,987 |
| - shareholders | 22,848 | | 17,987 | |
| Perpetual subordinated debt | 23,320 | 23,320 | 18,572 | 18,572 |
| - shareholders | 23,320 | | 18,572 | |
| Guarantees issued and similar commitments | 20,351 | 123,619 | 18,871 | 119,323 |
| - shareholders | 10,525 | | 9,281 | |
| - related parties under common control with the Group | 9,826 | | 9,590 | |
| Commitments on loans and unused credit lines | 9,934 | 114,394 | 10,150 | 100,780 |
| - shareholders | 5,000 | | 5,000 | |

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| | Related party transactions | 31 March 2020 mRUB (unaudited) Total category as per financial statement caption | Related party transactions | 31 December 2019 mRUB Total category as per financial statement caption |
|---|----------------------------|---|----------------------------|--|
| - key management personnel of the Group | 6 | | 5 | |
| - related parties under common control with the Group | 4,928 | | 5,145 | |
| Guarantees received | 6,761 | 467,762 | 4,348 | 365,446 |
| - shareholders | 6,493 | | 4,118 | |
| - related parties under common control with the Group | 268 | | 230 | |

Included in the interim condensed consolidated statements of profit or loss for the 3 months ended 31 March 2020 and 2019 are the following amounts which arose due to transactions with related parties:

| | 3 months ended 31 March 2020 mRUB (unaudited) | | 3 months ended 31 March 2019 mRUB (unaudited) | |
|---|---|--|---|--|
| | Related party transactions | Total category as per financial statements caption | Related party transactions | Total category as per financial statements caption |
| Interest income | 268 | 22,780 | 436 | 22,669 |
| - shareholders | 211 | | 389 | |
| - related parties controlled by, or under common control with the Group | 57 | | 47 | |
| Interest expense | (1,017) | (10,566) | (1,029) | (11,165) |
| - shareholders | (998) | | (944) | |
| - key management personnel of the Group | (2) | | (3) | |
| - related parties under common control with the Group | (17) | | (82) | |
| Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards | (1,363) | 2,983 | (361) | (593) |
| - shareholders | (1,363) | | (361) | |
| Net gain/(loss) on foreign exchange operations and on precious metals operations | 283 | 3,000 | (374) | 744 |
| - shareholders | 282 | | (374) | |
| - related parties under common control with the Group | 1 | | — | |
| Fee and commission income | 1,048 | 3,991 | 696 | 3,746 |
| - shareholders | 92 | | 46 | |
| - related parties under common control with the Group | 956 | | 650 | |
| Fee and commission expense | (70) | (1,253) | (16) | (1,087) |
| - shareholders | (70) | | (16) | |
| Operating expense (other than compensation) | (79) | (4,076) | (158) | (3,836) |
| - shareholders | (78) | | (158) | |
| - related parties under common control with the Group | (1) | | — | |
| Other income | 1 | 261 | 34 | 166 |
| - shareholders | — | | 30 | |
| - related parties under common control with the Group | 1 | | 4 | |

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For the 3 months ended 31 March 2020 and 2019 total remuneration of the key management amounted to RUB 98 million and RUB 97 million, respectively.

30. Fair value of financial instruments

Estimated fair value disclosures of financial instruments are made in accordance with the requirements of IFRS 13 "Fair Value Measurement". Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (ie an exit price) regardless of whether that price is directly observable or estimated using another valuation technique.

The fair values of financial assets and financial liabilities are determined as follows.

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- For financial assets and liabilities that have a short term maturity (less than 12 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at variable rates management believes that carrying value may be assumed to be fair value.
- For loans and advances to banks and customers and deposits by banks and customers and promissory notes issued at fixed rates fair value has been estimated by reference to the market rates available at the balance sheet date for similar instruments of maturity equal to the remaining fixed period.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

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The fair value of financial assets and liabilities compared with the corresponding carrying amount in the interim condensed consolidated statement of financial position of the Group is presented below:

| | 31 March 2020 (unaudited) | | 31 December 2019 | |
|---|------------------------------|---------------------|-------------------------|---------------------|
| | Carrying value, mRUB | Fair value, mRUB | Carrying value, mRUB | Fair value, mRUB |
| Cash and cash equivalents | 217,305 | 217,305 | 190,970 | 190,970 |
| Mandatory cash balances with the Central Bank of the Russian Federation | 9,404 | 9,404 | 9,042 | 9,042 |
| Financial assets at fair value through profit or loss | | | | |
| - <i>Derivative financial instruments</i> | 65,680 | 65,680 | 29,367 | 29,367 |
| - <i>Debt securities</i> | 2,589 | 2,589 | 6,914 | 6,914 |
| - <i>Shares</i> | 191 | 191 | 191 | 191 |
| Due from banks | 13,231 | 13,038 | 13,634 | 13,551 |
| Loans to customers | 826,835 | 846,474 | 771,447 | 788,200 |
| Investments at fair value through other comprehensive income | 82,136 | 82,136 | 63,100 | 63,100 |
| Investments at amortised cost | 100,483 | 103,327 | 82,740 | 86,013 |
| Other financial assets | 1,724 | 1,724 | 2,197 | 2,197 |
| Financial liabilities at fair value through profit or loss | 67,568 | 67,568 | 34,971 | 34,971 |
| Due to the Central Bank of the Russian Federation | 17 | 17 | 18 | 18 |
| Due to banks | 48,419 | 48,419 | 49,344 | 49,344 |
| Customer accounts | 937,695 | 935,910 | 813,162 | 813,205 |
| Debt securities issued | 92,581 | 96,570 | 108,067 | 113,052 |
| Other financial liabilities | 14,513 | 14,513 | 15,698 | 15,698 |
| Subordinated debt | 22,848 | 22,848 | 17,987 | 17,987 |

Assets and liabilities for which fair value approximates carrying value

For financial assets and liabilities that have a short term maturity (less than 12 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts.

Fair value measurements recognised in the interim condensed consolidated statement of financial position

For the purpose of fair value hierarchy disclosure as at 31 March 2020 and 31 December 2019, the Group has categorized classes of assets and liabilities at fair value into Level 1 to 3 based on the degree to which their fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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| Balance Sheet Category | 31 March 2020 mRUB (unaudited) | | | 31 December 2019 mRUB | | |
|---|--------------------------------------|---------|---------|--------------------------|---------|---------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| Financial assets at fair value through profit or loss | | | | | | |
| - <i>Derivative financial instruments</i> | - | 65,680 | - | - | 29,367 | - |
| - <i>Debt securities</i> | 2,589 | - | - | 6,914 | - | - |
| - <i>Shares</i> | - | 191 | - | - | 191 | - |
| Investments at fair value through other comprehensive income | 82,136 | - | - | 63,100 | - | - |
| Loans to individuals at fair value through other comprehensive income | - | 2,241 | - | - | 1,464 | - |
| Financial liabilities at fair value through profit or loss | 2,684 | 64,884 | - | 3,992 | 30,979 | - |

Possibility of transfer from Level 1 to Level 2 category is assessed as low, as liquidity control is performed by Market Risk Department. Control period of liquidity assessment is 90 days from position opening. Market risk department performs liquidity analysis using position turnover, volumes of exchange trades, availability of exchange and brokers quotations. In case of position assessment as insufficiently liquid the necessary actions to close position are taken.

For financial instruments that are recognized at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Level 3 fair values of land and office buildings have been generally derived using the adjusted sales comparison approach, the income-based approach and the costs method. Unobservable inputs included in the calculations for sales comparison approach represent various adjustments considered to account for the difference between the compared properties in terms of size, location, bargain prices to which sellers are willing to go (ranging from 0% to -15%). The unobservable inputs included in the income-based approach calculations represent mainly the adjustments considered to account for the discounting rates (ranging from 10% to 12%) and capitalization rates (from 9% to 12.5%).

The sensitivity of the fair value measurement to changes in those unobservable inputs indicated above does not result in a significantly higher or lower fair value measurement.

31. Segment reporting

The Group discloses information to enable users of its financial statements to evaluate the nature and financial effects of the business activities in which it engages and the economic environments in which it operates. This matter is regulated by IFRS 8 "Operating segments" and other standards that require special disclosures in the form of segmental reporting.

IFRS 8 defines an operating segment as follows. An operating segment is a component of an entity:

- That engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity);
- Whose operating results are reviewed regularly by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and
- For which discrete financial information is available.

Information reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance focuses on types of services delivered or provided. The Group's reportable segments under IFRS 8 are therefore as follows:

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- Retail banking – representing private banking services, private customer current accounts, savings, deposits, investment savings products, custody, credit and debit cards, consumer loans and mortgages.
- Corporate banking – representing direct debit facilities, current accounts, deposits, overdrafts, loan and other credit facilities, foreign currency and derivative products.
- Treasury and Financial institutions – representing all trading financial instruments recognized and measured at fair value through profit and loss as well as loans and borrowings initiated through interbank transactions.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. Transactions between the operating segments consist only of reallocating of funds. Funds are ordinarily reallocated between segments, resulting in funding cost transfers disclosed in operating income. Interest charged for these funds is based on the Group's marginal funding price. There are no other material items of income or expense between the business segments. Segment assets and liabilities comprise operating assets and liabilities. Internal charges and transfer pricing adjustments have been reflected in the performance of each business.

The main business activity of the Group is concentrated in RF, thus no geographical segmentation is reported.

Segment information about these businesses is presented below.

| | Retail banking | Corporate banking | Treasury and Financial institutions | Unallocated | 3 months ended 31 March 2020 (unaudited) |
|--|-------------------|----------------------|---|---------------|---|
| Net interest margin | 7,360 | 2,362 | 893 | 1,599 | 12,214 |
| Credit loss expense | (2,069) | (333) | (1) | (2) | (2,405) |
| Net gain/(loss) on financial transactions | 114 | 4 | 5,530 | 327 | 5,975 |
| Net fee and commission income | 2,826 | 693 | 129 | (910) | 2,738 |
| Other provisions | (30) | (10) | – | (2) | (42) |
| Other income | 148 | 64 | 10 | 39 | 261 |
| (Expense)/income from other segments | 442 | 529 | 80 | (1,051) | – |
| Total operating income | 8,791 | 3,309 | 6,641 | – | 18,741 |
| Operating expenses | (7,817) | (1,153) | (531) | 75 | (9,426) |
| (Expense)/income from other segments | 45 | 23 | 7 | (75) | – |
| Other non-operating income/(expense) | (1) | (4) | – | – | (5) |
| Profit before income tax | 1,018 | 2,175 | 6,117 | – | 9,310 |
| Income tax expense | (160) | (342) | (962) | – | (1,464) |
| Net profit/(loss) for the period | 858 | 1,833 | 5,155 | – | 7,846 |
| Segment assets as at 31 March 2020 (unaudited) | 684,906 | 551,717 | 114,979 | 18,240 | 1,369,842 |
| Segment liabilities as at 31 March 2020 (unaudited) | 412,914 | 680,994 | 77,749 | 18,265 | 1,189,922 |

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| | Retail banking | Corporate banking | Treasury and Financial institutions | Unallocated | 3 months ended 31 March 2019 (unaudited) |
|---|-------------------|----------------------|---|---------------|---|
| Net interest margin | 6,233 | 2,434 | 853 | 1,984 | 11,504 |
| Credit loss expense | (1,327) | (815) | (1) | (3) | (2,146) |
| Net gain/(loss) on financial transactions | 134 | (2) | 176 | (162) | 146 |
| Net fee and commission income | 1,600 | 936 | 126 | (3) | 2,659 |
| Other provisions | – | – | – | (13) | (13) |
| Other income | 8 | 30 | 12 | 116 | 166 |
| (Expense)/income from other segments | 806 | 1,047 | 66 | (1,919) | – |
| Total operating income | 7,454 | 3,630 | 1,232 | – | 12,316 |
| Operating expenses | (7,932) | (977) | (525) | (103) | (9,537) |
| (Expense)/income from other segments | (86) | (7) | (10) | 103 | – |
| Other non-operating income/(expense) | (1) | (3) | – | – | (4) |
| Profit before income tax | (565) | 2,643 | 697 | – | 2,775 |
| Income tax expense | (130) | (393) | (44) | – | (567) |
| Net profit/(loss) for the period | (695) | 2,250 | 653 | – | 2,208 |
| Segment assets as at 31 December 2019 | 652,379 | 481,758 | 65,209 | 19,421 | 1,218,767 |
| Segment liabilities as at 31 December 2019 | 396,164 | 587,327 | 42,574 | 20,703 | 1,046,768 |

For the purpose of the segment reporting disclosure the category “Net gain/(loss) on financial transactions” includes the following categories:

- Net (loss)/gain on financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards;
- Net gain/(loss) on foreign exchange operations;
- Net gain/(loss) on precious metals operations.

32. Risk management policies

Policies and processes for managing risks remain unchanged from those disclosed in the Group’s annual consolidated financial statements for the year ended 31 December 2019.

In the current situation due to the outbreak and spread of COVID-19, numerous stress tests were performed to assess the impact of COVID-19 as well as worsening of macroeconomic indicators on the financial condition of the Bank. The scenarios were based on the possible changes in the following main parameters; the GDP decline level, the usage of various currency shocks, a sharp drop in oil prices.

According to the stress-testing results, the current risk profile of the Group allows banking group to withstand stressed conditions mentioned above without violating the minimum capital requirements established by the Bank of Russia.

Methods for assessment of significant risks as well as risk management procedures have not changed significantly during the reporting year.

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Credit risk

The table below shows the credit quality by class of asset for loan-related lines in the interim condensed consolidated statement of financial position for 3 months ended 31 March 2020 is, as follows:

| | Cash and cash equivalents and Due from banks (unaudited) mRUB | Loans to Corporate business (unaudited) mRUB | Loans to Retail business (unaudited) mRUB | Investments at amortised cost (unaudited) mRUB | Investments at FVOCI (unaudited) mRUB | Total (unaudited) mRUB |
|--|---|--|---|--|---------------------------------------|------------------------|
| Stage 1 | | | | | | |
| Gross carrying value as at 1 January 2020 | 129,819 | 280,099 | 479,147 | 82,754 | 63,100 | 1,034,919 |
| Net change of value of assets | (36,231) | 46,915 | 9,532 | 17,746 | 19,036 | 56,998 |
| Transfers to Stage 1 | – | 131 | 3,171 | – | – | 3,302 |
| Transfers to Stage 2 | – | (3,947) | (8,712) | – | – | (12,659) |
| Transfers to Stage 3 | – | (39) | (2,218) | – | – | (2,257) |
| At 31 December 2020 | 93,588 | 323,159 | 480,920 | 100,500 | 82,136 | 1,080,303 |
| Stage 2 | | | | | | |
| Gross carrying value as at 1 January 2020 | – | 5,681 | 6,208 | – | – | 11,889 |
| Net change of value of assets | – | 2,934 | (424) | – | – | 2,510 |
| Transfers to Stage 1 | – | (126) | (2,531) | – | – | (2,657) |
| Transfers to Stage 2 | – | 3,947 | 9,020 | – | – | 12,967 |
| Transfers to Stage 3 | – | (150) | (2,573) | – | – | (2,723) |
| At 31 December 2020 | – | 12,286 | 9,700 | – | – | 21,986 |
| Stage 3 | | | | | | |
| Gross carrying value as at 1 January 2020 | – | 6,447 | 30,924 | – | – | 37,371 |
| Net change of value of assets | – | 798 | (952) | – | – | (154) |
| Assets sold | – | – | (181) | – | – | (181) |
| Transfers to Stage 1 | – | (5) | (640) | – | – | (645) |
| Transfers to Stage 2 | – | – | (308) | – | – | (308) |
| Transfers to Stage 3 | – | 189 | 4,791 | – | – | 4,980 |
| Amounts written off | – | – | (257) | – | – | (257) |
| At 31 December 2020 | – | 7,429 | 33,377 | – | – | 40,806 |
| POCI | | | | | | |
| Gross carrying value as at 1 January 2020 | – | – | 276 | – | – | 276 |
| Net change of value of assets | – | – | (13) | – | – | (13) |
| At 31 December 2020 | – | – | 263 | – | – | 263 |
| Total at 1 January 2020 | 129,819 | 292,227 | 516,555 | 82,754 | 63,100 | 1,084,455 |
| Total at 31 December 2020 | 93,588 | 342,874 | 524,260 | 100,500 | 82,136 | 1,143,358 |

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The table below shows the credit quality by class of asset for loan-related lines in the consolidated statement of financial position for 12 months ended 31 December 2019 is, as follows:

| | Cash and cash equivalents and due from banks mRUB | Loans to corporate business mRUB | Loans to retail business mRUB | Investments at amortised cost mRUB | Investments at FVOCI mRUB | Total mRUB |
|--|---|----------------------------------|-------------------------------|------------------------------------|---------------------------|------------------|
| Stage 1 | | | | | | |
| Gross carrying value as at 1 January 2019 | 72,497 | 290,147 | 418,219 | 94,152 | 46,180 | 921,195 |
| Net change of value of assets | 57,322 | (10,522) | 70,526 | (6,601) | 16,920 | 127,645 |
| Assets purchased | - | - | 5,853 | - | - | 5,853 |
| Assets sold | - | - | (7,430) | (4,796) | - | (12,226) |
| Transfers to Stage 1 | - | 1,819 | 6,180 | - | - | 7,999 |
| Transfers to Stage 2 | - | (1,229) | (6,800) | - | - | (8,029) |
| Transfers to Stage 3 | - | (114) | (7,401) | - | - | (7,515) |
| At 31 December 2019 | 129,819 | 280,101 | 479,147 | 82,755 | 63,100 | 1,034,922 |
| Stage 2 | | | | | | |
| Gross carrying value as at 1 January 2019 | - | 5,249 | 9,363 | - | - | 14,612 |
| Net change of value of assets | - | 1,822 | (837) | - | - | 985 |
| Transfers to Stage 1 | - | (1,819) | (5,613) | - | - | (7,432) |
| Transfers to Stage 2 | - | 1,229 | 7,712 | - | - | 8,941 |
| Transfers to Stage 3 | - | (801) | (4,418) | - | - | (5,219) |
| At 31 December 2019 | - | 5,680 | 6,207 | - | - | 11,887 |
| Stage 3 | | | | | | |
| Gross carrying value as at 1 January 2019 | - | 12,118 | 32,694 | - | - | 44,812 |
| Net change of value of assets | - | (1,021) | (3,737) | - | - | (4,758) |
| Assets sold | - | - | (7,064) | - | - | (7,064) |
| Transfers to Stage 1 | - | - | (567) | - | - | (567) |
| Transfers to Stage 2 | - | - | (912) | - | - | (912) |
| Transfers to Stage 3 | - | 915 | 11,819 | - | - | 12,734 |
| Amounts written off | - | (5,566) | (1,308) | - | - | (6,874) |
| At 31 December 2019 | - | 6,446 | 30,925 | - | - | 37,371 |
| POCI | | | | | | |
| Gross carrying value as at 1 January 2019 | - | - | 245 | - | - | 245 |
| Net change of value of assets | - | - | 31 | - | - | 31 |
| At 31 December 2019 | - | - | 276 | - | - | 276 |
| Total at 1 January 2019 | 72,497 | 307,514 | 460,521 | 94,152 | 46,180 | 980,864 |
| Total at 31 December 2019 | 129,819 | 292,227 | 516,555 | 82,755 | 63,100 | 1,084,456 |

Structural interest rate risk

Structural interest rate risk – it is the risk of potential losses, income or asset value decrease as a result of changes in market interest rates.

Group accepts an interest rate risk within the limits according to risk-appetite. The limit of possible risk level is set as maximum value of future cash flows sensitivity to the interest rate change.

Additional to the interest rate limits, possible thresholds (within the current limits) are set. Achieving thresholds means the need for implementing balance sheet structure adjusting and risk reduction measures.

During Q1 2020 the Group's interest rate risk was within the established limits and thresholds.

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Sensitivity to interest rate variations of the Group is presented below:

| | 31 March 2020 mRUB (unaudited) | Year ended 31 December 2019 |
|--|---|-----------------------------------|
| Short term | 49 | 32 |
| Medium term | (144) | (162) |
| Long term | 147 | 180 |
| Total sensitivity to interest rate risk | 52 | 50 |

Sensitivity calculation of net interest margin to interest rate variations of the Group for the one year horizon is presented below:

| 31 March 2020 mRUB (unaudited) | Carrying amount | Reasonably possible changes | | | |
|---|--------------------|-----------------------------|----------------|--------------|----------------|
| | | RUB +117 bp | USD -101 bp | EUR -9 bp | Total |
| Due from banks | 103,657 | 841 | (32) | 1 | (1,539) |
| Loans to customers | 826,835 | 2,686 | (9) | – | 2,030 |
| Debt securities | 185,208 | 791 | (3) | – | 566 |
| Total interest bearing assets | 1,115,700 | 4,318 | (44) | 1 | 1,057 |
| Due to banks | 48,419 | (1,114) | 14 | (1) | (93) |
| Customer accounts | 937,695 | (3,496) | 18 | – | (2,082) |
| Debt securities issued | 92,581 | (74) | – | – | (74) |
| Total interest bearing liabilities | 1,078,695 | (4,684) | 32 | (1) | (2,249) |

A positive number indicates an increase in profit and other equity in case of possible changes in interest rates. For change of interest rates in opposite direction by the same number, there would be a comparable impact on the profit and other equity, and the balances would be negative.

| Year ended 31 December 2019 mRUB | Carrying amount | Reasonably possible changes | | | |
|---|--------------------|-----------------------------|----------------|--------------|----------------|
| | | RUB +117 bp | USD -101 bp | EUR -9 bp | Total |
| Due from banks | 152,143 | 776 | (39) | (1) | (1,683) |
| Loans to customers | 771,447 | 2,688 | (9) | – | 2,137 |
| Debt securities | 152,754 | 615 | (2) | – | 481 |
| Total interest bearing assets | 1,076,344 | 4,079 | (50) | (1) | 935 |
| Due to banks | 49,344 | (838) | 22 | 1 | 609 |
| Customer accounts | 813,162 | (3,446) | 19 | – | (2,289) |
| Debt securities issued | 108,067 | (205) | – | – | (205) |
| Total interest bearing liabilities | 970,573 | (4,489) | 41 | 1 | (1,885) |

* Includes term deposits in banks, loans under reverse repurchase agreements, balances with the Central Bank of the Russian Federation and Mandatory cash balances with the Central Bank of the Russian Federation.

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Structural currency risk

The Group's exposure to foreign currency exchange rate risk:

| | mRUB | USD 1 USD = 77.7325 RUB | EUR 1 EUR = 85.7389 RUB | Precious metals | Other currency | 31 March 2020 Total |
|--|-----------------|----------------------------------|----------------------------------|--------------------|-------------------|------------------------------|
| Total assets | 977,096 | 243,936 | 127,393 | 608 | 20,809 | 1,369,842 |
| Total liabilities | 772,812 | 321,601 | 73,277 | 608 | 21,625 | 1,189,923 |
| Open balance sheet position | 204,284 | (77,665) | 54,116 | - | (816) | |
| Receivables on spot and derivative contracts | 257,600 | 442,432 | 125,171 | - | 154,015 | 979,218 |
| Payables on spot and derivative contracts | (309,419) | (337,609) | (179,470) | - | (153,102) | (979,600) |
| Net position on spot and derivative contracts | (51,819) | 104,823 | (54,299) | - | 913 | |
| Total open position | 152,465 | 27,158 | (183) | - | 97 | |

| | mRUB | USD 1 USD = 61.9057 RUB | EUR 1 EUR = 69.3406 RUB | Precious metals | Other currency | 31 December 2019 Total |
|--|-----------------|----------------------------------|----------------------------------|--------------------|-------------------|---------------------------------|
| Total assets | 933,464 | 149,811 | 118,394 | 483 | 16,615 | 1,218,767 |
| Total liabilities | 745,647 | 221,816 | 60,448 | 483 | 18,374 | 1,046,768 |
| Open balance sheet position | 187,817 | (72,005) | 57,946 | - | (1,759) | |
| Receivables on spot and derivative contracts | 203,201 | 320,071 | 90,153 | - | 129,634 | 743,059 |
| Payables on spot and derivative contracts | (241,267) | (225,266) | (147,698) | - | (128,827) | (743,058) |
| Net position on spot and derivative contracts | (38,066) | 94,805 | (57,545) | - | 807 | |
| Total open position | 149,751 | 22,800 | 401 | - | (952) | |

Currency risk sensitivity

The following table details the Group's sensitivity to a 21% increase and decrease in the RUB against the USD and to a 17% increase in the RUB against the EUR. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and their translation at the period end is adjusted for a 30% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations with the Group where the denomination of the loan is in a currency other than the functional currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where the RUB weakens 21% against the USD and 17% against the EUR. A negative number below indicates a decrease in profit and other equity where the RUB weakens 21% against the USD and 17% against the EUR. For a 21% strengthening of the RUB against the USD and for a 17% strengthening of the RUB against the EUR, there would be a comparable impact on the profit and other equity, and the balances below would be negative.

| | 31 March 2020 (unaudited) | USD impact 31 December 2019 | 31 March 2020 (unaudited) | EUR impact 31 December 2019 |
|-------------------|------------------------------|-----------------------------------|------------------------------|-----------------------------------|
| Profit before tax | 5,703 | 4,788 | (31) | 68 |
| Other equity | 4,562 | 3,830 | (25) | 54 |

Limitations of sensitivity analysis

The above tables demonstrate the effect of a change in a key assumption while other assumptions remain unchanged. In reality, there is a correlation between the assumptions and other factors.

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It should also be noted that these sensitivities are non-linear, and larger or smaller impacts should not be interpolated or extrapolated from these results.

The sensitivity analyses do not take into consideration that the Group's assets and liabilities are actively managed. Additionally, the financial position of the Group may vary at the time that any actual market movement occurs. For example, the Group's financial risk management strategy aims to manage the exposure to market fluctuations. As investment markets move past various trigger levels, management actions could include selling investments, changing investment portfolio allocation and taking other protective action. Consequently, the actual impact of a change in the assumptions may not have any impact on the liabilities, whereas assets are held at market value in the statement of financial position. In these circumstances, the different measurement bases for liabilities and assets may lead to volatility in shareholder equity.

Other limitations in the above sensitivity analyses include the use of hypothetical market movements to demonstrate potential risk that only represent the Group's view of possible near-term market changes that cannot be predicted with any certainty; and the assumption that all interest rates move in an identical fashion.

33. Subsequent events

On 17 April 2020 Analytical Credit Rating Agency (ACRA) confirmed the highest credit rating of PJSC ROSBANK at the level of AAA (RU). The rating forecast is "stable", which implies that the rating will remain unchanged for the next 12 to 18 months with the highest probability

On 27 April 2020 cancellation order of the ORS JSC banking license was issued.

On 21 May 2020 Expert RA has affirmed its credit rating on PJSC ROSBANK at 'ruAAA' with 'stable outlook'.


Chairman of the Management Board
I.A. Polyakov

27 May 2020
Moscow

