

“BNP PARIBAS BANK” JSC

**Interim condensed financial statements
for the six-month period ended 30 June 2020
(unaudited)**

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REVIEW REPORT

INTERIM CONDENSED FINANCIAL STATEMENTS for the six-month period ended 30 June 2020

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Report on Review of Interim Condensed Financial Statements

To the Shareholder and Supervisory Board of "BNP PARIBAS Bank" Joint stock company:

Introduction

We have reviewed the accompanying interim statement of financial position of "BNP PARIBAS Bank" Joint stock company (the "Bank") as at 30 June 2020 and the related interim statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended, and the related explanatory notes. Management is responsible for the preparation and presentation of this interim condensed financial statements in accordance with International Accounting Standard 34, "Interim Financial Reporting". Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting".


31 August 2020
Moscow, Russian Federation
A. Boyko, certified auditor (licence No. 01-001510), AO PricewaterhouseCoopers Audit

Audited entity: BNP PARIBAS Bank Joint stock company

Record made in the Unified State Register of Legal Entities on 22 July 2002 under State Registration Number 1027700045780

Taxpayer Identification Number 7744002405

Lesnaya 5, Moscow, Russia, 125047

Independent auditor: AO PricewaterhouseCoopers Audit

Registered by the Government Agency Moscow Registration Chamber on 28 February 1992 under No. 008.890

Record made in the Unified State Register of Legal Entities on 22 August 2002 under State Registration Number 1027700148431

Taxpayer Identification Number 7705051102

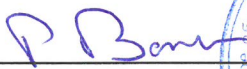
Member of Self-regulatory organization of auditors Association "Socruzhestvo"

Principal Registration Number of the Record in the Register of Auditors and Audit Organizations – 12006020338

"BNP PARIBAS BANK" JSC
Interim statement of financial position

| <i>In thousands of Russian Roubles</i> | Note | 30 June 2020 (unaudited) | 31 December 2019 |
|----------------------------------------------------------------------------|--------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and cash equivalents | 6 | 39 083 159 | 31 882 041 |
| Mandatory cash balances with the Central Bank of Russian Federation | | 403 492 | 374 813 |
| Due from other banks and financial institutions | 7 | 3 176 228 | 20 000 |
| Derivatives and financial assets at fair value through profit or loss | 8 | 2 418 363 | 2 191 094 |
| Investments in debt securities | | 3 235 669 | 2 938 778 |
| Loans and advances to customers | 9 | 8 493 016 | 5 289 213 |
| Right of use assets | | 423 914 | 504 221 |
| Intangible assets | | 36 861 | 41 896 |
| Premises and equipment | | 29 320 | 38 577 |
| Other financial assets | | 534 289 | 295 399 |
| Other non-financial assets | | 79 204 | 59 596 |
| TOTAL ASSETS | | 57 913 515 | 43 635 628 |
| LIABILITIES | | | |
| Derivatives and financial liabilities at fair value through profit or loss | 8 | 1 812 384 | 2 286 425 |
| Due to other banks | 10 | 10 680 211 | 8 894 783 |
| Customer accounts | 11 | 35 400 655 | 20 274 944 |
| Lease liabilities | | 352 791 | 448 370 |
| Current income tax liability | | 7 912 | 7 820 |
| Deferred income tax liability | | 187 489 | - |
| Subordinated debt | 12, 17 | - | 2 724 405 |
| Other financial liabilities | | 105 283 | 72 017 |
| Other non-financial liabilities | | 97 209 | 124 872 |
| TOTAL LIABILITIES | | 48 643 934 | 34 833 636 |
| EQUITY | | | |
| Share capital | | 5 798 193 | 5 798 193 |
| Share premium | | 392 546 | 392 546 |
| Retained earnings | | 3 078 842 | 2 611 253 |
| TOTAL EQUITY | | 9 269 581 | 8 801 992 |
| TOTAL LIABILITIES AND EQUITY | | 57 913 515 | 43 635 628 |

Approved for issue and signed on behalf of the Board on 31 August 2020.


 Pierre Bonin
 Chief Executive Officer




 Konstantin Ruchkin
 Chief Accountant

“BNP PARIBAS BANK” JSC
Interim statement of profit or loss and other comprehensive income

| <i>In thousands of Russian Roubles</i> | Note | Six-month period ended 30 June | |
|-----------------------------------------------------------------------------------------------------------------------------|------|--------------------------------|---------------------|
| | | 2020 (unaudited) | 2019 (unaudited) |
| Interest income and similar revenues | 13 | 1 100 960 | 1 416 889 |
| Interest expense and similar charges | 13 | (696 991) | (1 059 352) |
| Net interest income | | 403 969 | 357 537 |
| Credit loss allowance reversal / (charges) | | 2 952 | (412) |
| Net interest income after credit loss allowance | | 406 921 | 357 125 |
| Fee and commission income | | 586 422 | 178 844 |
| Fee and commission expense | | (35 334) | (28 423) |
| Gains less losses from Trading in Foreign Currencies, Financial Instruments at FVTPL and remeasurement of currency position | | 225 280 | 119 489 |
| Credit loss allowance for credit related commitments reversal | | 641 | 37 048 |
| Administrative and other operating expenses | | (513 205) | (481 534) |
| Profit before tax | | 670 725 | 182 549 |
| Income tax expense | | (203 136) | (347 196) |
| PROFIT / (LOSS) FOR THE PERIOD | | 467 589 | (164 647) |
| TOTAL COMPREHENSIVE PROFIT / (LOSS) FOR THE PERIOD | | 467 589 | (164 647) |

The notes set out on pages 5 to 21 form an integral part of these interim condensed financial statements.

“BNP PARIBAS BANK” JSC
Interim statement of changes in equity

| <i>In thousands of Russian Roubles</i> | Share capital | Share premium | Retained earnings | Total equity |
|-----------------------------------------------|----------------------|----------------------|--------------------------|---------------------|
| Balance as at 1 January 2019 | 5 798 193 | 392 546 | 2 263 948 | 8 454 687 |
| Loss for the period (unaudited) | - | - | (164 647) | (164 647) |
| Balance as at 30 June 2019 (unaudited) | 5 798 193 | 392 546 | 2 099 301 | 8 290 040 |
| Balance as at 31 December 2019 | 5 798 193 | 392 546 | 2 611 253 | 8 801 992 |
| Profit for the period (unaudited) | - | - | 467 589 | 467 589 |
| Balance as at 30 June 2020 (unaudited) | 5 798 193 | 392 546 | 3 078 842 | 9 269 581 |

The notes set out on pages 5 to 21 form an integral part of these interim condensed financial statements.

“BNP PARIBAS BANK” JSC
Interim statement of cash flows

| <i>In thousands of Russian Roubles</i> | Note | Six-month period ended 30 June | |
|---------------------------------------------------------------------------------------------------|------|--------------------------------|---------------------|
| | | 2020 (unaudited) | 2019 (unaudited) |
| Cash flows from operating activities | | | |
| Interest received | | 1 076 111 | 1 412 218 |
| Interest paid | | (667 955) | (1 030 141) |
| Fees and commissions received | | 339 968 | 199 824 |
| Fees and commissions paid | | (35 334) | (28 423) |
| Gains net of losses from financial instruments at fair value through profit or loss | | (977 547) | (2 231 769) |
| Staff costs paid | | (316 830) | (297 227) |
| Administrative and other operating expenses paid | | (121 015) | (100 059) |
| Income tax paid | | (17 846) | (200 355) |
| Cash flows used in operating activities before changes in operating assets and liabilities | | (720 448) | (2 275 932) |
| Net cash received from operating activities | | | |
| Net increase in mandatory cash balances | | (28 679) | (37 114) |
| Net increase in due from other banks | | (3 117 345) | (3 515 652) |
| Net increase in loans and advances to customers | | (3 155 105) | (1 090 430) |
| Net decrease / (increase) in other financial assets | | 320 | (33) |
| Net (increase) / decrease in other non-financial assets | | (15 427) | 13 436 |
| Net increase / (decrease) in due to other banks | | 1 322 357 | (942 785) |
| Net increase in customer accounts | | 14 582 595 | 12 285 824 |
| Net decrease in other non-financial liabilities | | (2 492) | (675) |
| Net cash received from operating activities | | 8 865 776 | 4 436 639 |
| Cash flows from investing activities | | | |
| Acquisition of investments in debt securities | | (757 857) | (299 728) |
| Proceeds from redemption of investments in debt securities | | 454 295 | 1 000 000 |
| Acquisition of premises and equipment | | (1 854) | (5 612) |
| Acquisition of intangible assets | | (2 203) | (43 505) |
| Net cash (used in) / received from investing activities | | (307 619) | 651 155 |
| Cash flows from financing activities | | | |
| Repayment of subordinated debt | | (3 420 230) | (2 265 273) |
| Cash outflow for lease liabilities | | (63 828) | (48 365) |
| Net cash used in financing activities | | (3 484 058) | (2 313 638) |
| Effect of exchange rate changes on cash and cash equivalents | | | |
| | | 2 127 012 | (1 482 264) |
| Net increase in cash and cash equivalents | | | |
| Cash and cash equivalents, gross at the beginning of the year | 6 | 31 882 110 | 37 874 091 |
| Cash and cash equivalents, gross at the end of the year | | 39 083 221 | 39 165 983 |

The notes set out on pages 5 to 21 form an integral part of these interim condensed financial statements.

1 Principal activities

“BNP PARIBAS BANK” JSC (the “Bank”) was incorporated and is domiciled in the Russian Federation. The Bank is a joint stock company and was set up in accordance with Russian regulations.

The Bank’s principal business activity is commercial banking operations within the Russian Federation. The Bank accepts deposits from the legal entities and provides loans, transfers payments in Russia and abroad, exchanges currencies, trades derivative financial instruments and provides other banking services to its commercial customers. The Bank has operated under the banking license issued by the Central Bank of the Russian Federation (“CBRF”) since 10 July 2002.

The Bank participates in the state deposit insurance program, which was introduced by Federal Law No. 177-FZ “Deposits of individuals insurance in Russian Federation” dated 23 December 2003. The State Deposit Insurance Agency guarantees repayment of 100% of individual deposits up to RR 1 400 thousand per individual in the case of the withdrawal of a licence of a bank or a CBRF imposed moratorium on payments.

The Bank is directly and ultimately controlled by BNP Paribas S.A., incorporated in France (the “Parent Bank”), which owns 100% of the ordinary shares. Being a subsidiary of BNP Paribas S.A., the Bank is a part of the international banking network of BNP Paribas Group (the “Group”).

Since 23 January 2018 (and renewed on 16 January 2020) the Bank is rated AAA (RU) with Stable outlook by the Russian Analytical Credit Rating Agency (ACRA) (2019: AAA (RU) with Stable outlook).

Registered address and place of business. The Bank’s registered address is: 5 Lesnaya St., White Square Business Center, Bld. B., Moscow, 125047, Russian Federation.

The average number of the Bank’s employees during the six-month period ended 30 June 2020 was 124 (2019: 127).

Presentation currency. These interim condensed financial statements are presented in thousand Russian Roubles (“RR”), unless otherwise stated.

2 Operating environment of the Bank

Russian Federation. The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals.

The Bank acts in accordance with Russian regulations and BNP Paribas Group requirements. It has set up and constantly updates its systems and measures on anti-money laundering, on counteraction the financing of terrorism, and on ensuring its compliance with UN Sanctions.

On 12 March 2020, the World Health Organisation declared the outbreak of COVID-19 a global pandemic. In response to the pandemic, the Russian authorities implemented numerous measures attempting to contain the spreading and impact of COVID-19, such as travel bans and restrictions, quarantines, shelter-in-place orders and limitations on business activity, including closures. These measures have, among other things, severely restricted economic activity in Russia and have negatively impacted, and could continue to negatively impact businesses, market participants, clients of the Bank, as well as the Russian and global economy for an unknown period of time. Management is taking necessary measures to ensure sustainability of the Bank’s operations and support its customers and employees.

For the purpose of measurement of expected credit losses (“ECL”) the Bank uses supportable forward-looking information, including forecasts of macroeconomic variables. As with any economic forecast, however, the projections and likelihoods of their occurrence are subject to a high degree of inherent uncertainty and therefore the actual outcomes may be significantly different from those projected. Note 5 provides more information on how the Bank incorporated forward-looking information in the ECL models.

2 Operating environment of the Bank (continued)

In March 2020, the International Accounting Standards Board (the IASB) emphasised in its educational materials that an appropriate judgment has to be applied when determining the effects of COVID-19 on expected credit losses under IFRS 9, given the significant uncertainty that exists, in particular when assessing future macroeconomic conditions. Deteriorating economic forecasts have caused and are likely to continue to cause an increase in expected credit losses and hence greater volatility of profit or loss.

Since COVID-19 outbreak there was a considerable change of currency rates, falling quotes in financial markets and also reduction of prices for oil and gas. In light of these negative market trends, the Bank assessed the influence of changes of market quotes and currency rates, and came to a conclusion that the Bank will continue to comply with regulatory requirements of the regulator, including requirements for capital adequacy according to Basel III.

3 Summary of significant accounting policies

Basis of preparation. These interim condensed financial statements have been prepared in accordance with IAS 34 “Interim financial statements” for the six-month period ended 30 June 2020. These interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019 prepared in accordance with International Financial Reporting Standards (“IFRS”).

These interim condensed financial statements do not include all the information and disclosures required in the annual financial statements. The Bank omitted disclosures which would substantially duplicate the information contained in its audited annual financial statements for 2019, such as accounting policies and details of accounts which have not changed significantly in amount or composition.

Except changes applied to the methodology of estimation of ECL described in Note 5, the same accounting policies and methods of computation were followed in the preparation of these interim condensed financial statements as compared with annual financial statements of the Bank for the year-end 31 December 2019.

Going concern. Management prepared these interim condensed financial statements on a going concern basis. The management and shareholder have an intention to further develop the business of the Bank in Russian Federation in corporate segment.

Foreign currency translation. For the purposes of interim condensed financial statements preparation monetary assets and liabilities are translated into Bank’s functional currency at the official exchange rate of the CBRF at the last working day of reporting period. Foreign exchange gains and losses resulting from the settlement of transactions and from the translation of monetary assets and liabilities into Bank’s functional currency, are recognised in profit or loss for the period (as remeasurement of currency position).

At 30 June 2020 the principal rate of exchange used for translating foreign currency balances was USD 1 = RR 69.9513 (31 December 2019: USD 1 = RR 61.9057), EUR 1 = RR 78.6812 (31 December 2019: EUR 1 = RR 69.3406).

4 Adoption of new and revised standards

New accounting standards and interpretations. The following amended standards and interpretations became effective for the Bank from 1 January 2020, but did not have any material impact on the Bank:

- Amendments to the Conceptual Framework for Financial Reporting (issued on 29 March 2018 and effective for annual periods beginning on or after 1 January 2020);
- Definition of a business – Amendments to IFRS 3 (issued on 22 October 2018 and effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020);
- Definition of material – Amendments to IAS 1 and IAS 8 (issued on 31 October 2018 and effective for annual periods beginning on or after 1 January 2020);
- Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (issued on 26 September 2019 and effective for annual periods beginning on or after 1 January 2020).

4 Adoption of new and revised standards (continued)

There were no other new standards or interpretations issued and not yet effective, which were not included in the last annual financial statements of the Bank for the year ended 31 December 2019. The Bank continues assessing the effects of these new standards and interpretations that are not yet effective and will disclose their known or reasonably estimable effects as soon as they become available.

5 Critical accounting estimates and judgements in applying accounting policies

Changes to the methodology for estimating expected credit losses

During the first half of 2020, the Bank made changes to the Methodology for calculating expected credit losses, which are not related to the impact of the COVID-19 pandemic. The changes relate to the approach of calculating losses given default (LGD) in accordance with the Basel Committee on Banking Supervision recommendations (Foundation IRB approach to calculating assets weighted with credit risk). In addition, in order to take into account qualitative parameters when determining the probability of default of borrowers, the Bank has developed and applied a qualitative assessment block in the form of adjustments to the rating assigned by the model.

Assessment of pandemic restrictions

In order to assess potential changes in credit risk arising from restrictive measures taken in the context of the COVID-19 pandemic and the general decline in business activity, the Bank analysed the impact of restrictions on the activities of borrowers in the Bank's loan portfolio.

Despite the current situation and the decrease of revenues and financial results observed in the first quarter of 2020, the Bank's loan portfolio did not indicate signs of significant increase of credit risk or impairment, thus there was no migration of financial instruments to Stage 2 and Stage 3 in the reporting period. The Bank did not apply any allowances and relief measures provided by the Central Bank of the Russian Federation in relation to credit risk assessment for corporate borrowers and financial institutions, no forced loan restructuring was provided.

Currently, the Bank is working on calibrating the expected credit losses model with updated forecasts of macroeconomic information in order to take into account the impact of the COVID-19 pandemic on the overall economic situation and expectations for recovery in the nearest term.

According to IFRS 9 "Financial instruments", the Bank uses forecasts of macroeconomic indicators in its models for estimating reserves for expected credit losses.

The Bank's management continues to monitor the development of the situation and takes the necessary measures to reduce possible negative consequences.

6 Cash and cash equivalents

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|------------------------------------------------------------------------------------|-------------------------------------|-----------------------------|
| Cash balances and placements with the CBRF (other than mandatory reserve deposits) | 15 615 673 | 11 244 199 |
| Correspondent accounts with other banks: | | |
| - Russian Federation | 4 848 619 | 4 328 641 |
| - other countries | 1 472 339 | 530 513 |
| Placements with other banks with original maturities of less than three months | 17 146 590 | 15 778 757 |
| Total Cash and cash equivalents (gross carrying amount) | 39 083 221 | 31 882 110 |
| Less credit loss allowance | (62) | (69) |
| Total Cash and cash equivalents (carrying amount) | 39 083 159 | 31 882 041 |

6 Cash and cash equivalents (continued)

The following table contains an analysis of cash and cash equivalents balances by credit quality at 30 June 2020 based on credit risk ratings for the purpose of ECL measurement. For the purpose of ECL measurement cash and cash equivalents balances are included in Stage 1. The carrying amount of cash and cash equivalents balances at 30 June 2020 below also represents the Bank’s maximum exposure to credit risk on these assets:

| <i>In thousands of Russian Roubles (Unaudited)</i> | Cash balances and placements with the CBRF (other than mandatory reserve deposits) | Correspondent accounts with other banks | Placements with other banks with original maturities of less than three months | Total |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------|
| <i>Neither past due nor impaired</i> | | | | |
| <i>Externally rated</i> | | | | |
| - A1 | - | 7 389 | - | 7 389 |
| - Aa3 | - | 1 464 951 | 15 246 367 | 16 711 318 |
| - Ba3 | - | 48 792 | - | 48 792 |
| - Baa2 | - | 181 | - | 181 |
| - Baa3 | 15 615 673 | 4 799 645 | 1 900 223 | 22 315 541 |
| Total Cash and cash equivalents (gross carrying amount) | 15 615 673 | 6 320 958 | 17 146 590 | 39 083 221 |
| Less credit loss allowance | - | (10) | (52) | (62) |
| Total Cash and cash equivalents (carrying amount) | 15 615 673 | 6 320 948 | 17 146 538 | 39 083 159 |

The credit quality of cash equivalents balances based on the same credit rating methodology as at 31 December 2019 may be summarised as follows:

| <i>In thousands of Russian Roubles</i> | Cash balances and placements with the CBRF (other than mandatory reserve deposits) | Correspondent accounts with other banks | Placements with other banks with original maturities of less than three months | Total |
|--------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|-------------------|
| <i>Neither past due nor impaired</i> | | | | |
| <i>Externally rated</i> | | | | |
| - Aa2 | - | - | 10 003 | 10 003 |
| - Aa3 | - | 530 513 | 11 161 483 | 11 691 996 |
| - Aaa | - | - | 4 607 271 | 4 607 271 |
| - Ba3 | - | 82 502 | - | 82 502 |
| - Baa3 | 11 244 199 | 4 246 139 | - | 15 490 338 |
| Total Cash and cash equivalents (gross carrying amount) | 11 244 199 | 4 859 154 | 15 778 757 | 31 882 110 |
| Less credit loss allowance | - | (15) | (54) | (69) |
| Total Cash and cash equivalents (carrying amount) | 11 244 199 | 4 859 139 | 15 778 703 | 31 882 041 |

6 Cash and cash equivalents (continued)

Movements in the credit loss allowance for reporting periods were as follows:

| <i>In thousands of Russian Roubles</i> | Six-month period ended 30 June 2020 (unaudited) | Six-month period ended 30 June 2019 (unaudited) |
|--------------------------------------------------------------|----------------------------------------------------------------|----------------------------------------------------------------|
| Credit loss allowance as at 1 January | 69 | 76 |
| Credit loss allowance (reversal) / charges during the period | (7) | 6 |
| Credit loss allowance as at 30 June | 62 | 82 |

At 30 June 2020 cash and cash equivalents were not collateralised (31 December 2019: not collateralised).

At 30 June 2020 the Bank had 3 counterparty banks (31 December 2019: 4 banks) with aggregated cash and cash equivalent balances above RR 35 424 512 thousand (31 December 2019: RR 31 319 927 thousand) or 91% of the cash and cash equivalents (31 December 2019: 98%).

At 30 June 2020 the estimated fair value of cash and cash equivalents was RR 39 083 159 thousand (31 December 2019: RR 31 882 041 thousand). Estimated fair value of Cash and Cash equivalents is disclosed in Note 15. Information on related party balances is disclosed in Note 16.

7 Due from other banks and financial institutions

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|-----------------------------------------------------------------------------------------------|-------------------------------------|-----------------------------|
| Short-term placements with other banks with original maturities from three months to one year | 3 156 408 | - |
| Guarantee deposit | 20 000 | 20 000 |
| Total due from other banks and financial institutions (gross carrying amount) | 3 176 408 | 20 000 |
| Less credit loss allowance | (180) | - |
| Total due from other banks and financial institutions (carrying amount) | 3 176 228 | 20 000 |

Guarantee deposit represents balance on correspondent accounts with Clearing Institution. The Bank does not have the right to use these funds for the purposes of funding its own activities.

Due from other banks and financial institutions balances are disclosed by credit quality at 30 June 2020 and 31 December 2019 on Stage 1 (12-month ECL) for the purpose of ECL measurement. As at 30 June 2020, 84% of Bank's clients have external rating Aa3.

At 30 June 2020 the Bank had balances with 4 financial institutions (31 December 2019: 1 financial institution) for net amount of RR 3 176 408 thousand (31 December 2019: RR 20 000 thousand), out of which two of them represent 99% of the total amount due from other banks and financial institutions (31 December 2019: 100%).

Amounts due from other banks and financial institutions are not collateralised (31 December 2019: not collateralised).

7 Due from other banks and financial institutions (continued)

At 30 June 2020 the estimated fair value of amounts due from other banks was 3 176 228 thousand (At 31 December 2019: RR 20 000 thousand). Refer to Note 15.

8 Derivatives, financial assets, financial liabilities at fair value through profit or loss

The table below sets out fair values, at the end of the reporting period, of currencies receivable or payable under derivative contracts entered into by the Bank. The table reflects gross positions before the netting of any counterparty positions (and payments) and covers the contracts with settlement dates after the end of the respective reporting period.

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 31 December 2019 | |
|---------------------------------------------------------------------------------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | Contracts with positive fair value | Contracts with negative fair value | Contracts with positive fair value | Contracts with negative fair value |
| Net fair value of foreign exchange forwards | 714 564 | (1 318 481) | 1 972 582 | (68 351) |
| Net fair value of foreign exchange swaps | 1 619 505 | (353 085) | 161 997 | (2 061 603) |
| Net fair value of cross currency interest rate swaps | 30 182 | - | - | - |
| Net fair value of interest rate swaps | - | (86 047) | - | (100 989) |
| Net fair value of foreign exchange options | - | - | 53 548 | (53 548) |
| Net fair value of derivative financial instruments | 2 364 251 | (1 757 613) | 2 188 127 | (2 284 491) |
| Net fair value of other assets and liabilities at Fair Value through Profit or Loss | 54 112 | (54 491) | 2 967 | (1 787) |
| Market risk provision | - | (280) | - | (147) |
| Net fair value of derivatives and other assets, liabilities at fair value through profit or loss | 2 418 363 | (1 812 384) | 2 191 094 | (2 286 425) |

Market risk provision represents bid-offer adjustment to net derivatives portfolio of the Bank.

Foreign exchange and other derivative financial instruments entered into by the Bank are generally not quoted in active market and their fair value is determined by the Bank using valuation techniques with input observable in markets. Derivatives have potentially favourable (assets) or unfavourable (liabilities) conditions as a result of fluctuations in market interest rates, foreign exchange rates or other variables relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time. Estimated fair value of Derivatives, Financial Assets, Financial Liabilities at Fair Value through Profit or Loss is disclosed in Note 15.

9 Loans and advances to customers

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|-----------------------------------------------------------------------|-------------------------------------------|-------------------------|
| Gross carrying amount of loans and advances to customers at AC | 8 495 838 | 5 294 968 |
| Less credit loss allowance | (2 822) | (5 755) |
| Total carrying amount of loans and advances to customers at AC | 8 493 016 | 5 289 213 |

Gross carrying amount and credit loss allowance amount for loans and advances to customers by classes at 30 June 2020 and 31 December 2019 are disclosed in the table below:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | | 31 December 2019 | | |
|----------------------------------------------------------------|---------------------------------|------------------------------|------------------------|------------------------------|------------------------------|------------------------|
| | Gross carrying amount | Credit loss allowance | Carrying amount | Gross carrying amount | Credit loss allowance | Carrying amount |
| Loans to leasing companies | 5 438 125 | (632) | 5 437 493 | 4 829 570 | (1 071) | 4 828 499 |
| Loans to other corporates | 3 057 713 | (2 190) | 3 055 523 | 465 398 | (4 684) | 460 714 |
| Total loans and advances to customers at Amortised Cost | 8 495 838 | (2 822) | 8 493 016 | 5 294 968 | (5 755) | 5 289 213 |

The following table discloses the changes in the credit loss allowance for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting period:

| <i>In thousands of Russian Roubles</i> | Six-month period ended 30 June 2020 | Six-month period ended 30 June 2019 | Six-month period ended 30 June 2020 | Six-month period ended 30 June 2019 |
|-----------------------------------------------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|--------------------------------------------|
| | Loans to leasing companies | | Loans to corporate customers | |
| (unaudited) | Stage 1 (12-months ECL) | | Stage 1 (12-months ECL) | |
| At 1 January | (1 071) | (926) | (4 684) | (10 501) |
| <i>Movements with impact on credit loss allowance charge for the period:</i> | | | | |
| New originated or purchased | (72) | (229) | (1 224) | (6 898) |
| Repaid during the period | 533 | 146 | 3 740 | 7 044 |
| Changes in accrued interest | (22) | (7) | (22) | 12 |
| Total movements with impact on credit loss allowance charge for the period | 439 | (90) | 2 494 | 158 |
| At 30 June (unaudited) | (632) | (1 016) | (2 190) | (10 343) |

9 Loans and advances to customers (continued)

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at Amortised Cost at 30 June 2020. The carrying amount of loans and advances to customers below also represents the Bank’s maximum exposure to credit risk on these loans:

| <i>In thousands of Russian Roubles</i> | Stage 1 (12-month ECL) | Stage 2 (lifetime ECL for credit impaired) | Stage 3 (lifetime ECL for credit impaired) | Total |
|------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|------------------|
| <i>Neither past due nor impaired</i> | | | | |
| Loans to leasing companies | | | | |
| <i>Externally rated</i> | | | | |
| - A2 | 4 737 592 | - | - | 4 737 592 |
| - Baa2 | 700 533 | - | - | 700 533 |
| Gross carrying amount | 5 438 125 | - | - | 5 438 125 |
| Credit loss allowance | (632) | - | - | (632) |
| Carrying amount | 5 437 493 | - | - | 5 437 493 |
| Loans to corporate customers | | | | |
| <i>Externally rated</i> | | | | |
| - A2 | 70 109 | - | - | 70 109 |
| - A3 | 1 501 650 | - | - | 1 501 650 |
| - Ba2 | 328 487 | - | - | 328 487 |
| <i>Internally rated</i> | | | | |
| - 2 | 76 717 | - | - | 76 717 |
| - 3 | 1 006 287 | - | - | 1 006 287 |
| - 4 | 74 463 | - | - | 74 463 |
| - 5 | - | - | - | - |
| Gross carrying amount | 3 057 713 | - | - | 3 057 713 |
| Credit loss allowance | (2 190) | - | - | (2 190) |
| Carrying amount | 3 055 523 | - | - | 3 055 523 |
| Total loans and advances to customers at Amortised Cost (carrying amount) | 8 493 016 | - | - | 8 493 016 |

9 Loans and advances to customers (continued)

The following table contains an analysis of the credit risk exposure of loans and advances to customers measured at Amortised Cost at 31 December 2019. The carrying amount of loans and advances to customers below also represents the Bank’s maximum exposure to credit risk on these loans:

| <i>In thousands of Russian Roubles</i> | Stage 1 (12-month ECL) | Stage 2 (lifetime ECL for credit impaired) | Stage 3 (lifetime ECL for credit impaired) | Total |
|------------------------------------------------------------------------------------------|-----------------------------------|---------------------------------------------------------------|---------------------------------------------------------------|------------------|
| <i>Neither past due nor impaired</i> | | | | |
| Loans to leasing companies | | | | |
| <i>Externally rated</i> | | | | |
| - A2 | 4 829 570 | - | - | 4 829 570 |
| Gross carrying amount | 4 829 570 | - | - | 4 829 570 |
| Credit loss allowance | (1 071) | - | - | (1 071) |
| Carrying amount | 4 828 499 | - | - | 4 828 499 |
| Loans to corporate customers | | | | |
| <i>Externally rated</i> | | | | |
| - Ba2 | 354 500 | - | - | 354 500 |
| <i>Internally rated</i> | | | | |
| - 3 | 60 852 | - | - | 60 852 |
| - 5 | 50 046 | - | - | 50 046 |
| Gross carrying amount | 465 398 | - | - | 465 398 |
| Credit loss allowance | (4 684) | - | - | (4 684) |
| Carrying amount | 460 714 | - | - | 460 714 |
| Total loans and advances to customers at Amortised Cost (carrying amount) | 5 289 213 | - | - | 5 289 213 |

9 Loans and advances to customers (continued)

Economic sector risk concentrations within the customer loan portfolio are as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 31 December 2019 | |
|-------------------------------------------------------------|---------------------------------|-------------|-------------------------|-------------|
| | Amount | % | Amount | % |
| Rental of vehicle | 5 438 125 | 64.0% | 4 829 570 | 91.2% |
| Healthcare and pharmaceuticals | 1 501 650 | 17.7% | - | - |
| Chemicals excl. pharmaceuticals | 858 175 | 10.1% | - | - |
| Materials and ores | 428 543 | 5.0% | 394 517 | 7.5% |
| Other | 269 345 | 3.2% | 70 881 | 1.3% |
| Total loans and advances to customers (gross amount) | 8 495 838 | 100% | 5 294 968 | 100% |

The Bank’s policies regarding obtaining collateral have not significantly changed during the reporting period and there has been no significant change in the overall quality of the collateral held by the Bank since the prior period. Description of collateral held for loans to corporate customers carried at amortised cost is as follows as at 30 June 2020 and 31 December 2019:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|-------------------------------------------------------------|---------------------------------|-------------------------|
| Loans guaranteed by the BNP Paribas Group Banks | 4 737 592 | 4 829 570 |
| Loans guaranteed by third parties | 3 679 956 | 465 398 |
| Unsecured loans | 78 290 | - |
| Total loans and advances to customers (gross amount) | 8 495 838 | 5 294 968 |

The disclosure above represents the lower of the carrying value of the loan or collateral taken; the remaining part is disclosed within the unsecured exposures. The carrying value of loans was allocated based on liquidity of the assets taken as collateral.

At 30 June 2020 the estimated fair value of loans and advances to customers is RR 8 509 549 thousand (31 December 2019: RR 5 147 830 thousand). Estimated fair value of Loans and Advances to Customers is disclosed in Note 15. Information on related party balances is disclosed in Note 16.

10 Due to other banks

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|----------------------------------------|---------------------------------|-------------------------|
| Term placements of other banks | 7 992 755 | 6 376 550 |
| Correspondent accounts of other banks | 2 687 456 | 2 518 233 |
| Total due to other banks | 10 680 211 | 8 894 783 |

Term placements are mainly provided by the Parent bank and its subsidiaries. Further information on related party balances is disclosed in Note 16.

At 30 June 2020 the Bank had balances with 3 counterparty bank with aggregated amounts of RR 8 328 876 thousand (31 December 2019: RR 6 610 165 thousand) or 78% of the total amount due to other banks (31 December 2019: 74%).

At 30 June 2020 the estimated fair value of due to other banks was RR 10 680 211 thousand (31 December 2019: RR 8 894 783 thousand). Estimated fair value of Due to other banks is disclosed in Note 15.

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11 Customer accounts

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|----------------------------------------|-------------------------------------|-----------------------------|
| Legal entities | | |
| - Term deposits | 28 452 705 | 16 185 456 |
| - Current/settlement accounts | 6 947 707 | 4 089 208 |
| Individuals | | |
| - Current/demand accounts | 243 | 280 |
| Total customer accounts | 35 400 655 | 20 274 944 |

Economic sector concentrations within customer accounts are as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 31 December 2019 | |
|----------------------------------------|---------------------------------|---------------|-------------------------|---------------|
| | Amount | % | Amount | % |
| Household goods | 16 806 836 | 47.5% | 4 248 986 | 21.0% |
| Materials and ores | 4 490 463 | 12.7% | 2 820 349 | 13.9% |
| Retail trade | 3 276 864 | 9.3% | 1 524 921 | 7.5% |
| Equipment excl. IT | 1 800 214 | 5.1% | 81 433 | 0.4% |
| Utilities | 1 436 550 | 4.1% | 1 229 670 | 6.1% |
| Agriculture, food, tobacco | 1 297 426 | 3.7% | 5 726 843 | 28.2% |
| Insurance | 1 176 263 | 3.3% | 727 012 | 3.6% |
| Chemicals excl. pharmaceuticals | 1 131 859 | 3.2% | 182 108 | 0.9% |
| Business services | 1 111 640 | 3.1% | 761 830 | 3.8% |
| Wholesale trade | 941 148 | 2.7% | 806 326 | 4.0% |
| Finance | 644 621 | 1.8% | 757 436 | 3.7% |
| Other | 1 286 771 | 3.5% | 1 408 030 | 6.9% |
| Total customer accounts | 35 400 655 | 100.0% | 20 274 944 | 100.0% |

At 30 June 2020 no deposits were held as collateral for irrevocable commitments under letters of credit (31 December 2019: no deposits).

At 30 June 2020 the Bank had 5 customers (31 December 2019: 5 customers) with aggregated amount above RR 24 789 721 thousand (31 December 2019: RR 11 894 437 thousand) or 70% of the total customer accounts amount (31 December 2019: 59%).

At 30 June 2020 the estimated fair value of customer accounts was RR 35 418 265 thousand (31 December 2019: approximates its carrying value RR 20 274 944 thousand). Estimated fair value of Customer accounts is disclosed in Note 15. Information on related party balances is disclosed in Note 16.

12 Subordinated debt

At 30 June 2020 there are no subordinated loans in the Bank. On 30 March 2020 the Bank early repaid a subordinated loan of USD 44 000 thousand. Contractual maturity date of the loan was 30 December 2022, interest rate in 2020 is 3.71% p.a. (2019: 3.71% p.a.). Early repayment was approved by Central Bank of Russia.

On 17 June 2020 the Bank signed a fixed-term subordinated loan agreement with the Parent bank and on 2 July 2020 the Bank received new subordinated loan of EUR 22 000 thousand for 10-years period. Refer to Note 17.

13 Interest income and expense

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 30 June 2019 (unaudited) |
|-----------------------------------------------------------------------------|-------------------------------------|-------------------------------------|
| Interest income calculated using the effective interest method | | |
| Cash equivalents | 626 125 | 962 990 |
| Loans and advances to customers: | | |
| - <i>Loans to leasing companies</i> | 230 111 | 228 055 |
| - <i>Other corporate loans</i> | 49 671 | 80 887 |
| Due from other banks and financial institutions | 98 593 | 31 198 |
| Investments in debt securities | 96 460 | 113 759 |
| Total interest income calculated using the effective interest method | 1 100 960 | 1 416 889 |
| Interest and other similar expense | | |
| Term deposits of legal entities | 573 060 | 866 075 |
| Term placements of other banks | 77 673 | 99 923 |
| Subordinated debt | 26 253 | 75 199 |
| Lease liabilities | 11 331 | 5 967 |
| Current/settlement accounts | 8 542 | 10 900 |
| Correspondent accounts of other banks | 132 | 136 |
| Other | - | 1 152 |
| Total interest and other similar expense | 696 991 | 1 059 352 |
| Net interest income | 403 969 | 357 537 |

14 Contingencies and commitments

Tax contingencies. Russian tax legislation which was enacted or substantively enacted at the end of the reporting period, is subject to varying interpretations when being applied to the transactions and activities of the Bank. Consequently, tax positions taken by management and the formal documentation supporting the tax positions may be successfully challenged by relevant authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

Management believes that the procedure for taxation of transactions employed by the Bank fully complies with Russian tax legislation. Nevertheless, there is a risk that the positions taken by the Bank may be challenged by tax authorities. The impact of such controversial situations cannot be estimated with sufficient reliability.

The Russian transfer pricing legislation is generally aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD), although it has specific characteristics. This legislation provides for the possibility of additional tax assessment for controlled transactions (transactions between related parties and certain transactions between unrelated parties) if such transactions are not on an arm's-length basis. The management has implemented an internal control system to meet the requirements of the current transfer pricing legislation. In respect of some types of transactions (including transactions with securities and derivative contracts) there are special rules for determination of the market prices.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of the transfer pricing rules, that such transfer prices could be challenged. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

14 Contingencies and commitments (continued)

Capital expenditure commitments. Set out below are capital expenditure commitments in respect of which the Bank has already allocated the necessary resources. The Bank believes that future net income and funding will be sufficient to cover this and any similar commitments.

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|----------------------------------------------|-------------------------------------|-----------------------------|
| IT upgrades and development | 3 936 | 58 055 |
| Other capital expenditure commitments | - | 1 728 |
| Total capital expenditure commitments | 3 936 | 59 783 |

Compliance with covenants. The Bank is not subject to any covenants related primarily to its borrowings at 30 June 2020 and 31 December 2019.

Credit related commitments. The primary purpose of these instruments is to ensure that funds are available to a customer as required. Guarantees and stand-by letters of credit, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. Documentary and commercial letters of credit, which are written undertakings by the Bank on behalf of a customer authorising a third party to draw drafts on the Bank up to a stipulated amount under specific terms and conditions, are collateralised by the underlying shipments of goods to which they relate or cash deposits and therefore carry less risk than a direct borrowing.

Commitments to extend credit represent unused portions of authorisations to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, the likely amount of loss is less than the total unused commitments since most commitments to extend credit are contingent upon customers maintaining specific credit standards. The Bank monitors the term to maturity of credit related commitments because longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Outstanding credit related commitments are as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|-----------------------------------------------------------|-------------------------------------|-----------------------------|
| Revocable undrawn credit lines | 11 710 252 | 10 355 070 |
| Performance guarantees issued | 3 624 927 | 3 819 621 |
| Financial guarantees issued | 1 822 057 | 2 582 266 |
| Total credit related commitments (gross) | 17 157 236 | 16 756 957 |
| Less credit loss allowance for credit related commitments | (370) | (1 011) |
| Total credit related commitments net of provision | 17 156 866 | 16 755 946 |

The total outstanding contractual amount of undrawn credit lines, letters of credit, and guarantees does not necessarily represent future cash requirements, as these financial instruments may expire or terminate without being funded.

Performance guarantees are contracts that provide compensation if another party fails to perform a contractual obligation. Performance guarantee contracts represent the possibility that the insured event (i.e. the failure to perform the contractual obligation by another party) occurs. The key risks the Bank faces are significant fluctuations in the frequency and severity of payments incurred on such contracts relative to expectations. The Bank uses historical data and statistical techniques to predict levels of such payments.

14 Contingencies and commitments (continued)

At 30 June 2020 and 31 December 2019 the guarantees were measured at the higher of (i) the amount of the premium initially recognised and amortised on a straight-line basis and (ii) the amount representing the best estimate of the payment required when a payment becomes probable. At 30 June 2020 the Bank’s revocable undrawn credit lines are uncommitted and not bearing credit loss risk.

Credit related commitments are denominated in currencies as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | 31 December 2019 |
|-------------------------------------------------|-------------------------------------|-----------------------------|
| RUR | 13 319 370 | 13 312 740 |
| EUR | 3 831 512 | 3 438 594 |
| USD | 6 354 | 5 623 |
| Total credit related commitments (gross) | 17 157 236 | 16 756 957 |

Assets pledged and restricted. Mandatory cash balances with the CBRF of RR 403 492 thousand (31 December 2019: RR 374 813 thousand) represent mandatory reserve deposits which are not available to finance the Bank’s day-to-day operations.

Guarantee deposit with Clearing Institution of RR 20 000 is restricted cash, i.e. not available for the purposes of funding Bank’s activities.

15 Fair value disclosures

Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs). Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value.

(a) **Financial instruments carried at fair value**

All derivative financial instruments are carried at fair value as assets when the fair value is positive and as liabilities when the fair value is negative. The fair values of derivatives are based on observable market prices or valuation models.

For financial instruments carried at fair value, the levels in the fair value hierarchy into which the fair values are categorized in the table below (Level 1 reflects the quoted price in an active market; Level 2 reflects valuation technique with inputs observable in markets). The Bank uses discounted cash flow valuation techniques to determine the fair value of derivative financial instruments that are not traded in an active market. Where valuation techniques (for example, models) are used to determine fair values, they are validated and periodically reviewed by qualified personnel independent of the area that created them. All models are certified before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. These models use observable market inputs, therefore, derivative financial instruments are reported as level 2.

15 Fair value disclosures (continued)

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 31 December 2019 | |
|--------------------------------------------------------------------------|---------------------------------|--------------------|-------------------------|--------------------|
| | Level 1 | Level 2 | Level 1 | Level 2 |
| FINANCIAL ASSETS | | | | |
| Derivatives and other financial assets carried at fair value | | | | |
| - Cross currency interest rate swaps | - | 30 182 | - | - |
| - Foreign exchange swaps | - | 1 619 505 | - | 161 997 |
| - Foreign exchange forwards | - | 714 564 | - | 1 972 582 |
| - Foreign exchange options | - | - | - | 53 548 |
| - Foreign exchange spots | - | 54 112 | - | 2 967 |
| TOTAL FINANCIAL ASSETS CARRIED AT FAIR VALUE | - | 2 418 363 | - | 2 191 094 |
| FINANCIAL LIABILITIES | | | | |
| Derivatives and other financial liabilities carried at fair value | | | | |
| - Foreign exchange forwards | - | (1 318 481) | - | (68 351) |
| - Foreign exchange swaps | - | (353 085) | - | (2 061 603) |
| - Interest rate swaps | - | (86 047) | - | (100 989) |
| - Foreign exchange options | - | - | - | (53 548) |
| - Foreign exchange spots | - | (54 491) | - | (1 787) |
| - Market risk provision | - | (280) | - | (147) |
| TOTAL FINANCIAL LIABILITIES CARRIED AT FAIR VALUE | - | (1 812 384) | - | (2 286 425) |

Exposure to credit risk associated with derivative financial instruments is primarily managed by entering into contracts with the Parent bank, which substantially mitigates the exposure on the Bank's level.

(b) Assets and liabilities not measured at fair value but for which fair value is disclosed

The fair value of floating rate instruments is normally their carrying amount. The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

Fair values analysed by level in the fair value hierarchy and carrying value of assets not measured at fair value are as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | | 31 December 2019 | | |
|-------------------------------------------------|---------------------------------|----------------|-------------------|-------------------------|----------------|-------------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| FINANCIAL ASSETS | | | | | | |
| Cash and cash equivalents | - | - | 39 083 159 | - | - | 31 882 041 |
| Mandatory cash balances | - | - | 403 492 | - | - | 374 813 |
| Due from other banks and financial institutions | - | - | 3 176 228 | - | - | 20 000 |
| Loans and advances to customers | - | - | 8 509 549 | - | - | 5 147 830 |
| Investment in debt securities | - | - | 3 235 669 | - | - | 2 938 778 |
| Other financial assets | - | - | 534 289 | - | - | 295 399 |
| TOTAL | - | - | 54 942 386 | - | - | 40 658 861 |

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15 Fair value disclosures (continued)

Fair values analysed by level in the fair value hierarchy and carrying value of liabilities not measured at fair value are as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | | 31 December 2019 | | |
|----------------------------------------|--------------------------|----------|-------------------|------------------|----------|-------------------|
| | Level 1 | Level 2 | Level 3 | Level 1 | Level 2 | Level 3 |
| FINANCIAL LIABILITIES | | | | | | |
| Due to other banks | - | - | 10 680 211 | - | - | 8 894 783 |
| Customer accounts | - | - | 35 418 265 | - | - | 20 274 944 |
| Lease liabilities | - | - | 352 791 | - | - | 448 370 |
| Other financial liabilities | - | - | 105 283 | - | - | 72 017 |
| Subordinated debt | - | - | - | - | - | 2 724 405 |
| TOTAL | - | - | 46 556 550 | - | - | 32 414 519 |

The fair values in level 2 and level 3 of fair value hierarchy were estimated using the discounted cash flows valuation technique. The fair value of floating rate instruments that are not quoted in an active market was estimated to be equal to their carrying amount. The fair value of unquoted fixed interest rate instruments was estimated based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity.

16 Related party transactions

Parties are generally considered to be related if the parties are under common control, or one party has the ability to control the other party or can exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Entities of BNP Paribas Group are presented by the branches and subsidiaries of BNP Paribas S.A. (Parent Bank).

At 30 June 2020 and 31 December 2019, the outstanding balances with related parties were as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 31 December 2019 | |
|---------------------------------------------------------------------------------------------------------|--------------------------|-------------------------------|------------------|-------------------------------|
| | Parent Bank | Entities of BNP Paribas Group | Parent Bank | Entities of BNP Paribas Group |
| Cash and cash equivalents (contractual interest rate: 30 June 2020: 0.00% - 4.44%, 2019: 0.00% - 6.15%) | 16 335 319 | 375 953 | 11 604 651 | 97 294 |
| Due from other banks (contractual interest rate: 30 June 2020: 4.54% - 7.63%) | 2 655 604 | - | - | - |
| Loans to customers (contractual interest rate: 30 June 2020: 6.35% - 15.90%; 2019: 8.66% - 19.29%) | - | 4 807 068 | - | 4 828 503 |
| Net of derivatives at fair value through profit and loss | 1 178 044 | - | (2 036 447) | - |
| Other financial assets | 517 629 | - | 270 942 | 38 |
| Other non-financial assets | 58 611 | 13 193 | - | - |
| Due to other banks (contractual interest rate: 30 June 2020: -0.48% - 5.4%, 2019: -0.48% - 6.42%) | 7 901 574 | 1 803 427 | 7 239 280 | 1 305 453 |
| Customer Accounts (contractual interest rate: 30 June 2020: 0% - 7.15%, 2019: 0% - 8.0%) | - | 1 402 236 | - | 639 927 |
| Subordinated loans (2019: from 3.71% p.a. to 3.71 % p.a.) | - | - | 2 724 405 | - |
| Other financial liabilities | 65 272 | 9 536 | 14 376 | 16 133 |
| Other non-financial liabilities | 3 922 | - | - | - |

16 Related party transactions (continued)

The income and expense items with related parties for six-month period ended 30 June 2020 and 30 June 2019 were as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 30 June 2019 (unaudited) | |
|-------------------------------------------------------------------------|--------------------------|-------------------------------|--------------------------|-------------------------------|
| | Parent Bank | Entities of BNP Paribas Group | Parent Bank | Entities of BNP Paribas Group |
| Interest income | 276 224 | 233 247 | 228 633 | 232 210 |
| Interest expense | (75 492) | (38 168) | (118 479) | (34 487) |
| Credit loss allowance | - | - | - | 13 071 |
| Net result from trading in foreign currencies and financial derivatives | (327 758) | (2) | (4 464 543) | 161 |
| Fee and commission income | 531 296 | 6 329 | 120 937 | 4 487 |
| Fee and commission expense | (1 691) | - | (167) | (650) |
| Provision for credit related commitments | (5) | - | 2 | 276 |
| Administrative and other operating expenses | (56 252) | (3 554) | (26 343) | (14 226) |

At 30 June 2020 and 31 December 2019 other rights and obligations with related parties were as follows:

| <i>In thousands of Russian Roubles</i> | 30 June 2020 (unaudited) | | 31 December 2019 | |
|----------------------------------------|--------------------------|-------------------------------|------------------|-------------------------------|
| | Parent Bank | Entities of BNP Paribas Group | Parent Bank | Entities of BNP Paribas Group |
| Guarantees issued by the Bank | 501 606 | 60 400 | 433 189 | 107 745 |
| Guarantees received by the Bank | 1 351 606 | 7 456 433 | 433 189 | 6 625 761 |

The remuneration paid to key management for reporting periods ended 30 June 2020 and 30 June 2019 were as follows:

| <i>In thousands of Russian Roubles</i> | Six-month period ended 30 June 2020 (unaudited) | Six-month period ended 30 June 2019 (unaudited) |
|----------------------------------------|-------------------------------------------------|-------------------------------------------------|
| | Short-term benefits | 55 376 |
| Long-term benefits | 3 296 | 5 314 |
| Share-based compensation | 4 399 | 7 980 |

Social taxes paid under remuneration to key management for reporting period ended 30 June 2020 was RR 3 267 thousand (period ended 30 June 2019: RR 5 609 thousand). Key management personnel are members of Management Board of the Bank.

17 Subsequent events

On 17 June 2020 the Bank signed a fixed-term subordinated loan agreement with the Parent bank and on 2 July 2020 the Bank received new subordinated loan with the following parameters: nominal amount EUR 22 000 thousand, maturity date 1 July 2030, interest rate is 2.28% p.a. plus 6-month EURIBOR. Interest rate in 2020 is 1.993% p.a.

New subordinated loan meets the criteria for “subordinated loans” stated by the CBRF and will be included in the calculation of the Bank’s capital under the Russian legislation since 14 July 2020.