

ROSBANK Group

**Interim condensed consolidated
financial statements**

*3 months ended 31 March 2020
(unaudited)*

ROSBANK GROUP

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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)	
		2020	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
I.A. Polyakov

27 May 2020
Moscow



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ROSBANK GROUP

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	60,634	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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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 Depositary LLC	Russia	100/100	100/100	100/100	Depositary 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

ROSBANK GROUP

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

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
Shares of Russian companies	450
	450
	530

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	–	–
		82,136		63,100

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		(17)		(15)
Investments at amortised cost		100,483		82,740

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	67,568	34,971

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	48,419	49,344

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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	325,902	219,686
Total corporate	597,429	495,145
Individuals		
Time deposits	164,098	165,573
Repayable on demand	176,168	152,444
Total individuals	340,266	318,017
Total customer accounts	937,695	813,162

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%	3,096
Total debt securities issued		92,581		108,067

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	22,848	LIBOR 6M + 268 bp	17,987
Total subordinated debt			22,848		17,987

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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	1,846,461,466	295,059,613	1,551,401,853
<i>including share capital repurchased</i>	–	–	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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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	3,131	(508)
Total net gain/(loss) on operations with financial assets and liabilities at fair value through profit or loss, except forex swaps and forwards	2,983	(593)

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	(523)	(150)
Total net gain/(loss) on foreign exchange operations	2,999	718

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	316	285
Total fee and commission income	3,991	3,746
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	75	38
Total fee and commission expense	1,253	1,087

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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.

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.

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:

	Related party transactions	3 months ended 31 March 2020 mRUB (unaudited) Total category as per financial statements caption	Related party transactions	3 months ended 31 March 2019 mRUB (unaudited) 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	

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	31 March 2020			31 December 2019		
	mRUB (unaudited)			mRUB		
Category	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

