AO UniCredit Bank

Condensed Interim Consolidated
Financial Statements
for the Three-Month Period Ended
31 March 2018
(unaudited)

AO UniCredit Bank

Contents

AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Statements for the Three-Month Period Ended 31 March 2018

Management of AO UniCredit Bank is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of AO UniCredit Bank, its subsidiary and associate (collectively – the "Group") as at 31 March 2018, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and a summary of significant accounting policies and selected notes to the condensed interim consolidated financial statements (the "condensed interim consolidated financial statements") in compliance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34").

In preparing the condensed interim consolidated financial statements, management is responsible for:

- Properly selecting and applying accounting policies;
- Presenting information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Providing additional disclosures when compliance with the specific requirements in IAS 34 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated interim condensed financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The condensed interim consolidated financial statements for the three-month period ended 31 March 2018 were approved by the Board of Management of AO UniCredit Bank on 29 May 2018.

M. Alekseev
Chairman of the Board of Management

G. Chernysheva
Chief Accountant

29 May 2018
Moscow

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REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: the Shareholder and the Supervisory Board of AO UniCredit Bank

Introduction

We have reviewed the accompanying condensed interim consolidated statement of financial position of AO UniCredit Bank and its subsidiary and associate (collectively – the "Group") as at 31 March 2018 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three-month period then ended, and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these condensed interim consolidated 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 condensed interim consolidated 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 condensed interim consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting.*

Sergei Neklyudov
Engagement partner

Deloitte & Touche

29 May 2018

The Entity: AO UniCredit Bank

Licensed by the Central Bank of the Russian Federation on 22.12.2014, License No.1.

Primary State Registration Number: 1027739082106

Certificate of registration in the Unified State Register series 77 № 007773325 of 19.08.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation №39.

Address:
9, Prechistenskaya emb., Moscow, Russia 119034.

Audit Firm: ZAO "Deloitte & Touche CIS"

Certificate of state registration № 018.482, issued by the Moscow Registration Chamber on 30.10.1992.

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484

AO UniCredit Bank

Condensed Interim Consolidated Statement of Financial Position
as at 31 March 2018
(in thousands of Russian Roubles)

	Notes	31 March 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash balances	5	44 506 236	30 202 650
Debt securities held for trading	6		
- held by the Group		19 677 921	20 064 838
- pledged under repurchase agreements		982 645	804 699
Derivative financial assets	8	39 124 293	37 985 906
Derivative financial assets designated for hedging	8	10 175 398	7 860 608
Changes in fair value of portfolio hedged items		2 580 124	2 661 127
Financial assets at amortized cost			
Amounts due from credit institutions	7	244 241 395	292 420 614
Loans to customers	9	692 340 285	668 523 180
Debt securities	10	-	29 937 423
Financial assets at fair value through other comprehensive income	10		
- held by the Group		104 233 540	76 211 952
- pledged under repurchase agreements		-	1 254 314
Investments in associate	11	6 094 403	-
Fixed assets		5 347 019	4 909 170
Intangible assets		7 592 809	7 452 804
Current income tax assets		11 971	-
Other assets		5 725 595	5 852 338
TOTAL ASSETS		**1 182 633 634**	**1 186 141 623**
LIABILITIES			
Amounts due to credit institutions	13	63 828 331	85 426 996
Amounts due to customers	14	858 436 934	827 103 325
Debt securities issued	15	6 436 478	6 509 793
Financial liabilities held for trading	7	13 991 337	26 399 813
Derivative financial liabilities	8	16 528 309	15 658 296
Derivative financial liabilities designated for hedging	8	15 226 292	10 649 841
Changes in fair value of portfolio hedged items		(2 159 741)	(1 140 107)
Deferred income tax liabilities		943 998	4 497 677
Current income tax liabilities		349 582	152 459
Other liabilities		14 938 773	10 650 121
TOTAL LIABILITIES		**988 520 293**	**985 908 214**
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(62 067)	(268 860)
Revaluation reserve for financial assets at fair value through other comprehensive income		38 446	226 583
Foreign currency translation reserve		(46 900)	-
Gain on disposal of equity investments at fair value through other comprehensive income		75	-
Retained earnings		151 958 700	158 050 599
TOTAL EQUITY		**194 113 341**	**200 233 409**
TOTAL LIABILITIES AND EQUITY		**1 182 633 634**	**1 186 141 623**

M. Alekseev
Chairman of the Board of Management

G. Chernysheva
Chief Accountant

29 May 2018
Moscow

The accompanying selected notes on pages 8 to 35 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Comprehensive Income for the Three-Month Period Ended 31 March 2018
(in thousands of Russian Roubles)

	Notes	Three-month period ended 31 March 2018 (unaudited)	2017 (unaudited)
Interest income and similar revenues		25 901 954	26 508 418
Interest expense and similar charges		(15 490 504)	(15 713 938)
Net interest income		**10 411 450**	**10 794 480**
Fee and commission income		2 665 715	2 240 902
Fee and commission expense		(741 864)	(626 691)
Net fee and commission income		**1 923 851**	**1 614 211**
Gains on financial assets and liabilities held for trading		133 003	296 542
Fair value adjustments in portfolio hedge accounting		22 213	(118 822)
Gains on disposal of:			
- financial assets at amortized cost		76 649	149 273
- financial assets at fair value through other comprehensive income		1 634 056	562 873
OPERATING INCOME		**14 201 222**	**13 298 557**
(Impairment)/recovery of impairment on:			
- financial assets at fair value through other comprehensive income		(85 416)	-
- financial assets at amortized costs	9	(3 120 473)	(1 657 633)
- other financial transactions		1 330 874	(248 985)
NET INCOME FROM FINANCIAL ACTIVITIES		**12 326 207**	**11 391 939**
Personnel expenses		(2 380 864)	(2 203 862)
Other administrative expenses		(1 597 136)	(1 491 197)
Depreciation of fixed assets		(189 377)	(149 069)
Amortization of intangible assets		(420 669)	(262 393)
Other provisions		(19 461)	20 004
Other operating income/(expenses)		4 981	(114 840)
Operating costs		**(4 602 526)**	**(4 201 357)**
Share of gains of associate		96 843	-
Gains on disposal of fixed assets		375	2 874
PROFIT BEFORE INCOME TAX EXPENSE		**7 820 899**	**7 193 456**
Income tax expense	11	(1 599 429)	(1 448 512)
PROFIT FOR THE PERIOD		**6 221 470**	**5 744 944**
OTHER COMPREHENSIVE INCOME/(LOSSES)			
Items that may be reclassified subsequently to profit or loss			
Cash flow hedge reserve – effective portion of changes in fair value, net of tax:			
- fair value changes		200 919	(254 713)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		5 874	4 663
Revaluation reserve for financial assets at fair value through other comprehensive income , net of tax:			
- fair value changes		(410 398)	247 298
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period		(867 592)	(98 209)
Foreign currency translation reserve		(46 900)	-
Items that will not be reclassified subsequently to profit or loss			
Gain on disposal of equity investments at fair value through other comprehensive income		75	-
Other comprehensive income for the period, net of tax	11	**(1 118 022)**	**(100 961)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**5 103 448**	**5 643 983**

M. Alekseev
Chairman of the Board of Management

G. Chernysheva
Chief Accountant

29 May 2018
Moscow

The accompanying selected notes on pages 8 to 35 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Changes in Equity
for the Three-Month Period Ended 31 March 2018
(expressed in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Foreign currency translation reserve	Gain on disposal of equity investments at fair value through other comprehensive income	Retained earnings	Total equity
1 January 2017	**41 787 806**	**437 281**	**15 759**	**(559 841)**	**-**	**-**	**139 993 900**	**181 674 905**
Total comprehensive income								
Profit for the period (unaudited)	-	-	-	-	-	-	5 744 944	5 744 944
Other comprehensive income								
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(250 050)	-	-	-	-	(250 050)
Change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	149 089	-	-	-	149 089
Total other comprehensive income/(loss) (unaudited)	**-**	**-**	**(250 050)**	**149 089**	**-**	**-**	**-**	**(100 961)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	**-**	**-**	**(250 050)**	**149 089**	-	-	**5 744 944**	**5 643 983**
31 March 2017 (unaudited)	**41 787 806**	**437 281**	**(234 291)**	**(410 752)**	**-**	**-**	**145 738 844**	**187 318 888**
31 December 2017	**41 787 806**	**437 281**	**(268 860)**	**226 583**	**-**	**-**	**158 050 599**	**200 233 409**
Effect of change in accounting policy due to IFRS 9 adoption (Note 3)	-	-	-	1 089 853	-	**-**	(12 313 369)	(11 223 516)
1 January 2018	**41 787 806**	**437 281**	**(268 860)**	**1 316 436**	**-**	**-**	**145 737 230**	**189 009 893**
Total comprehensive income								
Profit for the period (unaudited)	-	-	-	-	-	-	6 221 470	6 221 470
Other comprehensive income							-	
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	206 793	-	-	-	-	206 793
Change in revaluation reserve financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	(1 277 990)	-	-	-	(1 277 990)
Change in foreign currency translation reserve	-	-	-	-	(46 900)	-	-	(46 900)
Gain on disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	75	-	75
Total other comprehensive income/(loss) (unaudited)	**-**	**-**	**206 793**	**(1 277 990)**	**(46 900)**	**75**	**-**	**(1 118 022)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	**-**	**-**	**206 793**	**(1 277 990)**	**(46 900)**	**75**	**6 221 470**	**5 103 448**
31 March 2018 (unaudited)	**41 787 806**	**437 281**	**(62 067)**	**38 446**	**(46 900)**	**75**	**151 958 700**	**194 113 341**

M. Alekseev
Chairman of the Board of Management

G. Chernysheva
Chief Accountant

29 May 2018
Moscow

The accompanying selected notes on pages 8 to 35 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Cash Flows for the Three-Month Period Ended 31 March 2018
(expressed in thousands of Russian Roubles)

	Note	Three-month period ended 31 March 2018 (unaudited)	Three-month period ended 31 March 2017 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		**9 873 712**	**4 938 389**
Net cash from/(used in) operating activities before income tax		**19 534 262**	**(7 343 341)**
Corporate income tax paid		(1 890 479)	(2 771 606)
Net cash flows from/(used in) operating activities		**17 643 783**	**(10 114 947)**
Cash flows from investing activities			
Purchase of associate		(6 033 031)	-
Purchase of financial assets at fair value through other comprehensive income		(97 199 692)	(7 724 767)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		100 753 215	16 778 330
Proceeds from sale of fixed and intangible assets		411	2 874
Purchase of fixed and intangible assets		(797 338)	(668 848)
Net cash flows (used in)/ from investing activities		**(3 276 435)**	**8 387 589**
Effect of exchange rates changes on cash and cash balances		(63 762)	(308 764)
Net increase/(decrease) in cash and cash balances		**14 303 586**	**(2 036 122)**
Cash and cash balances, beginning	**5**	**30 202 650**	**58 588 565**
Cash and cash balances, ending	**5**	**44 506 236**	**56 552 443**

M. Alekseev
Chairman of the Board of Management

G. Chernysheva
Chief Accountant

29 May 2018
Moscow

The accompanying selected notes on pages 8 to 35 are an integral part of these condensed interim consolidated financial statements.

1. Principal activities

These condensed interim consolidated financial statements include the financial statements of AO UniCredit Bank (hereinafter – the "Bank"), its subsidiary and associate. AO UniCredit Bank, its subsidiary and associate are hereinafter collectively referred to as the "Group".

The Bank (the former International Moscow Bank) was established in 1989 as a closed joint-stock company under the laws of the Russian Federation. The Bank operates under General Banking License issued by the Central Bank of Russia (hereinafter – the "CBR") for banking operations for No. 1, as well as the license of the CBR for operations with precious metals for No. 1, both issued on 22 December 2014. The Bank also possesses licenses of the professional securities market participant for dealing, brokerage and depository activities issued by the Federal Securities Commission on 25 April 2003, as well as authorized to speak to the customs authorities as a guarantor. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 1 March 2018, as a result of the transaction between the Group and its sole shareholder UniCredit S.p.A., the Group acquired 40% of capital in BARN B.V. (the Netherlands), that is the sole shareholder of AO "RN Bank" (Russian Federation) since 2013. The remaining 60% in the authorized capital of BARN B.V. belongs to RN SF Holding B.V. (the Netherlands), which is a joint venture with equal participation (50%-50%) of RSI Bank S.A. and Nissan Motor Co., Ltd (see Note 11 for details).

As at 31 March 2018 the Group comprises the Bank, the leading operating entity of the Group, LLC UniCredit Leasing, a leasing company as its subsidiary, and holding company BARN B.V. as its associate. LLC UniCredit Leasing owns 100% of the shares in ZAO Locat Leasing Russia. Both companies operate in the financial leasing industry on the local market. BARN B.V. is the holding company based in the Netherlands. As at 31 March 2018 the sole shareholder of the Group is UniCredit S.p.A.

As at 31 March 2018 and 31 December 2017 the Bank had 13 branches and 11 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

The Bank's registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, 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 year ending 31 December 2018.

2. Basis of preparation

Statement of compliance. These condensed interim consolidated financial statements have been prepared in accordance with IAS 34.

The condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2017 prepared in accordance with International Financial Reporting Standards (hereinafter – "IFRS"), such as accounting policies and details of accounts which have not changed significantly in amount or composition. Additionally, the Group has provided disclosures where significant events have occurred subsequent to the issuance of the Group's annual consolidated financial statements for 2017 prepared in accordance with IFRS. The management believes that the disclosures in these condensed interim 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 2017 prepared in accordance with IFRS. In the opinion of the management, these financial statements reflect all adjustments necessary to present fairly the Group's financial position, results of operations, statements of changes in shareholders' equity and cash flows for the interim reporting periods.

(in thousands of Russian Rubles)

2. Basis of preparation (continued)

Basis of measurement. These condensed interim consolidated financial statements are prepared on the historical cost basis except that financial instruments held for trading, assets at fair value through other comprehensive income and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Presentation currency. These condensed interim consolidated financial statements are presented in Russian Rubles (hereinafter – "RUB"). Amounts in Russian Rubles are rounded to the nearest thousand.

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

	31 March 2018	31 December 2017
RUB/1 US Dollar	57.2649	57.6002
RUB/1 Euro	70.5618	68.8668

Use of estimates and judgements. The preparation of financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In preparing these condensed interim consolidated financial statements the significant judgements made by the management in applying accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2017.

Going concern. These condensed interim 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 shareholder have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The 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.

(in thousands of Russian Rubles)

3. Significant accounting policies

Interim measurement period. Income tax expense is recognized in these condensed interim consolidated financial statements based on the management's best estimate of the weighted average effective annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

The same accounting policies, presentation and methods of computation have been followed in these condensed interim consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2017 apart from adoption "IFRS 9: Financial instruments".

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

New or amended standard or interpretation	Effective date[1] - for annual periods beginning on or after
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1 January 2019
IFRS 16 *Leases*	1 January 2019
Amendments to IFRS 10 and IAS 28 - *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined by the IASB[2]
Annual Improvements to IFRS Standards 2015–2017 Cycle	

[1] Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 *Lease* can be early adopted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.
[2] The amendment was initially issued in September 2014 with the effective date on 1 January 2017. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

Effective January 1, 2018, we prospectively adopted IFRS 9 Financial Instruments (IFRS 9), which addressed impairment, classification and measurement, and hedge accounting.

Transition to IFRS 9. As of 1 January 2018, the Group has adopted the accounting standard "IFRS 9: Financial instruments".

The adoption of the standard is the result of a long-term project aimed at creating reporting and risk monitoring methods that ensure full compliance with the standard and at updating governance and monitoring processes in light of the new rules.

The project was organized through specific work-streams:

- Classification and Measurement work-stream, aimed at reviewing the classification of the financial instruments according to new IFRS 9 criteria,
- Impairment work-stream, aimed at developing and implementing models and methodologies for impairment calculation.

3. Significant accounting policies (continued)

The following should be noted with regards to the new accounting policies:

- It introduced significant changes in rules of classifying and measuring financial instruments compared to IAS 39.
- With reference to loans and debt instruments, the classification and consequent measurement of these instruments is based on the "business model" and on the characteristics of the cash flows of the financial instrument (criteria SPPI - Solely Payments of Principal and Interests, hereinafter – "SPPI").
- With reference to equity instruments, they will be classified as financial instruments at fair value either through profit or loss or through other comprehensive income. In this second case, unlike previous requirements for available for sale assets set by IAS 39, IFRS 9 has eliminated the request to recognize impairment losses and provide for, in case of disposal of the instruments, the gain or losses from disposal shall be recycled to other equity reserve and not to profit or loss accounts.
- With reference to financial liabilities designed at fair value, it modified the accounting treatment of "own credit risk", in other words changes in the fair value of issued debt liabilities that are designated at fair value not attributable to changes of the own credit price. The new accounting standard requires these changes shall be recognized in a specific equity reserve, rather than to the income statement, as requested under IAS39, therefore removing a volatility source from the economic results.
- It introduced a new accounting model for impairment, based on (i) expected losses approach substituting the previous approach based on the incurred losses, and (ii) on the concept of "lifetime" expected losses.
- It introduced guidelines that clarify when financial instruments shall be written off by specifying that the write-off constitutes an event of accounting derecognition.
- With reference to hedge accounting the Group opted to keep applying the existing hedge accounting requirements in IAS 39 for all hedge accounting until the IASB will complete its project on accounting for macro hedging.

The Group has decided to exploit the option provided by the accounting standard not to restate comparative figures of previous periods, consequently, for the Group, the first time adoption of the new standard is 1 January 2018.

Classification and measurement. As a result of the entry into force the new accounting standard, the Group has reclassified financial assets and liabilities as at 1 January 2018 into the new envisaged categories.

The analysis of the business model has been performed by mapping the business areas composing the Group and by attributing them a specific business model.

In this regard, a "held to collect" or "held to collect and sell" business model has been attributed to the business areas composing the banking portfolio of the Group in relation to the reasons why the instrument has been acquired or originated and to the expected turnover of financial instruments.

In this context, possible sales of financial instruments are considered as compliant with a "held to collect" business model in case of (i) securitization transactions that do not achieve the derecognition of the underlying loans, (ii) sales determined by adverse change in the credit risk of the counterparty, (iii) sales that are infrequent or not significant to be evaluated case by base.

A business model "other" has been assigned to the business areas composing the trading portfolio of the Group so to reflect the trading intent.

For the classification of financial assets in the new IFRS 9 categories, the analysis of the business model is complemented by the analysis of the contractual cash flows ("SPPI Test").

3. Significant accounting policies (continued)

In this regard, the Group has developed processes and systems aimed at analyzing the portfolio of securities and loans so to assess whether the features of their contractual cash flows allows their measurement at amortized cost ("held to collect" portfolio) or at fair value through comprehensive income ("held to collect and sell" portfolio).
The analysis in question was carried out both by contract and by defining specific clusters based on the characteristics of the transactions and using a specific internally developed tool ("SPPI tool") to analyze the contract features with respect to IFRS 9 requirements, or by using external data providers.

Impairment. Loans and debt securities classified as financial assets at amortized cost, financial assets at fair value through comprehensive income and relevant off-balance sheet exposures are tested for impairment as required by IFRS 9.

In this regards, these instruments are classified in stage 1, stage 2 or stage 3 according to their absolute or relative credit quality with respect to initial disbursement. Specifically:

- Stage 1: includes (i) newly originated exposures, (iii) exposures with "no significant deterioration in credit quality since initial recognition" or (iii) "low credit risk" exposures at the reporting date.
- Stage 2: includes credit exposures that, although performing, have seen their credit risk significantly deteriorating since initial recognition.
- Stage 3: includes impaired credit exposures.

For exposures in stage 1, impairment is equal to the expected loss calculated over a time horizon of up to one year.

For exposures in stage 2 or 3, impairment is equal to the expected loss calculated over a time horizon corresponding to the entire life of the exposure.

In order to meet the requirements of the standard, the Group has developed specific models to calculate expected loss based on PD, LGD and EAD parameters, used for Basel purposes and adjusted in order to ensure consistency with accounting regulation.

In this context, "forward looking" information was included in the calculation. The Unicredit Group (the parent company) provides the "forward looking" information.

The Stage Allocation model is a key aspect of the new accounting model required to calculate expected credit losses. The stage allocation assessment includes a combination of relative and absolute triggers. Main triggers include:

- The relative comparison, at transaction level, between the PD at origination and the PD at each reporting date, both calculated through internal models, with thresholds set in such a way to consider all the key variables of each transaction that could affect expectation about PD changes over time (e.g. age, maturity, level of PD at origination).
- Absolute triggers such as backstops required by the regulation (i.e. 30 days past due)
- Other internal relevant triggers (e.g. new classifications to Forborne).

With regards to debt securities, the Group opted for application of the low credit risk exemption on the investment grade securities in full compliance with the accounting standard.

Allowance for impairment of loans and receivables are based on the present value of expected cash flows of principal and interest. In determining the present value of future cash flows, the basic requirement is the identification of estimated collections, the timing of payments and the discount rate used.

(in thousands of Russian Rubles)

3. Significant accounting policies (continued)

The following table shows the transition IAS 39 / IAS 37 and corresponding IFRS 9 classification and measurement categories, and reconciles the IAS 39 / IAS 37 and IFRS 9 carrying amounts for loans, securities and off-balance sheet exposures as at 1 January 2018 as a result of IFRS 9 adoption. There were no changes to the measurement basis of other financial asset categories and liabilities.

	IAS 39 measurement category	IFRS 9 measurement category	IAS 39/ IAS 37 carrying amount	Reclassification	Remeasurement	IFRS 9 / IAS 37 carrying amount
Financial assets						
Debt securities and equity investments	Trading	Trading	20 869 537	-	-	20 869 537
	Available-for-sale	Fair value through other comprehensive income	77 466 266	29 937 423	1 207 293	108 610 982
	Held-to-maturity	Amortized cost	29 937 423	(29 937 423)	-	-
Total debt securities and equity investments			**128 273 226**	**-**	**1 207 293**	**129 480 519**
Amounts due from credit institutions	Amortized cost	Amortized cost	292 420 614	-	(515 196)	291 905 418
Loans to customers	Amortized cost	Amortized cost	668 523 180	-	(10 307 136)	658 216 044
Total amounts due from credit institutions and customers			**960 943 794**	**-**	**(10 822 332)**	**950 121 462**
Financial liabilities						
Provisions for credit losses on off-balance sheet exposures			(1 458 050)	-	(4 415 144)	(5 873 194)
Total provisions for credit losses on off-balance sheet exposures			**(1 458 050)**	**-**	**(4 415 144)**	**(5 873 194)**
Total pre-tax impact of IFRS 9 adoption					**(14 030 183)**	

The following table illustrates the impact of IFRS 9 adoption on the Group's equity, in particular on revaluation reserve and retained earnings as of 1 January 2018:

	Revaluation reserve for available-for-sale securities	Revaluation reserve for financial assets at fair value through other comprehensive income	Retained earnings
31 December 2017	**226 583**	**-**	**158 050 599**
Reclassification of financial assets as a result of business models assessment, net of tax	(226 583)	226 583	-
Remeasurement of financial assets as a result of business model assessment, net of tax (unaudited)	-	965 834	-
Remeasurement of financial assets due to adoption of the impairment loss provisions of IFRS 9, net of tax (unaudited)	-	124 019	(12 313 369)
1 January 2018	**-**	**1 316 436**	**(145 737 230)**

(in thousands of Russian Rubles)

4. Operating segments

For the management purposes, the Group has four reporting business segments:

Corporate and Investment banking (hereinafter – *"CIB")* includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking comprises banking services to private individuals and Small and Medium Entities (hereinafter – "SME"), credit and debit card services, retail sight and term deposit services, lending to SME and retail lending (consumer loans, car loans and mortgages).

Leasing – represents the leasing activities of the Group.

Other – represents the Group's funding activities and other unallocated items.

Information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated financial statements.

Transactions between the business segments are on normal commercial terms and conditions. Funds are ordinarily reallocated between segments, resulting in funding cost transfers included in segment revenue. Interest charged for these funds is based on the Group's funds transfer pricing policy.

Segment breakdown of assets and liabilities is set out below:

	31 March 2018 (unaudited)	**31 December 2017**
Assets		
CIB	885 999 228	896 130 421
Retail banking	124 369 305	123 712 238
Leasing	20 486 179	21 339 598
Other	151 778 922	144 959 366
Total assets	**1 182 633 634**	**1 186 141 623**
Liabilities		
CIB	689 224 930	672 598 151
Retail banking	253 294 347	263 701 533
Leasing	16 655 459	17 614 994
Other	29 345 557	31 993 536
Total liabilities	**988 520 293**	**985 908 214**

(in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 31 March 2018 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	7 659 183	2 205 019	367 700	179 548	10 411 450
Inter-segment (expense)/income	(1 282 572)	515 441	-	767 131	-
Net interest income	**6 376 611**	**2 720 460**	**367 700**	**946 679**	**10 411 450**
Net fee and commission income from external customers	767 535	1 151 333	4 983	-	1 923 851
(Losses)/gains on financial assets and liabilities held for trading from external customers	(195 629)	298 336	309	29 987	133 003
Fair value adjustments in portfolio hedge accounting	-	-	-	22 213	22 213
Gains on disposals of financial assets	1 662 001	48 704	-	-	1 710 705
Operating income	**8 610 518**	**4 218 833**	**372 992**	**998 879**	**14 201 222**
(Impairment)/recovery of impairment on loans and other financial transactions	(1 075 103)	(778 632)	5 306	(26 586)	(1 875 015)
Net income from financial activities	**7 535 415**	**3 440 201**	**378 298**	**972 293**	**12 326 207**
Operating costs including:	(1 616 028)	(2 585 448)	(74 279)	(326 771)	(4 602 526)
depreciation on fixed assets and amortization of intangible assets	(220 934)	(388 081)	(1 031)	-	(610 046)
Gains on disposal of fixed assets	-	-	-	375	375
Share of gains of associate	-	-	-	96 843	96 843
Profit before income tax expense	**5 919 387**	**854 753**	**304 019**	**742 740**	**7 820 899**
Income tax expense					(1 599 429)
Profit for the period					**6 221 470**
Cash flow hedge reserve					206 793
Revaluation reserve for financial assets at fair value through other comprehensive income					(1 277 990)
Gain on disposal of equity investments at fair value through other comprehensive income					75
Foreign currency translation reserve					(46 900)
Total comprehensive income for the period					**5 103 448**

(in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 31 March 2017 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	8 131 375	2 275 032	275 610	112 463	10 794 480
Inter-segment (expense)/income	(1 331 040)	376 654	-	954 386	-
Net interest income	**6 800 335**	**2 651 686**	**275 610**	**1 066 849**	**10 794 480**
Net fee and commission income from external customers	645 530	968 328	353	-	1 614 211
(Losses)/gains on financial assets and liabilities held for trading from external customers	(10 370)	282 659	(533)	24 786	296 542
Fair value adjustments in portfolio hedge accounting	-	-	-	(118 822)	(118 822)
Gains on disposals of financial assets	712 146	-	-	-	712 146
Operating income	**8 147 641**	**3 902 673**	**275 430**	**972 813**	**13 298 557**
Impairment on loans and other financial transactions	(1 329 161)	(551 800)	(25 657)	-	(1 906 618)
Net income from financial activities	**6 818 480**	**3 350 873**	**249 773**	**972 813**	**11 391 939**
Operating costs including:	(1 491 053)	(2 340 368)	(91 099)	(278 837)	(4 201 357)
depreciation on fixed assets and amortization of intangible assets	(156 637)	(253 525)	(1 300)	-	(411 462)
Gains on disposal of fixed assets	-	-	-	2 874	2 874
Profit before income tax expense	**5 327 427**	**1 010 505**	**158 674**	**696 850**	**7 193 456**
Income tax expense					(1 448 512)
Profit for the period					**5 744 944**
Cash flow hedge reserve					(250 050)
Revaluation reserve for available-for-sale securities					149 089
Total comprehensive income					**5 643 983**

(in thousands of Russian Rubles)

5. Cash and cash balances

Cash and cash balances comprise:

	31 March 2018 (unaudited)	31 December 2017
Cash on hand	9 896 603	11 771 673
Current accounts with the CBR	34 609 633	18 430 977
Cash and cash balances	**44 506 236**	**30 202 650**

Included in cash and cash balances as at 31 March 2018 is amount of RUB 2 752 807 thousand (31 December 2017: RUB 2 452 807 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2015 (see Note 15 for details).

6. Trading securities

Trading securities comprise:

	31 March 2018 (unaudited)	31 December 2017
USD denominated		
Russian government eurobonds	9 352 893	2 383 299
RUB denominated		
Russian government bonds	6 937 282	18 455 671
Corporate and bank bonds	3 998 036	30 567
Central bank bonds	372 355	-
Trading securities	**20 660 566**	**20 869 537**

As at 31 March 2018 included in trading securities are Russian government eurobonds sold under repurchase agreements with credit institutions in the amount of RUB 982 645 thousand (31 December 2017: RUB 804 699 thousand) (see Notes 13 for details).

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 March 2018 (unaudited)	31 December 2017
Current accounts with credit institutions	47 335 250	44 375 824
Time deposits	154 953 349	187 161 615
Reverse repurchase agreements with credit institutions	33 002 765	51 791 048
Obligatory reserve with the CBR	9 341 867	9 092 127
Gross amounts due from credit institutions	**244 633 231**	**292 420 614**
Less: Impairment loss allowance	(391 836)	-
Amounts due from credit institutions	**244 241 395**	**292 420 614**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw such deposit is significantly restricted by statutory legislation.

(in thousands of Russian Rubles)

7. Amounts due from credit institutions (continued)

A reconciliation of the impairment loss allowance is as follows:

	Three-month period ended 31 March	
	2018 (unaudited)	**2017 (unaudited)**
Impairment loss allowance at the beginning of the period	**-**	**-**
Effect of change in accounting policy due to IFRS 9 adoption	515 196	-
Impairment loss allowance at the beginning of the period according to IFRS 9	**515 196**	**-**
Recovery for the period	(107 795)	-
Effect of exchange rate changes	(15 565)	-
Impairment loss allowance at the end of the period	**391 836**	**-**

As of 31 March 2018 and 1 January 2018 all amounts due from credit institutions were allocated to Stage 1 in accordance with IFRS 9.

As at 31 March 2018 included in time deposits are term placements with the CBR in the amount of RUB 10 005 959 thousand (31 December 2017: none).

As at 31 March 2018 there are two counterparties with balances that individually exceed 10% of the Group's equity. As at 31 March 2018 the aggregate amount of these balances is RUB 158 821 393 thousand (31 December 2017: two counterparties with aggregate amount of RUB 193 202 731 thousand).

As at 31 March 2018 the Group entered into reverse repurchase agreements with a number of Russian banks. Pledged under these agreements are Russian government bonds, corporate and bank bonds with the total fair value of RUB 35 658 273 thousand (31 December 2017: RUB 55 670 810 thousand).

As at 31 March 2018 Russian government bonds with the total fair value of RUB 13 991 337 thousand (31 December 2017: RUB 26 399 813 thousand) were sold out of collateral pledged under reverse repurchase agreements with banks and disclosed as financial liabilities held for trading in the condensed interim consolidated statement of financial position. The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

As at 31 March 2018 securities in amount of RUB 1 488 061 thousand (31 December 2017: RUB 4 383 393 thousand) were repledged under repurchase agreements with credit institutions (see Note 13 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

8. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of reporting period and are indicative of neither the market risk nor the credit risk.

The Group values the derivative financial instruments using widely accepted valuation techniques, which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

(in thousands of Russian Rubles)

8. Derivative financial instruments (continued)

The table below shows the fair value of derivative instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	31 March 2018 (unaudited)			31 December 2017		
	Notional	Fair value		Notional	Fair value	
	principal	Asset	Liability	principal	Asset	Liability
Cross-currency interest rate swaps	255 835 046	27 988 586	9 703 511	269 447 898	28 163 370	7 875 459
Interest rate swaps and options	314 942 343	8 961 437	5 569 014	307 937 745	7 338 194	6 107 424
Foreign exchange forwards, options and swaps	126 463 591	2 174 270	1 255 784	139 320 810	2 484 342	1 675 413
Total derivative assets/liabilities		**39 124 293**	**16 528 309**		**37 985 906**	**15 658 296**

The table below shows the fair value of derivative financial instruments designated for hedging, recorded as assets or liabilities, together with their notional amounts.

	31 March 2018 (unaudited)			31 December 2017		
	Notional	Fair value		Notional	Fair value	
	principal	Asset	Liability	principal	Asset	Liability
Cash flow hedge						
Interest rate swaps	284 212 453	1 800 961	2 267 987	254 378 234	862 119	1 132 581
Cross-currency interest rate swaps	135 792 363	7 264 323	3 077 972	122 585 668	6 143 932	2 198 665
Total cash flow hedge		**9 065 284**	**5 345 959**		**7 006 051**	**3 331 246**
Fair value hedge						
Interest rate swaps	464 617 314	1 110 114	9 880 333	440 281 313	854 557	7 318 595
Total fair value hedge		**1 110 114**	**9 880 333**		**854 557**	**7 318 595**
Total derivative financial assets/ liabilities designated for hedging		**10 175 398**	**15 226 292**		**7 860 608**	**10 649 841**

9. Loans to customers

Loans to customers comprise:

	31 March 2018 (unaudited)	31 December 2017
Corporate customers	573 942 006	532 641 491
Retail customers, including SME	143 117 352	137 636 984
Lease receivables	19 676 695	19 739 478
Reverse repurchase agreements with companies	11 540 444	21 292 270
Gross loans to customers	**748 276 497**	**711 310 223**
Less: Impairment loss allowance	(55 936 212)	(42 787 043)
Loans to customers	**692 340 285**	**668 523 180**

(in thousands of Russian Rubles)

9. Loans to customers (continued)

A reconciliation of the impairment loss allowance is as follows:

	Three-month period ended 31 March	
	2018 (unaudited)	**2017 (unaudited)**
Impairment loss allowance at the beginning of the period	**42 787 043**	**45 254 751**
Effect of change in accounting policy due to IFRS 9 adoption	10 307 136	-
Impairment loss allowance at the beginning of the period according to IFRS 9	**53 094 179**	**-**
Charge for the period	3 228 268	1 657 633
Assets sold or recovered through repossession of collateral during the period	(88 408)	(1 836 826)
Assets written-off during the period	(251 376)	(2 309 060)
Unwinding of discount	(128 025)	-
Effect of exchange rate changes	81 574	(540 520)
Impairment loss allowance at the end of the period	**55 936 212**	**42 225 978**

A reconciliation of the impairment loss allowance by stages in accordance with IFRS 9 is as follows:

	Three-month period ended 31 March 2018 (unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment loss allowance at the beginning of the period according to IFRS 9	**8 357 461**	**2 961 651**	**41 775 067**	**53 094 179**
(Recovery)/charge for the period	(1 210 615)	3 594 252	844 631	**3 228 268**
Assets sold or recovered through repossession of collateral during the period	(5 626)	-	(82 782)	**(88 408)**
Assets written-off during the period	-	-	(251 376)	**(251 376)**
Unwinding of discount	-	-	(128 025)	**(128 025)**
Effect of exchange rate changes	4 135	(2 444)	79 883	**81 574**
Impairment loss allowance at the end of the period according to IFRS 9	**7 145 355**	**6 553 459**	**42 237 398**	**55 936 212**

Write-off and sale of loans. The decision to write-off the loan is made by the authorized body of the Group. Loans are written-off after receiving all necessary documentation from the authorized state bodies, as well as under the conditions where further debt collection is not possible.

The decision to sell the loans is taken individually for each case, for both corporate and retail loans. The decision is taken by the authorized body of the Group based on the analysis of all possible alternative strategies for debt collection, the main criterion for the adoption of which is to minimize the losses of the Group's impaired assets.

(in thousands of Russian Rubles)

9. Loans to customers (continued)

The following table shows gross loans to customers and related impairment as at 31 March 2018 (unaudited):

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	536 752 771	(9 230 594)	527 522 177
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	481 677	(62 966)	418 711
Impaired loans			
- Not past due	7 254 192	(3 297 210)	3 956 982
- Past due less than 31 days	1 711 433	(283 315)	1 428 118
- Past due 31-90 days	390 000	(256 143)	133 857
- Past due 91-180 days	1 413 751	(801 173)	612 578
- Past due over 180 days	25 938 182	(22 752 197)	3 185 985
Total loans to corporate customers	**573 942 006**	**(36 683 598)**	**537 258 408**
Retail customers, including SME			
Not impaired loans, not past due	123 323 646	(3 144 885)	120 178 761
Not impaired loans, past due			
- Past due less than 31 days	2 625 354	(494 856)	2 130 498
- Past due 31-90 days	1 168 566	(438 802)	729 764
- Past due 91-180 days	230 606	(100 877)	129 729
- Past due over 180 days	54 524	(8 005)	46 519
Impaired loans			
- Not past due	253 516	(137 990)	115 526
- Past due less than 31days	56 815	(47 158)	9 657
- Past due 31-90 days	94 616	(74 060)	20 556
- Past due 91-180 days	674 523	(516 396)	158 127
- Past due over 180 days	14 635 186	(13 785 018)	850 168
Total loans to retail customers	**143 117 352**	**(18 748 047)**	**124 369 305**
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	18 648 597	(175 521)	18 473 076
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	396 786	(7 960)	388 826
- Past due 31-90 days	147 724	(5 472)	142 252
Impaired loans			
- Not past due	154 243	(51 949)	102 294
- Past due less than 31days	39 367	(15 412)	23 955
- Past due 31-90 days	52 047	(28 893)	23 154
- Past due 91-180 days	139 657	(116 604)	23 053
- Past due over 180 days	98 274	(73 880)	24 394
Total lease receivables	**19 676 695**	**(475 691)**	**19 201 004**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 540 444	(28 876)	11 511 568
Total loans to customers	**748 276 497**	**(55 936 212)**	**692 340 285**

(in thousands of Russian Rubles)

9. Loans to customers (continued)

The following table shows gross loans to customers and related impairment as at 31 December 2017:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	497 171 089	(1 663 263)	495 507 826
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	16 197	(138)	16 059
Impaired loans			
- Not past due	7 232 084	(3 116 168)	4 115 916
- Past due less than 31 days	68 219	(14 374)	53 845
- Past due 31-90 days	2 782 999	(1 900 703)	882 296
- Past due 91-180 days	322 792	(217 187)	105 605
- Past due over 180 days	25 048 111	(21 611 597)	3 436 514
Total loans to corporate customers	**532 641 491**	**(28 523 430)**	**504 118 061**
Retail customers			
Not impaired loans, not past due	118 955 750	(1 059 955)	117 895 795
Not impaired loans, past due			
- Past due less than 31 days	1 653 541	(125 075)	1 528 466
- Past due 31-90 days	836 704	(155 241)	681 463
- Past due 91-180 days	206 464	(93 128)	113 336
- Past due over 180 days	12 399	(7 482)	4 917
Impaired loans			
- Not past due	347 429	(2 130)	345 299
- Past due less than 31 days	56 326	(4 833)	51 493
- Past due 31-90 days	99 565	(17 789)	81 776
- Past due 91-180 days	661 491	(293 929)	367 562
- Past due over 180 days	14 807 315	(12 165 184)	2 642 131
Total loans to retail customers	**137 636 984**	**(13 924 746)**	**123 712 238**
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	19 091 526	(77 650)	19 013 876
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	147 460	(1 316)	146 144
- Past due 31-90 days	69 518	(589)	68 929
Impaired loans			
- Not past due	39 229	(7 185)	32 044
- Past due less than 31 days	27 205	(12 385)	14 820
- Past due 31-90 days	111 265	(53 992)	57 273
- Past due 91-180 days	159 761	(118 078)	41 683
- Past due over 180 days	93 514	(67 672)	25 842
Total lease receivables	**19 739 478**	**(338 867)**	**19 400 611**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	21 292 270	-	21 292 270
Total loans to customers	**711 310 223**	**(42 787 043)**	**668 523 180**

(in thousands of Russian Rubles)

9. Loans to customers (continued)

The following table shows gross loans to customers and related impairment distributed by stages according to IFRS 9 as at 31 March 2018 (unaudited):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate customers				
Gross loans	500 883 473	36 350 975	36 707 558	573 942 006
Impairment	(4 505 213)	(4 788 347)	(27 390 038)	(36 683 598)
Net loans to corporate customers	**496 378 260**	**31 562 628**	**9 317 520**	**537 258 408**
Retail customers				
Gross loans	118 903 394	8 499 302	15 714 656	143 117 352
Impairment	(2 435 636)	(1 751 789)	(14 560 622)	(18 748 047)
Net loans to retail customers	**116 467 758**	**6 747 513**	**1 154 034**	**124 369 305**
Lease receivables				
Gross lease receivables	18 860 302	332 805	483 588	19 676 695
Impairment	(175 630)	(13 323)	(286 738)	(475 691)
Net lease receivables	**18 684 672**	**319 482**	**196 850**	**19 201 004**
Reverse repurchase agreements with companies				
Gross loans	11 540 444	-	-	11 540 444
Impairment	(28 876)	-	-	(28 876)
Net reverse repurchase agreements with companies	**11 511 568**	**-**	-	**11 511 568**
Total loans to customers	**643 042 258**	**38 629 623**	**10 668 404**	**692 340 285**

As at 31 March 2018 the Group entered into reverse repurchase agreements with a number of Russian companies. Pledged under these agreements are Russian government bonds, corporate and bank bonds with the total fair value of RUB 12 229 804 thousand (31 December 2017: RUB 22 732 595 thousand).

As at 31 March 2018 the Group had RUB 200 580 397 thousand due from its ten largest borrowers (27% of gross loan portfolio) (31 December 2017: RUB 178 361 295 thousand or 25%). An allowance of RUB 628 733 thousand was recognized against these loans (31 December 2017: RUB 98 324 thousand).

As at 31 March 2018 the Group had four borrowers or groups of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2017: three borrowers or groups of borrowers). As at 31 March 2018 the gross amount of these loans is RUB 128 762 663 thousand (31 December 2017: RUB 102 064 854 thousand).

Included in retail loans as at 31 March 2018 are mortgage loans with gross amount of RUB 1 631 514 thousand (31 December 2017: RUB 1 865 735 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2015 (see Note 15 for details).

(in thousands of Russian Rubles)

10. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise:

	31 March 2018 (unaudited)	31 December 2017
Debt and other fixed income investments		
USD denominated		
Russian government eurobonds	24 517 171	12 051 460
RUB denominated		
Central bank bonds	60 925 458	30 467 380
Russian government bonds	14 427 820	30 309 317
Corporate and bank bonds	4 237 150	4 518 457
Total debt and other fixed income investments measured at fair value through other comprehensive income	**104 107 599**	**77 346 614**
Equity investments		
RUB denominated		
Equity investments in financial institutions	116 945	116 945
EUR denominated		
Equity investments in financial institutions	8 996	2 707
Total equity investments measures at fair value through other comprehensive income	**125 941**	**119 652**
Total financial assets measures at fair value through other comprehensive income	**104 233 540**	**77 466 266**

As of 31 March 2018 and 1 January 2018 all debt securities classified as financial assets at fair value through other comprehensive income were allocated to Stage 1 in accordance with IFRS 9.

As at 31 March 2018 there are no financial assets at fair value through other comprehensive income sold under repurchase agreements (31 December 2017: RUB 1 254 314 thousand) (see Note 13 for details).

As at 31 March 2018 included in financial assets at fair value through other comprehensive income are Russian government bonds blocked as collateral in order to receive "overnight" loans from the CBR in the amount of RUB 1 526 186 thousand (31 December 2017: RUB 703 552 thousand)). As at 31 March 2018 and 31 December 2017 the Group has no "overnight" loans with the CBR.

As at 1 January 2018 debt securities measured at amortized cost in amount of RUB 29 937 423 thousand were reclassified into category of financial assets at fair value through other comprehensive income due to change of business model at first time adoption of IFRS 9 and consequently sold during the first quarter of 2018.

(in thousands of Russian Rubles)

11. Investments in associate

As at 1 March 2018, as a result of the transaction between the Group and its sole shareholder UniCredit S.p.A., the Group acquired 40% of capital in BARN B.V. (the Netherlands), that is the sole shareholder of AO "RN Bank" (Russian Federation) since 2013 (see Note 1).

Information about associate of the Group as at reporting date is set out below:

Name	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest by the Group 31 March 2018	Proportion of ownership interest by the Group 31 December 2017
BARN B.V.	Holding company	Netherlands	40%	-

The above associate is accounted for using the equity method.

The summarized financial information in respect of BARN B.V. as of reporting date 31 March 2018 and as of the acquisition date 1 March 2018 are set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	31 March 2018	1 March 2018
Total assets	82 152 873	76 869 505
Total liabilities	67 534 953	65 429 009
Equity	14 617 920	11 440 496
Net profit	669 791	427 683

The carrying amounts of the Group's interest in BARN B.V. as of reporting date 31 March 2018 and as of the acquisition date 1 March 2018 are as follows:

	31 March 2018	1 March 2018
Net assets of BARN B.V.	14 617 920	11 440 496
Proportion of the Group's ownership interest in BARN B.V.	5 847 168	4 576 198
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	**6 094 403**	**4 823 433**

The reconciliation of the above financial information to the carrying amount of the interest in associate recognized in the consolidated financial statements is as follows:

Carrying amount of the Group's interest in BARN B.V. as at 1 March 2018	**4 823 433**
Share of capital increase	1 209 598
Share of post-acquisition net profit of associate	96 843
Share of post-acquisition other comprehensive loss of associate	(35 471)
Carrying amount of the Group's interest in BARN B.V. as at 31 March 2018	**6 094 403**

(in thousands of Russian Rubles)

12. Taxation

The corporate income tax expense comprises:

	Three-month period ended 31 March	
	2018 (unaudited)	**2017 (unaudited)**
Current tax charge	2 075 631	1 570 022
Deferred tax charge – reversal of temporary differences	(476 202)	(121 510)
Income tax expense	**1 599 429**	**1 448 512**

Tax effect relating to significant components of other comprehensive income comprises:

	Three-month period ended 31 March 2018 (unaudited)			Three-month period ended 31 March 2017 (unaudited)		
	Amount before tax	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax expense**	**Amount net-of-tax**
Cash flow hedge reserve	258 491	(51 698)	206 793	(312 563)	62 513	(250 050)
Revaluation reserve for financial assets at fair value through other comprehensive income	(1 597 487)	319 497	(1 277 990)	186 361	(37 272)	149 089
Other comprehensive income	**(1 338 996)**	**267 799**	**(1 071 197)**	**(126 202)**	**25 241**	**(100 961)**

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 March 2018 (unaudited)	**31 December 2017**
Current accounts	7 056 054	8 602 207
Time deposits and loans	26 970 707	43 007 455
Repurchase agreements with credit institutions (Notes 6 and 10)	2 243 936	6 099 280
Subordinated debt (Note 19)	27 557 634	27 718 054
Amounts due to credit institutions	**63 828 331**	**85 426 996**

As at 31 March 2018 ten largest deposits, excluding subordinated debt, represented 68% of total amounts due to credit institutions (31 December 2017: 71%).

As at 31 March 2018 and 31 December 2017 the Group had no counterparties with aggregate balances that individually exceeded 10% of equity.

As at 31 March 2018 fair value of securities pledged under repurchase agreements with credit institutions is RUB 982 645 thousand (31 December 2017: RUB 2 059 013 thousand) (see Notes 6 and 10 for details).

As at 31 March 2018 included in repurchase agreements with credit institutions are agreements in the amount of RUB 1 366 701 thousand (31 December 2017: RUB 4 159 387 thousand) which are secured by Russian government bonds with fair value of RUB 1 488 061 thousand (31 December 2017: RUB 4 383 393 thousand) obtained under reverse repurchase agreements with credit institutions (see Note 7 for details).

(in thousands of Russian Rubles)

14. Amounts due to customers

The amounts due to customers include the following:

	31 March 2018 (unaudited)	31 December 2017
Current accounts	204 568 929	215 024 971
Time deposits	653 868 005	612 078 354
Amounts due to customers	**858 436 934**	**827 103 325**

As at 31 March 2018 and 31 December 2017, approximately 44% of total amounts due to customers were placed with the Group by its ten largest customers.

Analysis of customer accounts by type of customer is as follows:

	31 March 2018 (unaudited)	31 December 2017
Corporate		
Current accounts	90 255 507	102 333 257
Time deposits	515 058 468	461 068 535
Total corporate accounts	**605 313 975**	**563 401 792**
Retail		
Current accounts	114 313 422	112 691 714
Time deposits	138 809 537	151 009 819
Total retail accounts	**253 122 959**	**263 701 533**
Amounts due to customers	**858 436 934**	**827 103 325**

Included in retail time deposits are deposits of individuals in the amount of RUB 123 600 290 thousand (31 December 2017: RUB 133 536 325 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. Group's experience shows that majority of the time deposits of individuals mature according to contractual terms and can be treated as stable customer base. The remaining part of retail time deposits in the amount of RUB 15 209 247 thousand (31 December 2017: RUB 17 473 494 thousand) is represented by deposits placed by SME.

15. Debt securities issued

Debt securities issued consists of the following:

Issue	Date of issue	Maturity date	Currency	Coupon rate, %	Carrying value at 31 March 2018 (unaudited)	Carrying value at 31 December 2017
UniCredit Bank, 02-IP	23.09.2015	16.09.2020	RUB	12.35	4 013 520	4 138 040
UniCredit Bank, BO-10	26.11.2013	20.11.2018	RUB	9.20	2 376 421	2 324 211
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUB	9.00	45 698	46 721
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUB	9.00	836	818
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUB	9.10	3	3
Debt securities issued					**6 436 478**	**6 509 793**

(in thousands of Russian Rubles)

15. Debt securities issued (continued)

As at 31 March 2018 mortgage-backed bonds (UniCredit Bank, 02-IP) with the carrying value of RUB 4 013 520 thousand (31 December 2017: RUB 4 138 040 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 1 631 514 thousand (31 December 2017: RUB 1 865 735 thousand) and by cash in the amount of RUB 2 752 807 thousand (31 December 2017: RUB 2 452 807 thousand) (see Notes 5 and 9 for details).

16. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	31 March 2018 (unaudited)	31 December 2017
Guarantees issued	133 917 425	140 404 906
Undrawn loan commitments	46 346 078	75 414 793
Letters of credit	34 736 812	35 299 023
Undrawn commitments to issue documentary instruments	28 048 792	39 329 152
Gross credit related commitments and contingencies	**243 049 107**	**290 447 874**

The table above does not include uncommitted lines for loans and documentary instruments. As at 31 March 2018 the amount of uncommitted lines is RUB 409 747 232 thousand (31 December 2017: RUB 374 691 425 thousand).

As of 31 March 2018 provision for credit related commitments and contingencies and uncommitted credit lines comprised RUB 4 542 320 thousand (31 December 2017: RUB 1 458 050 thousand).

A reconciliation of provision for credit losses on financial guarantees and other committed and uncommitted credit related commitments and contingencies in accordance with IFRS 9 as of 31 March 2018 is as follows:

	Stage 1	Stage 2	Stage 3	Total
Balance as at 1 January 2018	**3 614 982**	**515 157**	**285 005**	**4 415 144**
Charge / (recovery) for the period	130 799	27 830	(200 404)	(41 775)
Balance as at 31 March 2018	**3 745 781**	**542 987**	**84 601**	**4 373 369**

A reconciliation of the provisions on commercial guarantees in accordance with IAS 37 is as follows:

	Three-month period ended 31 March	
	2018 (unaudited)	2017 (unaudited)
Provisions at the beginning of the period	**1 458 050**	**369 951**
(Recovery)/charge for the period	(1 289 099)	248 985
Provisions at the end of the period	**168 951**	**618 936**

(in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

The following table shows gross financial guarantees and other committed and uncommitted credit related commitments and contingencies and related expected loss under IFRS 9 by stages as of 31 March 2018:

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	548 181 983	8 884 670	99 939	**557 166 592**
Provisions for credit related commitments and contingencies	(3 745 781)	(542 987)	(84 601)	**(4 373 369)**
Net credit related commitments and contingencies	**544 436 202**	**8 341 683**	**15 338**	**552 793 223**

The following table shows gross commercial guarantees impairment under IAS 37 as of 31 March 2018:

	Performing exposure	Impaired exposure	Total
Gross credit related commitments and contingencies	94 521 431	1 108 316	**95 629 747**
Provisions for credit related commitments and contingencies	-	(168 951)	**(168 951)**
Net credit related commitments and contingencies	**94 521 431**	**939 365**	**95 460 796**

Operating environment. Emerging markets such as Russia 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 Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment. Because Russia 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.

Following high volatility in natural resources prices, the ruble exchange rate and interest rates in 2017 have been relatively stable. The Russian economy continued to be negatively impacted by ongoing political tension in the region and continuing international sanctions imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. The above mentioned events have led to reduced access of the Russian businesses to international capital markets, increased inflation, economic recession and other negative economic consequences. The impact of further economic developments on future operations and financial position of the Group is at this stage difficult to determine.

There has continued to be increased economic challenges to the Russian consumers and corporates, which have led to higher defaults in the retail and commercial banking sector. This operating environment has a significant impact on the Group’s operations and financial position. Management is taking necessary measures to ensure sustainability of the Group’s operations. However, the future effects of the current economic situation are difficult to predict and management’s current expectations and estimates could significantly differ from actual results.

(in thousands of Russian Rubles)

17. Gains on financial assets and liabilities held for trading

Gains/losses on financial assets and liabilities held for trading comprise:

	Three-month period ended 31 March	
	2018 (unaudited)	**2017 (unaudited)**
Net losses from trading securities	(325 863)	(85 051)
Net gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	458 866	381 593
Gains on financial assets and liabilities held for trading	**133 003**	**296 542**

18. Fair value of financial instruments

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value on a recurring basis, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
Trading securities			
- held by the Group	9 890 111	9 787 810	19 677 921
- pledged under repurchase agreements	982 645	-	982 645
Derivative financial assets	-	39 124 293	39 124 293
Derivative financial assets designated for hedging	-	10 175 398	10 175 398
Financial assets at fair value through other comprehensive income			
- held by the Group	36 132 984	67 974 615	104 107 599
Total	**47 005 740**	**127 062 116**	**174 067 856**
Financial liabilities measured at fair value			
Financial liabilities held for trading	2 675 160	11 316 177	13 991 337
Derivative financial liabilities	-	16 528 309	16 528 309
Derivative financial liabilities designated for hedging	-	15 226 292	15 226 292
Total	**2 675 160**	**43 070 778**	**45 745 938**

(in thousands of Russian Rubles)

18. Fair value of financial instruments (continued)

	Level 1	Level 2	Total
Financial assets measured at fair value			
Trading securitites:			
- held by the Group	2 593 613	17 471 225	20 064 838
- pledged under repurchase agreements	804 699	-	804 699
Derivative financial assets	-	37 985 906	37 985 906
Derivative financial assets designated for hedging	-	7 860 608	7 860 608
Investment securities available-for-sale:			
- held by the Group	23 731 042	52 361 258	76 092 300
- pledged under repurchase agreements	1 254 314	-	1 254 314
Total	**28 383 668**	**115 678 997**	**144 062 665**
Financial liabilities measured at fair value			
Financial liabilities held for trading	12 627 926	13 771 887	26 399 813
Derivative financial liabilities	-	15 658 296	15 658 296
Derivative financial liabilities designated for hedging	-	10 649 841	10 649 841
Total	**12 627 926**	**40 080 024**	**52 707 950**

The table above does not include equity investments at fair value through other comprehensive income in amount of RUB 125 941 thousand (31 December 2017: RUB 119 652 thousand), which do not have a quoted market price in an active market.

During the three-month period ended 31 March 2018 changes from Level 2 to Level 1 amounted to RUB 255 965 thousand for trading securities (three-month period ended 31 March 2017: none). During the three-month period ended 31 March 2018 changes from Level 2 to Level 1 amounted to RUB 58 112 thousand for securities at fair value through other comprehensive income (three-month period ended 31 March 2017: none).

19. Related party disclosures

As at 31 March 2018 the sole shareholder of the Group is the UniCredit S.p.A. UniCredit S.p.A. issues publicly available financial statements.

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be conducted on the same terms, conditions and amounts as transactions between unrelated parties.

As at 1 March 2018, as a result of the transaction between the Group and its sole shareholder UniCredit S.p.A., the Group acquired 40% of capital in BARN B.V. (the Netherlands), that is the sole shareholder of AO "RN Bank" (Russian Federation) since 2013 (see Note 1 and 11 for details). Thus, the relevant transactions with AO "RN Bank" and BARN B.V. for the three-month period ended 31 March 2018 are disclosed as transactions with associate.

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

Balances and transactions with UniCredit S.p.A were as follows:

	31 March 2018 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2017	Weighted average interest rate, %
Amounts due from credit institutions				
- In EUR	52 090	0.0%	202 408	0.0%
- In USD	122 693 156	4.1%	142 410 984	3.5%
Derivative financial assets	8 095 408		7 541 866	
Derivative financial assets designated for hedging	7 898 287		6 158 452	
Other assets	276 197		249 000	
Amounts due to credit institutions				
- In Russian Rubles	766 315	5.1%	145 887	0.0%
- In EUR	482 728	1.8%	482 668	1.8%
- In USD	27 557 634	12.4%	27 718 054	11.8%
Derivative financial liabilities	4 315 507		2 893 942	
Derivative financial liabilities designated for hedging	6 792 796		3 952 680	
Other liabilities	410 832		463 601	
Commitments and guarantees issued	6 233 362		5 113 270	
Commitments and guarantees received	34 582 857		35 075 067	

	Three-month period ended 31 March	
	2018 (unaudited)	2017 (unaudited)
Interest income and similar revenues	5 068 971	4 197 067
Interest expense and similar charges	(2 665 372)	(1 275 264)
Fee and commission income	16 148	6 250
Fee and commission expense	(126 343)	(167 117)
Gains on financial assets and liabilities held for trading	111 068	1 312 507
Fair value adjustments in portfolio hedge accounting	(468 556)	(271 241)
Personnel expenses / (recovery of personnel expenses)	(979)	1 512
Other administrative expenses	(14 660)	(16 689)

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

Balances and transactions with other companies controlled by the UniCredit Group or related with UniCredit Group are as follows:

	31 March 2018 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2017	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Rubles	243	0.0%	14 456 718	9.6%
- In EUR	2 725 471	0.0%	9 114 139	0.0%
- In USD	2 993 470	0.0%	3 513 219	0.0%
- In other currencies	16	0.0%	271	0.0%
Derivative financial assets	1 372 657		1 602 713	
Derivative financial assets designated for hedging	1 968 172		1 488 171	
Loans to customers				
- In Russian Rubles	1 072 102	5.8%	1 219 272	5.8%
Intangible assets	27 392		300 687	
Other assets	11 547		5 318	
Amounts due to credit institutions				
- In Russian Rubles	3 088 408	8.3%	9 634 419	5.4%
- In EUR	6 991 429	1.7%	6 734 240	1.5%
- In USD	2 188 529	2.7%	1 489 534	2.9%
- In other currencies	109	0.0%	102	0.0%
Derivative financial liabilities	3 724 469		3 342 055	
Derivative financial liabilities designated for hedging	2 629 063		2 615 869	
Amounts due to customers				
- In Russian Rubles	609 866	7.9%	542 898	6.4%
- In EUR	-	-	6 416	0.0%
Other liabilities	241 234		271 403	
Commitments and guarantees issued	9 612 674		8 256 342	
Commitments and guarantees received	5 704 855		5 315 300	

	Three-month period ended 31 March	
	2018 (unaudited)	2017 (unaudited)
Interest income and similar revenues	138 461	864 900
Interest expense and similar charges	(656 759)	(726 350)
Fee and commission income	32 046	67 994
Fee and commission expense	(54 712)	(44 486)
Gains on financial assets and liabilities held for trading	152 218	643 444
Fair value adjustments in portfolio hedge accounting	(256 004)	(15 258)
Other income	121	121
Personnel expenses	(1 739)	(5 551)
Other administrative expenses	(52 992)	(70 309)

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

Balances and transactions with associate are as follows:

	31 March 2018 (unaudited)	Weighted average interest rate, % (unaudited)
Amounts due from credit institutions		
- In Russian Rubles	14 588 008	8.5%
Derivative financial assets	380 633	
Amounts due to credit institutions		
- In Russian Rubles	46 689	0.0%
- In EUR	5 610	0.0%
- In USD	4 922	0.0%
Derivative financial liabilities	114 640	
Commitments and guarantees issued	284 195	

	Three-month period ended 31 March 2018 (unaudited)
Interest income and similar revenues	446 682
Interest expense and similar charges	(69 968)
Fee and commission income	15 515
Gains on financial assets and liabilities held for trading	(256 788)

Balances and transactions with key management personnel are as follows:

	31 March 2018 (unaudited)	31 December 2017
Amounts due to customers	322 330	324 714
Other liabilities	57 336	55 106

	Three-month period ended 31 March 2018 (unaudited)	Three-month period ended 31 March 2017 (unaudited)
Interest expense	(2 389)	(3 406)
Personnel expenses, including:	(84 056)	(75 859)
short-term benefits	(45 580)	(41 454)
long-term benefits	(37 863)	(33 827)
post-employment benefits	(613)	(578)

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

Subordinated loans from the members of the UniCredit Group were as follows:

	Three-month period ended 31 March 2018 (unaudited) UniCredit S.p.A.	Three-month period ended 31 March 2017 (unaudited) UniCredit S.p.A.
Subordinated loans at the beginning of the period	27 718 054	29 178 071
Accrual of interest, net of interest paid	826	(576)
Effect of exchange rates changes	(161 246)	(2 057 771)
Subordinated loans at the end of the period	**27 557 634**	**27 119 724**

20. Subsequent events

On 9 April 2018 the sole shareholder of the Group, Unicredit S.p.A., made a decision of profit distribution based on the year 2017 result. Dividends declared in amount of RUB 6 861 533 thousand were fully paid in April 2018.

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