AO UniCredit Bank

Condensed Interim Consolidated
Financial Statements
for the Six-Month Period Ended
30 June 2018
(unaudited)

Contents

AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 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 30 June 2018, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-month periods 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 and six-month periods ended 30 June 2018 were approved by the Board of Management of AO UniCredit Bank on 3 August 2018.

I. Matveev Acting Chairman of the Board of Management	**G. Chernysheva** Chief Accountant

3 August 2018
Moscow

AO Deloitte & Touche CIS
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Moscow, 125047,
Russia

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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 30 June 2018 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-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

6 August 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: AO "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 30 June 2018
(in thousands of Russian Rubles)

	Notes	30 June 2018 (unaudited)	31 December 2017
ASSETS			
Cash and cash balances	5	23 245 404	30 202 650
Debt securities held for trading	6		
- held by the Group		9 104 902	20 064 838
- pledged under repurchase agreements		302 303	804 699
Derivative financial assets	8	28 740 894	37 985 906
Derivative financial assets designated for hedging	8	7 827 253	7 860 608
Changes in fair value of portfolio hedged items		306 868	2 661 127
Financial assets at amortized cost			
Amounts due from credit institutions	7	298 458 951	292 420 614
Loans to customers	9	703 597 500	668 523 180
Debt securities	10	-	29 937 423
Financial assets at fair value through other comprehensive income	10		
- held by the Group		112 354 401	76 211 952
- pledged under repurchase agreements		653 079	1 254 314
Investments in associate	11	6 455 707	-
Fixed assets		5 582 623	4 909 170
Intangible assets		7 366 791	7 452 804
Deferred income tax assets		1 127 371	-
Current income tax assets		60 917	-
Other assets		6 555 623	5 852 338
TOTAL ASSETS		**1 211 740 587**	**1 186 141 623**
LIABILITIES			
Amounts due to credit institutions	13	78 950 997	85 426 996
Amounts due to customers	14	885 990 750	827 103 325
Debt securities issued	15	6 507 846	6 509 793
Financial liabilities held for trading	7	5 621 950	26 399 813
Derivative financial liabilities	8	15 172 299	15 658 296
Derivative financial liabilities designated for hedging	8	16 084 915	10 649 841
Changes in fair value of portfolio hedged items		(2 257 306)	(1 140 107)
Deferred income tax liabilities		55 826	4 497 677
Current income tax liabilities		1 758 258	152 459
Other liabilities		14 284 164	10 650 121
TOTAL LIABILITIES		**1 022 169 699**	**985 908 214**
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		432 515	(268 860)
Revaluation reserve for financial assets at fair value through other comprehensive income		(949 762)	226 583
Foreign currency translation reserve		(23 856)	-
Retained earnings		147 886 904	158 050 599
TOTAL EQUITY		**189 570 888**	**200 233 409**
TOTAL LIABILITIES AND EQUITY		**1 211 740 587**	**1 186 141 623**

I. Matveev
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

3 August 2018
Moscow

The accompanying selected notes on pages 8 to 38 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Comprehensive Income for the Three and Six-Month Periods Ended 30 June 2018
(in thousands of Russian Rubles)

	Notes	Three-month period ended 30 June 2018 (unaudited)	Three-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2018 (unaudited)	Six-month period ended 30 June 2017 (unaudited)
Interest income and similar revenues		26 769 345	25 884 394	52 671 299	52 392 812
Interest expense and similar charges		(16 576 961)	(16 778 729)	(32 067 465)	(32 492 667)
Net interest income		**10 192 384**	**9 105 665**	**20 603 834**	**19 900 145**
Fee and commission income		3 044 189	2 506 518	5 709 904	4 747 420
Fee and commission expense		(675 735)	(739 952)	(1 417 599)	(1 366 643)
Net fee and commission income		**2 368 454**	**1 766 566**	**4 292 305**	**3 380 777**
Dividend income		2	2	2	2
(Losses)/gains on financial assets and liabilities held for trading		(598 772)	958 750	(465 769)	1 255 292
Fair value adjustments in portfolio hedge accounting		73 893	132 454	96 106	13 632
Gains/(losses) on disposal of:					
- financial assets at amortized cost		169 860	7 112	246 509	156 385
- financial assets at fair value through other comprehensive income		(129 902)	106 348	1 504 154	669 221
OPERATING INCOME		**12 075 919**	**12 076 897**	**26 277 141**	**25 375 454**
(Impairment)/recovery of impairment on:					
- financial assets at fair value through other comprehensive income		(1 699)	-	(87 115)	-
- financial assets at amortized costs	7,9	(4 567 662)	(1 396 750)	(7 688 135)	(3 054 383)
- other financial transactions	16	217 991	(874 300)	1 548 865	(1 123 285)
NET INCOME FROM FINANCIAL ACTIVITIES		**7 724 549**	**9 805 847**	**20 050 756**	**21 197 786**
Personnel expenses		(2 378 749)	(2 183 824)	(4 759 613)	(4 387 686)
Other administrative expenses		(1 787 007)	(1 635 700)	(3 384 143)	(3 126 897)
Depreciation of fixed assets		(198 308)	(140 719)	(387 685)	(289 788)
Impairment of fixed assets		-	(67 444)	-	(67 444)
Amortization of intangible assets		(267 334)	(296 055)	(688 003)	(558 448)
Other provisions		40 321	10 055	20 860	30 059
Other operating (expenses)/income		(52 320)	43 686	(47 339)	(71 154)
Operating costs		**(4 643 397)**	**(4 270 001)**	**(9 245 923)**	**(8 471 358)**
Share of gains of associate	11	349 937	-	446 780	-
Gains/(losses) on disposal of fixed assets		(5)	(1 885)	370	989
PROFIT BEFORE INCOME TAX EXPENSE		**3 431 084**	**5 533 961**	**11 251 983**	**12 727 417**
Income tax expense	12	(643 264)	(1 187 632)	(2 242 693)	(2 636 144)
PROFIT FOR THE PERIOD		**2 787 820**	**4 346 329**	**9 009 290**	**10 091 273**
OTHER COMPREHENSIVE INCOME/(LOSS)					
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		485 303	(422 204)	686 222	(676 917)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		9 279	5 044	15 153	9 707
Revaluation reserve for financial assets at fair value through other comprehensive income , net of tax:					
- fair value changes		(799 491)	293 895	(1 209 889)	541 193
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period		(188 717)	(117 099)	(1 056 309)	(215 308)
Foreign currency translation reserve		23 044	-	(23 856)	-
Other comprehensive loss for the period, net of tax	12	**(470 582)**	**(240 364)**	**(1 588 679)**	**(341 325)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2 317 238**	**4 105 965**	**7 420 611**	**9 749 948**

I. Matveev
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

3 August 2018
Moscow

The accompanying selected notes on pages 8 to 38 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Changes in Equity for the Six-Month Period Ended 30 June 2018

(expressed in thousands of Russian Rubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for financial assets at fair value through other comprehensive income	Foreign currency translation reserve	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)	-	-	-	-	-	10 091 273	10 091 273
Other comprehensive income							
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(667 210)	-	-	-	(667 210)
Change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	325 885	-	-	325 885
Total other comprehensive income/(loss) (unaudited)	**-**	**-**	**(667 210)**	**325 885**	**-**	**-**	**(341 325)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	**-**	**-**	**(667 210)**	**325 885**	-	**10 091 273**	**9 749 948**
30 June 2017 (unaudited)	**41 787 806**	**437 281**	**(651 451)**	**(233 956)**	**-**	**150 085 173**	**191 424 853**
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)	-	-	-	-	-	9 009 290	9 009 290
Other comprehensive income							
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	701 375	-	-	-	701 375
Change in revaluation reserve financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	(2 266 198)	-	-	(2 266 198)
Change in foreign currency translation reserve	-	-	-	-	(23 856)	-	(23 856)
Total other comprehensive income/(loss) (unaudited)	**-**	**-**	**701 375**	**(2 266 198)**	**(23 856)**	**-**	**(1 588 679)**
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	**-**	**-**	**701 375**	**(2 266 198)**	**(23 856)**	**9 009 290**	**7 420 611**
Transactions with owner, directly recorded in equity							
Dividends paid on ordinary shares	-	-	-	-	-	(6 861 533)	(6 861 533)
Total transactions with owner	**-**	**-**	**-**	**-**	**-**	**(6 861 533)**	**(6 861 533)**
Gain on disposal of equity investments at fair value through other comprehensive income	-	-	-	-	-	1 917	1 917
30 June 2018 (unaudited)	**41 787 806**	**437 281**	**432 515**	**(949 762)**	**(23 856)**	**147 886 904**	**189 570 888**

I. Matveev
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

3 August 2018
Moscow

Акционерное общество "ЮниКредит Банк" UniCredit Bank г. МОСКВА

The accompanying selected notes on pages 8 to 38 are an integral part of these condensed interim consolidated financial statements.

Condensed Interim Consolidated Statement of Cash Flows for the Six-Month Period Ended 30 June 2018
(expressed in thousands of Russian Rubles)

	Note	Six-month period ended 30 June 2018 (unaudited)	Six-month period ended 30 June 2017 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		**19 147 888**	**15 900 656**
Net cash from/(used in) operating activities before income tax		**15 555 435**	**(21 430 541)**
Corporate income tax paid		(3 069 220)	(4 518 485)
Net cash flows from/(used in) operating activities		**12 486 215**	**(25 949 026)**
Cash flows from investing activities			
Purchase of associate	11	(6 033 031)	-
Dividends received		2	2
Purchase of financial assets at fair value through other comprehensive income		(183 727 037)	(13 795 018)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		178 850 404	22 568 789
Proceeds from sale of fixed and intangible assets		15 296	1 485
Purchase of fixed and intangible assets		(1 387 395)	(1 194 109)
Net cash flows (used in)/ from investing activities		**(12 281 761)**	**7 581 149**
Cash flows from financing activities			
Dividends paid on ordinary shares		(6 861 533)	-
Net cash flows used in financing activities		**(6 861 533)**	**-**
Effect of exchange rates changes on cash and cash balances		(300 167)	112 101
Net decrease in cash and cash balances		**(6 957 246)**	**(18 255 776)**
Cash and cash balances, beginning	**5**	**30 202 650**	**58 588 565**
Cash and cash balances, ending	**5**	**23 245 404**	**40 332 789**

I. Matveev
Acting Chairman of the Board of Management

G. Chernysheva
Chief Accountant

3 August 2018
Moscow

The accompanying selected notes on pages 8 to 38 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 30 June 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 30 June 2018 the sole shareholder of the Group is UniCredit S.p.A.

As at 30 June 2018 the Bank had 13 branches and 10 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus (31 December 2017: 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:

	30 June 2018	**31 December 2017**
RUB/1 US Dollar	62.7565	57.6002
RUB/1 Euro	72.9921	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 of "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 1 January 2018, the Group has 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 are 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 IAS 39, 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 measure-ment category	IFRS 9 measure-ment category	IAS 39/ IAS 37 carrying amount	Reclassifica-tion	Remeasure-ment	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:

	30 June 2018 (unaudited)	**31 December 2017**
Assets		
CIB	926 444 556	896 130 421
Retail banking	130 921 440	123 712 238
Leasing	22 473 541	21 339 598
Other	131 901 050	144 959 366
Total assets	**1 211 740 587**	**1 186 141 623**
Liabilities		
CIB	706 608 943	672 598 151
Retail banking	267 038 748	263 701 533
Leasing	18 484 295	17 614 994
Other	30 037 713	31 993 536
Total liabilities	**1 022 169 699**	**985 908 214**

(in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 June 2018 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	7 099 473	2 323 578	389 819	379 514	10 192 384
Inter-segment (expense)/income	(209 782)	397 725	-	(187 943)	-
Net interest income	**6 889 691**	**2 721 303**	**389 819**	**191 571**	**10 192 384**
Net fee and commission income from external customers	959 539	1 401 925	6 990	-	2 368 454
Dividend income	-	-	-	2	2
(Losses)/gains on financial assets and liabilities held for trading from external customers	(921 857)	332 773	1 199	(10 887)	(598 772)
Fair value adjustments in portfolio hedge accounting	-	-	-	73 893	73 893
(Losses)/gains on disposals of financial assets	(117 952)	157 910	-	-	39 958
Operating income	**6 809 421**	**4 613 911**	**398 008**	**254 579**	**12 075 919**
Impairment on loans and other financial transactions	(3 504 618)	(765 292)	(65 323)	(16 137)	(4 351 370)
Net income from financial activities	**3 304 803**	**3 848 619**	**332 685**	**238 442**	**7 724 549**
Operating costs including:	(1 575 050)	(2 601 896)	(123 893)	(342 558)	(4 643 397)
depreciation on fixed assets and amortization of intangible assets	(169 089)	(296 008)	(545)	-	(465 642)
Share of gains of associate	-	-	-	349 937	349 937
Loss on disposal of fixed assets	-	-	-	(5)	(5)
Profit before income tax expense	**1 729 753**	**1 246 723**	**208 792**	**245 816**	**3 431 084**
Income tax expense					(643 264)
Profit for the period					**2 787 820**
Cash flow hedge reserve					494 582
Revaluation reserve for financial assets at fair value through other comprehensive income					(988 208)
Foreign currency translation reserve					23 044
Total comprehensive income for the period					**2 317 238**

(in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 June 2017 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	6 668 023	2 109 402	316 524	11 716	9 105 665
Inter-segment (expense)/income	(1 941 357)	119 923	-	1 821 434	-
Net interest income	**4 726 666**	**2 229 325**	**316 524**	**1 833 150**	**9 105 665**
Net fee and commission income/(expense) from external customers	801 562	965 965	(961)	-	1 766 566
Dividend income	-	-	-	2	2
Gains/(losses) on financial assets and liabilities held for trading from external customers	670 992	319 256	(228)	(31 270)	958 750
Fair value adjustments in portfolio hedge accounting	-	-	-	132 454	132 454
Gains on disposals of financial assets	111 779	1 681	-	-	113 460
Operating income	**6 310 999**	**3 516 227**	**315 335**	**1 934 336**	**12 076 897**
Impairment on loans and other financial transactions	(1 741 693)	(498 999)	(30 358)	-	(2 271 050)
Net income from financial activities	**4 569 306**	**3 017 228**	**284 977**	**1 934 336**	**9 805 847**
Operating costs including:	(1 578 586)	(2 424 847)	(89 755)	(176 813)	(4 270 001)
depreciation on fixed assets and amortization of intangible assets	(169 111)	(266 396)	(1 267)	-	(436 774)
impairment of fixed assets	(13 717)	(53 727)	-	-	(67 444)
Losses on disposal of fixed assets	-	-	-	(1 885)	(1 885)
Profit before income tax expense	**2 990 720**	**592 381**	**195 222**	**1 755 638**	**5 533 961**
Income tax expense					(1 187 632)
Profit for the period					**4 346 329**
Cash flow hedge reserve					(417 160)
Revaluation reserve for available-for-sale securities					176 796
Total comprehensive income					**4 105 965**

(in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the six-month period ended 30 June 2018 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	14 758 656	4 528 597	757 519	559 062	20 603 834
Inter-segment (expense)/income	(1 492 354)	913 166	-	579 188	-
Net interest income	**13 266 302**	**5 441 763**	**757 519**	**1 138 250**	**20 603 834**
Net fee and commission income from external customers	1 727 074	2 553 258	11 973	-	4 292 305
Dividend income	-	-	-	2	2
(Losses)/gains on financial assets and liabilities held for trading from external customers	(1 117 486)	631 109	1 508	19 100	(465 769)
Fair value adjustments in portfolio hedge accounting	-	-	-	96 106	96 106
Gains on disposals of financial assets	1 544 049	206 614	-	-	1 750 663
Operating income	**15 419 939**	**8 832 744**	**771 000**	**1 253 458**	**26 277 141**
Impairment on loans and other financial transactions	(4 579 721)	(1 543 924)	(60 017)	(42 723)	(6 226 385)
Net income from financial activities	**10 840 218**	**7 288 820**	**710 983**	**1 210 735**	**20 050 756**
Operating costs including:	(3 191 078)	(5 187 344)	(198 172)	(669 329)	(9 245 923)
depreciation on fixed assets and amortization of intangible assets	(390 023)	(684 089)	(1 576)	-	(1 075 688)
Share of gain in associate	-	-	-	446 780	446 780
Gains on disposal of fixed assets	-	-	-	370	370
Profit before income tax expense	**7 649 140**	**2 101 476**	**512 811**	**988 556**	**11 251 983**
Income tax expense					(2 242 693)
Profit for the period					**9 009 290**
Cash flow hedge reserve					701 375
Revaluation reserve for available-for-sale securities					(2 266 198)
Foreign currency translation reserve					(23 856)
Total comprehensive income					**7 420 611**

(in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the six-month period ended 30 June 2017 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	14 799 398	4 384 434	592 134	124 179	19 900 145
Inter-segment (expense)/income	(3 272 397)	496 577	-	2 775 820	-
Net interest income	**11 527 001**	**4 881 011**	**592 134**	**2 899 999**	**19 900 145**
Net fee and commission income/(expense) from external customers	1 447 092	1 934 293	(608)	-	3 380 777
Dividend income	-	-	-	2	2
Gains/(losses) on financial assets and liabilities held for trading from external customers	660 622	601 915	(761)	(6 484)	1 255 292
Fair value adjustments in portfolio hedge accounting	-	-	-	13 632	13 632
Gains on disposals of financial assets	823 925	1 681	-	-	825 606
Operating income	**14 458 640**	**7 418 900**	**590 765**	**2 907 149**	**25 375 454**
Impairment on loans and other financial transactions	(3 070 854)	(1 050 799)	(56 015)	-	(4 177 668)
Net income from financial activities	**11 387 786**	**6 368 101**	**534 750**	**2 907 149**	**21 197 786**
Operating costs including:	(3 069 639)	(4 765 215)	(180 854)	(455 650)	(8 471 358)
depreciation on fixed assets and amortization of intangible assets	(325 748)	(519 921)	(2 567)	-	(848 236)
depreciation on fixed assets and amortization of intangible assets	(13 717)	(53 727)	-	-	(67 444)
Gains on disposal of fixed assets	-	-	-	989	989
Profit before income tax expense	**8 318 147**	**1 602 886**	**353 896**	**2 452 488**	**12 727 417**
Income tax expense					(2 636 144)
Profit for the period					**10 091 273**
Cash flow hedge reserve					(667 210)
Revaluation reserve for available-for-sale securities					325 885
Total comprehensive income					**9 749 948**

(in thousands of Russian Rubles)

5. Cash and cash balances

Cash and cash balances comprise:

	30 June 2018 (unaudited)	31 December 2017
Cash on hand	10 036 564	11 771 673
Current accounts with the CBR	13 208 840	18 430 977
Cash and cash balances	**23 245 404**	**30 202 650**

Included in cash and cash balances as at 30 June 2018 is amount of RUB 3 102 807 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:

	30 June 2018 (unaudited)	31 December 2017
USD denominated		
Russian government eurobonds	-	2 383 299
RUB denominated		
Russian government bonds	6 801 785	18 455 671
Corporate and bank bonds	2 605 420	30 567
Trading securities	**9 407 205**	**20 869 537**

As at 30 June 2018 included in trading securities are Russian government bonds sold under repurchase agreements with credit institutions in the amount of RUB 302 303 thousand (31 December 2017: RUB 804 699 thousand) (see Note 13 for details).

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2018 (unaudited)	31 December 2017
Current accounts with credit institutions	51 542 157	44 375 824
Time deposits	131 867 932	187 161 615
Reverse repurchase agreements with credit institutions	104 207 997	51 791 048
Obligatory reserve with the CBR	11 041 674	9 092 127
Gross amounts due from credit institutions	**298 659 760**	**292 420 614**
Less: Impairment loss allowance	(200 809)	-
Amounts due from credit institutions	**298 458 951**	**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 30 June		Six-month period ended 30 June	
	2018 (unaudited)	**2017 (unaudited)**	**2018 (unaudited)**	**2017 (unaudited)**
Impairment loss allowance at the beginning of the period	**391 836**	**-**	**-**	**-**
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	**391 836**	**-**	**515 196**	**-**
Recovery for the period	(226 792)	-	(334 587)	-
Effect of exchange rate changes	35 765	-	20 200	-
Impairment loss allowance at the end of the period	**200 809**	**-**	**200 809**	**-**

As of 30 June 2018 and 1 January 2018 all amounts due from credit institutions were allocated to Stage 1 in accordance with IFRS 9.

As at 30 June 2018 there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 30 June 2018 the aggregate amount of these balances is RUB 241 358 097 thousand (31 December 2017: two counterparties with aggregate amount of RUB 193 202 731 thousand).

As at 30 June 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 112 046 917 thousand (31 December 2017: RUB 55 670 810 thousand).

As at 30 June 2018 Russian government bonds with the total fair value of RUB 5 621 950 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 30 June 2018 there are no securities repledged under repurchase agreements (31 December 2017: RUB 4 383 393 thousand) (see Notes 13 and 14 for details).

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.

	30 June 2018 (unaudited)			31 December 2017		
	Notional	Fair value		Notional	Fair value	
	principal	Asset	Liability	principal	Asset	Liability
Cross-currency interest rate swaps	292 163 445	18 775 456	9 256 296	269 447 898	28 163 370	7 875 459
Interest rate swaps and options	412 884 526	7 400 605	4 114 279	307 937 745	7 338 194	6 107 424
Foreign exchange forwards, options and swaps	144 051 593	2 500 414	1 737 305	139 320 810	2 484 342	1 675 413
Commodities	3 389 204	64 419	64 419	-	-	-
Total derivative assets/liabilities		**28 740 894**	**15 172 299**		**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.

	30 June 2018 (unaudited)			31 December 2017		
	Notional	Fair value		Notional	Fair value	
	principal	Asset	Liability	principal	Asset	Liability
Cash flow hedge						
Interest rate swaps	364 892 196	2 672 380	2 952 308	254 378 234	862 119	1 132 581
Cross-currency interest rate swaps	163 197 563	3 027 068	5 274 087	122 585 668	6 143 932	2 198 665
Total cash flow hedge		**5 699 448**	**8 226 395**		**7 006 051**	**3 331 246**
Fair value hedge						
Interest rate swaps	531 123 720	2 127 805	7 858 520	440 281 313	854 557	7 318 595
Total fair value hedge		**2 127 805**	**7 858 520**		**854 557**	**7 318 595**
Total derivative financial assets/ liabilities designated for hedging		**7 827 253**	**16 084 915**		**7 860 608**	**10 649 841**

9. Loans to customers

Loans to customers comprise:

	30 June 2018 (unaudited)	31 December 2017
Corporate customers	580 065 123	532 641 491
Retail customers, including SME	148 622 200	137 636 984
Lease receivables	21 031 026	19 739 478
Reverse repurchase agreements with companies	11 898 250	21 292 270
Gross loans to customers	**761 616 599**	**711 310 223**
Less: Impairment loss allowance	(58 019 099)	(42 787 043)
Loans to customers	**703 597 500**	**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 30 June		Six-month period ended 30 June	
	2018 (unaudited)	**2017 (unaudited)**	**2018 (unaudited)**	**2017 (unaudited)**
Impairment loss allowance at the beginning of the period	**55 936 212**	**42 225 978**	**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	**55 936 212**	**-**	**53 094 179**	**-**
Charge for the period	4 794 454	1 396 750	8 022 722	3 054 383
Assets sold or recovered through repossession of collateral during the period	(1 500 028)	(703 058)	(1 588 436)	(2 539 884)
Assets written-off during the period	(1 697 028)	(770 968)	(1 948 404)	(3 080 028)
Unwinding of discount	(136 647)	-	(264 672)	-
Effect of exchange rate changes	622 136	400 561	703 710	(139 959)
Impairment loss allowance at the end of the period	**58 019 099**	**42 549 263**	**58 019 099**	**42 549 263**

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

	Three-month period ended 30 June 2018 (unaudited)			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Impairment loss allowance at the beginning of the period according to IFRS 9	**7 145 355**	**6 553 459**	**42 237 398**	**55 936 212**
Charge/(recovery) for the period	755 488	(3 222 912)	7 261 878	**4 794 454**
Assets sold or recovered through repossession of collateral during the period	-	-	(1 500 028)	**(1 500 028)**
Assets written-off during the period	-	-	(1 697 028)	**(1 697 028)**
Unwinding of discount	-	-	(136 647)	**(136 647)**
Effect of exchange rate changes	(309 071)	4 119	927 088	**622 136**
Impairment loss allowance at the end of the period according to IFRS 9	**7 591 772**	**3 334 666**	**47 092 661**	**58 019 099**

(in thousands of Russian Rubles)

9. Loans to customers (continued)

	Six-month period ended 30 June 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	(455 127)	371 340	8 106 509	**8 022 722**
Assets sold or recovered through repossession of collateral during the period	(5 626)	-	(1 582 810)	**(1 588 436)**
Assets written-off during the period	-	-	(1 948 404)	**(1 948 404)**
Unwinding of discount	-	-	(264 672)	**(264 672)**
Effect of exchange rate changes	(304 936)	1 675	1 006 971	**703 710**
Impairment loss allowance at the end of the period according to IFRS 9	**7 591 772**	**3 334 666**	**47 092 661**	**58 019 099**

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 30 June 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	530 077 188	(6 742 612)	523 334 576
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due 31-90 days	790 964	(131 581)	659 383
Impaired loans			
- Not past due	8 451 677	(3 258 741)	5 192 936
- Past due less than 31 days	11 942 714	(5 869 281)	6 073 433
- Past due 31-90 days	2 653 320	(866 065)	1 787 255
- Past due over 180 days	26 149 260	(22 889 279)	3 259 981
Total loans to corporate customers	**580 065 123**	**(39 757 559)**	**540 307 564**
Retail customers, including SME			
Not impaired loans, not past due	128 938 099	(2 554 596)	126 383 503
Not impaired loans, past due			
- Past due less than 31 days	3 063 298	(576 130)	2 487 168
- Past due 31-90 days	984 924	(517 595)	467 329
- Past due 91-180 days	266 792	(149 252)	117 540
- Past due over 180 days	63 043	(17 107)	45 936
Impaired loans			
- Not past due	276 210	(157 235)	118 975
- Past due less than 31days	80 775	(58 948)	21 827
- Past due 31-90 days	95 074	(72 291)	22 783
- Past due 91-180 days	691 467	(524 379)	167 088
- Past due over 180 days	14 162 518	(13 073 227)	1 089 291
Total loans to retail customers	**148 622 200**	**(17 700 760)**	**130 921 440**
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	19 874 167	(180 319)	19 693 848
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	485 009	(11 928)	473 081
- Past due 31-90 days	134 916	(4 622)	130 294
Impaired loans			
- Not past due	113 888	(46 047)	67 841
- Past due less than 31days	121 929	(55 229)	66 700
- Past due 31-90 days	46 067	(32 899)	13 168
- Past due 91-180 days	138 306	(97 938)	40 368
- Past due over 180 days	116 744	(91 102)	25 642
Total lease receivables	**21 031 026**	**(520 084)**	**20 510 942**
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 898 250	(40 696)	11 857 554
Total loans to customers	**761 616 599**	**(58 019 099)**	**703 597 500**

(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 30 June 2018 (unaudited):

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Corporate customers				
Gross loans	514 086 613	16 781 539	49 196 971	580 065 123
Impairment	(5 495 904)	(1 378 289)	(32 883 366)	(39 757 559)
Net loans to corporate customers	**508 590 709**	**15 403 250**	**16 313 605**	**540 307 564**
Retail customers				
Gross loans	124 988 297	8 327 859	15 306 044	148 622 200
Impairment	(1 871 391)	(1 943 289)	(13 886 080)	(17 700 760)
Net loans to retail customers	**123 116 906**	**6 384 570**	**1 419 964**	**130 921 440**
Lease receivables				
Gross lease receivables	20 193 689	300 403	536 934	21 031 026
Impairment	(183 781)	(13 088)	(323 215)	(520 084)
Net lease receivables	**20 009 908**	**287 315**	**213 719**	**20 510 942**
Reverse repurchase agreements with companies				
Gross loans	11 898 250	-	-	11 898 250
Impairment	(40 696)	-	-	(40 696)
Net reverse repurchase agreements with companies	**11 857 554**	**-**	-	**11 857 554**
Total loans to customers	**663 575 077**	**22 075 135**	**17 947 288**	**703 597 500**

As at 30 June 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 12 595 076 thousand (31 December 2017: RUB 22 732 595 thousand).

As at 30 June 2018 corporate bonds in amount of RUB 223 538 thousand (31 December 2017: none) were repledged under repurchase agreements with customers (see Note 14 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

As at 30 June 2018 the Group had RUB 180 927 382 thousand due from its ten largest borrowers (24% of gross loan portfolio) (31 December 2017: RUB 178 361 295 thousand or 25%). An allowance of RUB 278 905 thousand was recognized against these loans (31 December 2017: RUB 98 324 thousand).

As at 30 June 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 30 June 2018 the gross amount of these loans is RUB 113 764 629 thousand (31 December 2017: RUB 102 064 854 thousand).

Included in retail loans as at 30 June 2018 are mortgage loans with gross amount of RUB 1 410 950 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:

	30 June 2018 (unaudited)	31 December 2017
Debt and other fixed income investments		
USD denominated		
Russian government eurobonds	22 116 418	12 051 460
RUB denominated		
Central bank bonds	63 661 084	30 467 380
Russian government bonds	20 739 291	30 309 317
Corporate and bank bonds	6 366 995	4 518 457
Total debt and other fixed income investments measured at fair value through other comprehensive income	**112 883 788**	**77 346 614**
Equity investments		
RUB denominated		
Equity investments in financial institutions	116 945	116 945
EUR denominated		
Equity investments in financial institutions	6 747	2 707
Total equity investments measures at fair value through other comprehensive income	**123 692**	**119 652**
Total financial assets measures at fair value through other comprehensive income	**113 007 480**	**77 466 266**

As of 30 June 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 30 June 2018 included in Russian Government bonds are securities sold under repurchase agreements in the amount of RUB 653 079 thousand (31 December 2017: RUB 1 254 314 thousand) (see Note 13 for details).

As at 30 June 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 1 385 018 thousand (31 December 2017: RUB 703 552 thousand). As at 30 June 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 30 June 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 30 June 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.

	30 June 2018	1 March 2018
Total assets	83 149 867	76 869 505
Total liabilities	67 628 687	65 429 009
Equity	15 521 180	11 440 496
Net profit	1 544 634	427 683

The carrying amounts of the Group's interest in BARN B.V. as of reporting date 30 June 2018 and as of the acquisition date 1 March 2018 are as follows:

	30 June 2018	1 March 2018
Net assets of BARN B.V.	15 521 180	11 440 496
Proportion of the Group's ownership interest in BARN B.V.	6 208 472	4 576 198
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	**6 455 707**	**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	446 780
Share of post-acquisition other comprehensive loss of associate	(24 104)
Carrying amount of the Group's interest in BARN B.V. as at 30 June 2018	**6 455 707**

(in thousands of Russian Rubles)

12. Taxation

The corporate income tax expense comprises:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2018 (unaudited)	**2017 (unaudited)**	**2018 (unaudited)**	**2017 (unaudited)**
Current tax charge	2 538 471	1 740 022	4 614 102	3 310 044
Deferred tax charge – reversal of temporary differences	(1 895 207)	(552 390)	(2 371 409)	(673 900)
Income tax expense	**643 264**	**1 187 632**	**2 242 693**	**2 636 144**

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

	Three-month period ended 30 June 2018 unaudited			Three-month period ended 30 June 2017 unaudited		
	Amount before tax	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax expense**	**Amount net-of-tax**
Cash flow hedge reserve	618 228	(123 646)	494 582	(521 450)	104 290	(417 160)
Revaluation reserve for financial assets at fair value through other comprehensive income	(1 235 260)	247 052	(988 208)	220 995	(44 199)	176 796
Other comprehensive income	**(617 032)**	**123 406**	**(493 626)**	**(300 455)**	**60 091**	**(240 364)**

	Six-month period ended 30 June 2018 (unaudited)			Six-month period ended 30 June 2017 (unaudited)		
	Amount before tax	**Tax expense**	**Amount net-of-tax**	**Amount before tax**	**Tax expense**	**Amount net-of-tax**
Cash flow hedge reserve	876 719	(175 344)	701 375	(834 013)	166 803	(667 210)
Revaluation reserve for financial assets at fair value through other comprehensive income	(2 832 747)	566 549	(2 266 198)	407 356	(81 471)	325 885
Other comprehensive income	**(1 956 028)**	**391 205**	**(1 564 823)**	**(426 657)**	**85 332**	**(341 325)**

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2018 (unaudited)	**31 December 2017**
Current accounts	6 327 239	8 602 207
Time deposits and loans	41 544 304	43 007 455
Repurchase agreements with credit institutions (Notes 6 and 10)	889 446	6 099 280
Subordinated debt (Note 19)	30 190 008	27 718 054
Amounts due to credit institutions	**78 950 997**	**85 426 996**

As at 30 June 2018 ten largest deposits, excluding subordinated debt, represented 83% of total amounts due to credit institutions (31 December 2017: 71%).

As at 30 June 2018 and 31 December 2017 the Group had no counterparties with aggregate balances that individually exceeded 10% of equity.

(in thousands of Russian Rubles)

13. Amounts due to credit institutions (continued)

As at 30 June 2018 fair value of securities pledged under repurchase agreements with credit institutions is RUB 955 382 thousand (31 December 2017: RUB 2 059 013 thousand) (see Notes 6 and 10 for details).

As at 30 June 2018 there are no repurchase agreements (31 December 2017: RUB 4 159 387 thousand) which are secured by bonds obtained under reverse repurchase agreements (31 December 2017: at fair value amounted RUB 4 383 393 thousand) (see Note 7 for details).

14. Amounts due to customers

The amounts due to customers include the following:

	30 June 2018 (unaudited)	31 December 2017
Current accounts	204 365 459	215 024 971
Time deposits	681 423 090	612 078 354
Repurchase agreements with customers (Note 9)	202 201	-
Amounts due to customers	**885 990 750**	**827 103 325**

As at 30 June 2018, approximately 42% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2017: 44%).

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

	30 June 2018 (unaudited)	31 December 2017
Corporate		
Current accounts	80 647 265	102 333 257
Time deposits	538 258 808	461 068 535
Repurchase agreements with customers (Note 9)	202 201	-
Total corporate accounts	**619 108 274**	**563 401 792**
Retail		
Current accounts	123 718 194	112 691 714
Time deposits	143 164 282	151 009 819
Total retail accounts	**266 882 476**	**263 701 533**
Amounts due to customers	**885 990 750**	**827 103 325**

Included in retail time deposits are deposits of individuals in the amount of RUB 128 123 186 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 15 041 096 thousand (31 December 2017: RUB 17 473 494 thousand) is represented by deposits placed by SME.

As at 30 June 2018 included in repurchase agreements with customers are agreements in the amount of RUB 202 201 thousand (31 December 2017: none) which are secured by corporate bonds with fair value of RUB 223 538 thousand (31 December 2017: none) obtained under reverse repurchase agreements with customers (see Note 9 for details).

(in thousands of Russian Rubles)

15. Debt securities issued

Debt securities issued consists of the following:

Issue	Date of issue	Maturity date	Currency	Coupon rate, %	Carrying value at 30 June 2018 (unaudited)	Carrying value at 31 December 2017
UniCredit Bank, 02-IP	23.09.2015	16.09.2020	RUB	12.35	4 136 680	4 138 040
UniCredit Bank, BO-10	26.11.2013	20.11.2018	RUB	9.20	2 323 659	2 324 211
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUB	9.00	46 687	46 721
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUB	9.00	817	818
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUB	9.10	3	3
Debt securities issued					**6 507 846**	**6 509 793**

As at 30 June 2018 mortgage-backed bonds (UniCredit Bank, 02-IP) with the carrying value of RUB 4 136 680 thousand (31 December 2017: RUB 4 138 040 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 1 410 950 thousand (31 December 2017: RUB 1 865 735 thousand) and by cash in the amount of RUB 3 102 807 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:

	30 June 2018 (unaudited)	31 December 2017
Guarantees issued	138 870 045	140 404 906
Undrawn loan commitments	45 075 646	75 414 793
Letters of credit	31 384 012	35 299 023
Undrawn commitments to issue documentary instruments	29 044 587	39 329 152
Gross credit related commitments and contingencies	**244 374 290**	**290 447 874**

The table above does not include uncommitted lines for loans and documentary instruments. As at 30 June 2018 the amount of uncommitted lines is RUB 383 264 058 thousand (31 December 2017: RUB 374 691 425 thousand).

As of 30 June 2018 provision for credit related commitments and contingencies and uncommitted credit lines comprised RUB 4 324 329 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 30 June 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**
(Recovery)/charge for the period	(157 101)	140 110	(244 639)	(261 630)
Balance as at 30 June 2018	**3 457 881**	**655 267**	**40 366**	**4 153 514**

(in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

A reconciliation of the provisions on credit related commitments in accordance with IAS 37 is as follows:

	Three-month period ended 30 June		**Six-month period ended 30 June**	
	2018 (unaudited)	**2017 (unaudited)**	**2018 (unaudited)**	**2017 (unaudited)**
Provisions at the beginning of the period	**168 951**	**618 936**	**1 458 050**	**369 951**
Charge/(recovery) for the period	1 864	874 300	(1 287 235)	1 123 285
Provisions at the end of the period	**170 815**	**1 493 236**	**170 815**	**1 493 236**

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 30 June 2018:

	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross credit related commitments and contingencies	496 194 482	33 745 839	45 947	**529 986 268**
Provisions for credit related commitments and contingencies	(3 457 881)	(655 267)	(40 366)	**(4 153 514)**
Net credit related commitments and contingencies	**492 736 601**	**33 090 572**	**5 581**	**525 832 754**

The following table shows gross credit related commitments and related impairment under IAS 37 as of 30 June 2018:

	Performing exposure	**Impaired exposure**	**Total**
Gross credit related commitments and contingencies	96 541 900	1 110 180	**97 652 080**
Provisions for credit related commitments and contingencies	-	(170 815)	**(170 815)**
Net credit related commitments and contingencies	**96 541 900**	**939 365**	**97 481 265**

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.

(in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

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.

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 30 June		Six-month period ended 30 June	
	2018 (unaudited)	**2017 (unaudited)**	**2018 (unaudited)**	**2017 (unaudited)**
Net losses from trading securities	(580 322)	(122 063)	(906 185)	(207 114)
Net (losses)/gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	(18 450)	1 080 813	440 416	1 462 406
(Losses)/gains on financial assets and liabilities held for trading	**(598 772)**	**958 750**	**(465 769)**	**1 255 292**

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.

	30 June 2018 (unaudited)		
	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
Trading securities			
- held by the Group	3 626 408	5 478 494	9 104 902
- pledged under repurchase agreements	302 303	-	302 303
Derivative financial assets	-	28 740 894	28 740 894
Derivative financial assets designated for hedging	-	7 827 253	7 827 253
Financial assets at fair value through other comprehensive income			
- held by the Group	41 238 139	70 992 570	112 230 709
- pledged under repurchase agreements	199 284	453 795	653 079
Total	**45 366 134**	**113 493 006**	**158 859 140**
Financial liabilities measured at fair value			
Financial liabilities held for trading	2 425 721	3 196 229	5 621 950
Derivative financial liabilities	-	15 172 299	15 172 299
Derivative financial liabilities designated for hedging	-	16 084 915	16 084 915
Total	**2 425 721**	**34 453 443**	**36 879 164**

(in thousands of Russian Rubles)

18. Fair value of financial instruments (continued)

	31 December 2017		
	Level 1	**Level 2**	**Total**
Financial assets measured at fair value			
Trading securities:			
- 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 123 692 thousand (31 December 2017: RUB 119 652 thousand), which do not have a quoted market price in an active market.

During the six-month period ended 30 June 2018 changes from Level 2 to Level 1 amounted to RUB 54 314 thousand for trading securities (six-month period ended 30 June 2017: RUB 2 548 987 thousand).

During the six-month period ended 30 June 2018 changes from Level 2 to Level 1 amounted to RUB 5 213 620 thousand for securities at fair value through other comprehensive income (six-month period ended 30 June 2017: none).

19. Related party disclosures

As at 30 June 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. are disclosed as transactions with associate for the six-month period ended 30 June 2018.

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

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

	30 June 2018 (unaudited)	**Weighted average interest rate, % (unaudited)**	**31 December 2017**	**Weighted average interest rate, %**
Amounts due from credit institutions				
- In Russian Roubles	301 275	7.5%	-	
- In EUR	322 249	0.0%	202 408	0.0%
- In USD	106 255 154	2.7%	142 410 984	3.5%
Derivative financial assets	4 348 543		7 541 866	
Derivative financial assets designated for hedging	5 318 620		6 158 452	
Other assets	318 847		249 000	
Amounts due to credit institutions				
- In Russian Roubles	990 723	0.0%	145 887	0.0%
- In EUR	473 035	1.8%	482 668	1.8%
- In USD	42 755 498	8.8%	27 718 054	11.8%
Derivative financial liabilities	5 219 231		2 893 942	
Derivative financial liabilities designated for hedging	8 633 997		3 952 680	
Other liabilities	452 469		463 601	
Commitments and guarantees issued	4 742 567		5 113 270	
Commitments and guarantees received	21 067 580		35 075 067	

	Six-month period ended 30 June	
	2018 (unaudited)	**2017 (unaudited)**
Interest income and similar revenues	10 762 180	8 714 057
Interest expense and similar charges	(6 217 452)	(2 887 748)
Fee and commission income	27 603	13 177
Fee and commission expense	(192 142)	(337 225)
Losses on financial assets and liabilities held for trading	(8 191 590)	(4 937 203)
Fair value adjustments in portfolio hedge accounting	534 085	(342 530)
Recovery of personnel expenses	952	5 439
Other administrative expenses	(45 914)	(30 266)

(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:

	30 June 2018 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2017	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	-		14 456 718	9.6%
- In EUR	12 153 790	0.0%	9 114 139	0.0%
- In USD	2 927 962	0.0%	3 513 219	0.0%
- In other currencies	2 590	0.0%	271	0.0%
Derivative financial assets	1 559 413		1 602 713	
Derivative financial assets designated for hedging	2 109 879		1 488 171	
Loans to customers				
- In Russian Roubles	1 066 194	5.8%	1 219 272	5.8%
Intangible assets	37 111		300 687	
Other assets	12 681		5 318	
Amounts due to credit institutions				
- In Russian Roubles	9 061 279	5.6%	9 634 419	5.4%
- In EUR	6 771 445	1.4%	6 734 240	1.5%
- In USD	1 113 967	3.2%	1 489 534	2.9%
- In other currencies	119	0.0%	102	0.0%
Derivative financial liabilities	3 012 340		3 342 055	
Derivative financial liabilities designated for hedging	3 174 392		2 615 869	
Amounts due to customers				
- In Russian Roubles	551 764	4.8%	542 898	6.4%
- In EUR	-		6 416	0.0%
Other liabilities	281 445		271 403	
Commitments and guarantees issued	36 655 942		8 256 342	
Commitments and guarantees received	4 816 765		5 315 300	

	Six-month period ended 30 June	
	2018 (unaudited)	2017 (unaudited)
Interest income and similar revenues	(71 320)	1 595 098
Interest expense and similar charges	(1 165 760)	(1 418 161)
Fee and commission income	68 844	113 383
Fee and commission expense	(127 115)	(84 938)
Gains on financial assets and liabilities held for trading	721 640	455 711
Fair value adjustments in portfolio hedge accounting	(21 687)	196 715
Other income	242	242
Personnel expenses	(7 422)	(10 228)
Other administrative expenses	(105 636)	(94 192)

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

Balances and transactions with associate are as follows:

	30 June 2018 (unaudited)	Weighted average interest rate, % (unaudited)
Amounts due from credit institutions		
- In Russian Roubles	21 453 256	8.4%
Derivative financial assets	77 083	
Amounts due to credit institutions		
- In Russian Roubles	30 234	0.0%
- In EUR	7 018	0.0%
- In USD	2 451	0.0%
Derivative financial liabilities	7 585	
Commitments and guarantees issued	403 045	

	Six-month period ended 30 June 2018 (unaudited)
Interest income and similar revenues	1 003 325
Interest expense and similar charges	(138 321)
Fee and commission income	30 519
Gains on financial assets and liabilities held for trading	(507 435)

Balances and transactions with key management personnel are as follows:

	30 June 2018 (unaudited)	31 December 2017
Amounts due to customers	312 040	324 714
Other liabilities	60 140	55 106

	Six-month period ended 30 June 2018 (unaudited)	Six-month period ended 30 June 2017 (unaudited)
Interest expense	(5 180)	(7 055)
Personnel expenses, including:	(172 589)	(177 335)
short-term benefits	(112 599)	(109 399)
long-term benefits	(58 765)	(66 746)
post-employment benefits	(1 225)	(1 190)

(in thousands of Russian Rubles)

19. Related party disclosures (continued)

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

	Six-month period ended 30 June 2018 (unaudited) UniCredit S.p.A.	Six-month period ended 30 June 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	(7 797)	(8 168)
Effect of exchange rates changes	2 479 751	(755 686)
Subordinated loans at the end of the period	**30 190 008**	**28 414 217**

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Партнер
АО «Делойт и Туш СНГ»

Неклюдов С.В.

АКЦИОНЕРНОЕ ОБЩЕСТВО «ДЕЛОЙТ И ТУШ СНГ»
для аудиторских
заключений и отчетов
* * *
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