

AO UniCredit Bank

Condensed Interim Consolidated
Financial Statements
for the Six-Month Period Ended
30 June 2019 (unaudited)

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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 2019

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 2019, 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 2019 were approved by the Board of Management of AO UniCredit Bank on 5 August 2019.



T. Fomina
Acting Chairman of the Board of Management



T. Soll
Acting Chief Accountant

5 August 2019
Moscow

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 (collectively – the “Group”) as of 30 June 2019 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 does not present fairly, in all material respects, the consolidated financial position of the Group as of 30 June 2019, and its consolidated financial performance for the three and six months then ended and its consolidated cash flows for the six months then ended in accordance with IAS 34 *Interim Financial Reporting*.


Anna Zdanevych
Engagement partner

12 August 2019



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 2019 (in thousands of Russian Rubles)

	Notes	30 June 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash balances	5	19 576 841	15 538 848
Debt securities held for trading	6		
- held by the Group		358 765	5 309 437
Derivative financial assets	8	20 089 181	36 868 281
Derivative financial assets designated for hedging	8	11 388 584	6 788 150
Changes in fair value of portfolio hedged items		4 005 895	(1 388 458)
Financial assets at amortized cost			
- Amounts due from credit institutions	7	312 270 986	359 588 990
- Loans to customers	9	771 266 312	863 150 705
Financial assets at fair value through other comprehensive income	10		
- held by the Group		132 306 656	46 258 756
- pledged under repurchase agreements		11 499 177	937 601
Investments in associate	11	7 543 669	6 912 137
Fixed assets		7 094 432	5 450 004
Intangible assets		7 463 007	7 331 783
Deferred income tax assets		2 184 915	1 836 648
Current income tax assets		602 121	207 457
Other assets		8 372 498	7 825 207
TOTAL ASSETS		1 316 023 039	1 362 615 546
LIABILITIES			
Amounts due to credit institutions	13	89 372 389	87 970 079
Amounts due to customers	14	976 226 894	1 015 640 868
Debt securities issued	15	46 690	47 553
Financial liabilities held for trading	7	-	3 427 071
Derivative financial liabilities	8	18 565 494	23 652 339
Derivative financial liabilities designated for hedging	8	14 364 598	20 324 175
Changes in fair value of portfolio hedged items		4 478 590	245 169
Current income tax liabilities		-	140 808
Other liabilities		15 571 228	15 405 180
TOTAL LIABILITIES		1 118 625 883	1 166 853 242
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(450 158)	146 889
Revaluation reserve for financial assets at fair value through other comprehensive income		303 647	(2 092 519)
Foreign currency translation reserve		(56 162)	(98 835)
Retained earnings		155 374 742	155 581 682
TOTAL EQUITY		197 397 156	195 762 304
TOTAL LIABILITIES AND EQUITY		1 316 023 039	1 362 615 546



T. Pomina
Acting Chairman of the Board of Management

5 August 2019
Moscow




T. Soll
Acting Chief Accountant

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

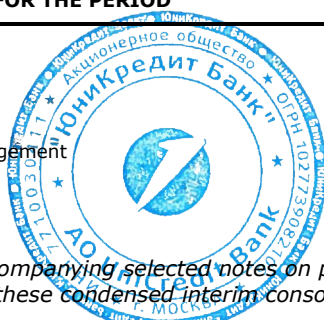
AO UniCredit Bank

Condensed Interim Consolidated Statement of Comprehensive Income for the Three and Six-Month Periods Ended 30 June 2019 (in thousands of Russian Rubles)

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues		30 187 210	26 769 345	59 836 840	52 671 299
Interest expense and similar charges		(19 736 484)	(16 576 961)	(38 870 362)	(32 067 465)
Net interest income		10 450 726	10 192 384	20 966 478	20 603 834
Fee and commission income		2 998 583	3 044 189	5 847 676	5 709 904
Fee and commission expense		(742 320)	(675 735)	(1 462 355)	(1 417 599)
Net fee and commission income		2 256 263	2 368 454	4 385 321	4 292 305
Dividend income		2	2	2	2
Losses on financial assets and liabilities held for trading	17	(1 102 214)	(598 772)	(1 763 855)	(465 769)
Fair value adjustments in portfolio hedge accounting		(26 072)	73 893	(6 034)	96 106
Gains/(losses) on disposal of:					
- financial assets at amortized cost		13 960	169 860	106 700	246 509
- financial assets at fair value through other comprehensive income		360 145	(129 902)	480 071	1 504 154
OPERATING INCOME		11 952 810	12 075 919	24 168 683	26 277 141
(Impairment)/recovery of impairment on:					
- financial assets at fair value through other comprehensive income		11 719	(1 699)	(102 019)	(87 115)
- financial assets at amortized costs	7,9	(1 636 643)	(4 567 662)	(5 874 662)	(7 688 135)
- other financial transactions	16	(69 885)	217 991	466 573	1 548 865
NET INCOME FROM FINANCIAL ACTIVITIES		10 258 001	7 724 549	18 658 575	20 050 756
Personnel expenses		(2 514 795)	(2 378 749)	(5 034 265)	(4 759 613)
Other administrative expenses		(1 557 080)	(1 787 007)	(3 141 728)	(3 384 143)
Depreciation of fixed assets		(170 187)	(198 308)	(320 750)	(387 685)
Depreciation of right-of-use assets		(153 525)	-	(323 436)	-
Impairment of fixed assets		(150)	-	(15 215)	-
Amortization of intangible assets		(483 401)	(267 334)	(962 249)	(688 003)
Recovery of other provisions		18 354	40 321	387 708	20 860
Other operating income/(expenses)		1 051	(52 320)	(12 835)	(47 339)
Operating costs		(4 859 733)	(4 643 397)	(9 422 770)	(9 245 923)
Share of gains of associate	11	358 583	349 937	589 133	446 780
Gains/(losses) on disposal of fixed assets		320	(5)	320	370
PROFIT BEFORE INCOME TAX EXPENSE		5 757 171	3 431 084	9 825 258	11 251 983
Income tax expense	12	(1 114 519)	(643 264)	(1 910 875)	(2 242 693)
PROFIT FOR THE PERIOD		4 642 652	2 787 820	7 914 383	9 009 290
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		(133 498)	485 303	(612 204)	686 222
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		6 040	9 279	15 157	15 153
Revaluation reserve for financial assets at fair value through other comprehensive income, net of tax:					
- fair value changes		1 135 573	(799 491)	2 185 588	(1 209 889)
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period		66 042	(188 717)	210 578	(1 056 309)
Foreign currency translation reserve		41 505	23 044	42 673	(23 856)
Other comprehensive income/(loss) for the period, net of tax	12	1 115 662	(470 582)	1 841 792	(1 588 679)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5 758 314	2 317 238	9 756 175	7 420 611


T. Fomina
Acting Chairman of the Board of Management

5 August 2019
Moscow




T. Soil
Acting Chief Accountant

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 2019 (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
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	-	-	-	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 for available-for-sale securities, net of tax (unaudited)	-	-	-	(2 266 198)	-	-	(2 266 198)
Change in foreign currency translation reserve (unaudited)	-	-	-	-	(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 (unaudited)	-	-	-	-	-	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
1 January 2019	41 787 806	437 281	146 889	(2 092 519)	(98 835)	155 581 682	195 762 304
Total comprehensive income							
Profit for the period (unaudited)	-	-	-	-	-	7 914 383	7 914 383
Other comprehensive income							
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(597 047)	-	-	-	(597 047)
Change in revaluation reserve financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	2 396 166	-	-	2 396 166
Change in foreign currency translation reserve (unaudited)	-	-	-	-	42 673	-	42 673
Total other comprehensive income/(loss) (unaudited)	-	-	(597 047)	2 396 166	42 673	-	1 841 792
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	-	-	(597 047)	2 396 166	42 673	7 914 383	9 756 175
Transactions with owner, directly recorded in equity							
Dividends paid on ordinary shares	-	-	-	-	-	(8 121 323)	(8 121 323)
Total transactions with owner	-	-	-	-	-	(8 121 323)	(8 121 323)
30 June 2019 (unaudited)	41 787 806	437 281	(450 158)	303 647	(56 162)	155 374 742	197 397 156


T. Fomina

Acting Chairman of the Board of Management

5 August 2019
Moscow




T. Soll


Acting Chief Accountant

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 Cash Flows for the Six-Month Period Ended 30 June 2019 (in thousands of Russian Rubles)

	Notes	Six-month period ended 30 June 2019 (unaudited)	Six -month period ended 30 June 2018 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		21 148 509	19 147 888
Net cash from operating activities before income tax		111 987 369	15 555 435
Corporate income tax paid		(3 244 463)	(3 069 220)
Net cash flows from operating activities		108 742 906	12 486 215
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		(268 203 450)	(183 727 037)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		173 931 899	178 850 404
Proceeds from sale of fixed and intangible assets		13 247	15 296
Purchase of fixed and intangible assets		(1 546 597)	(1 387 395)
Net cash flows used in investing activities		(95 804 899)	(12 281 761)
Cash flows from financing activities			
Dividends paid on ordinary shares		(8 121 323)	(6 861 533)
Cash outflow for lease liabilities		(268 490)	-
Net cash flows used in financing activities		(8 389 813)	(6 861 533)
Effect of exchange rates changes on cash and cash balances		(510 201)	(300 167)
Net increase/(decrease) in cash and cash balances		4 037 993	(6 957 246)
Cash and cash balances, beginning	5	15 538 848	30 202 650
Cash and cash balances, ending	5	19 576 841	23 245 404


T. Fomina
Acting Chairman of the Board of Management

5 August 2019
Moscow




T. Soll
Acting Chief Accountant

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

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (in thousands of Russian Roubles)

1. Principal activities

These condensed interim consolidated financial statements include the financial statements of AO UniCredit Bank (hereinafter – the “Bank”) and its subsidiary. 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 2019 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 LLC UniCredit Garant. LLC UniCredit Leasing operates in the financial leasing industry on the local market, LLC UniCredit Garant provides auxiliary activities in financial services and insurance. BARN B.V. is the holding company based in the Netherlands. As at 30 June 2019 the sole shareholder of the Group is UniCredit S.p.A.

As at 30 June 2019 and 31 December 2018 the Bank had 13 branches and 10 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, providing finance leases and auxiliary activities in financial services and insurance. 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 2019.

2. Basis of preparation

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

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 2018 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 2018 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 2018 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.

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019	31 December 2018
RUB/1 US Dollar	63.0756	69.4706
RUB/1 Euro	71.8179	79.4605

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 2018.

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.

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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.

New or amended standards issued but not yet effective. 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 – for annual periods beginning on or after
IFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to IFRS 10 and IAS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB
Amendments to IFRS 3 <i>Definition of business</i>	1 January 2020
Amendments to IAS 1 and IAS 8 <i>Definition to Material</i>	1 January 2020

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 2018 except for standards or interpretations became effective starting 1 January 2019 as described below:

- IFRS 16 *Leases*;
- Amendments to IFRS 9 *Prepayment Features with Negative Compensation*;
- Amendments to IAS 28 *Long-term interests in Associates and Joint Ventures*;
- Annual Improvements to IFRS Standards 2015-2017 Cycle Amendments to IFRS 3 *Business Combinations*, IFRS 11 *Joint Arrangements*, IAS 12 *Income Taxes* and IAS 23 *Borrowing Costs*;
- Amendments to IAS 19 *Employee Benefits Plan Amendment Curtailment or Settlement*;
- IFRIC 23 *Uncertainty over Income Tax Treatments*.

These standards or interpretations were considered by the management of the Group but have not material impact on the Group's condensed interim consolidated financial statements except for IFRS 16 *Leases* as described below.

Transition to IFRS 16. As of 1 January 2019, the Group has adopted the accounting standard IFRS 16 *Leases*. IFRS 16, effective starting from 1 January 2019 modifies the set of international accounting principles and interpretations on leases, in particular, IAS 17. IFRS 16 introduces a new definition for leases and confirms the distinction between two types of leases (operating and finance) with reference to the accounting treatment to be applied by the lessor.

With reference to the accounting treatment to be applied by the lessee, the new accounting standard sets, for all the leasing typologies, the recognition of right of use assets and lease liabilities in the consolidated statement of financial position, initially measured at the present value of the future lease payments.

At the initial recognition such asset is measured on the basis of the lease contract cash flows. After the initial recognition the right of use is measured on the basis of the rules set for the assets by IAS 16, IAS 38 or by IAS 40 and therefore applying the cost model, less any accumulated depreciation and any accumulated impairment losses.

The Group has decided, as allowed by the standard, not to apply IFRS 16 provisions to:

- Leases of intangible assets;
- Short term leases, lower than 12 months; and
- Low value assets leases (less than 5 thousand euro).

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

3. Significant accounting policies (continued)

In order to calculate the lease liability and the related right-of-use asset, the Group proceeds with discounting the future lease payments at a proper discount rate. In this respect, future lease payments to discount are determined based on contractual provisions and net of VAT, when applicable.

To perform the mentioned calculation lease payments have to be discounted at the interest rate implicit in the contract or, if it is not available, at the incremental borrowing rate. The latter is determined on the basis of the cost of funding for liabilities of similar duration and similar security of those implicit in the lease contract.

In determining the lease term it is necessary to consider the non-cancellable period, established in the contract, in which the lessee is entitled to use the underlying asset taking also into account potential renewal options if the lessee is reasonably certain to renew. In particular, with regard to those contracts that allows the lessee to tacitly renew the lease contract after a first set of years, the lease term is determined taking into account factors such as the length of the first period, the existence of dismissal plans for the asset leased and any other circumstance indicating the reasonably certainty of the renewal.

The Group has applied a modified retrospective approach that does not require the recalculation of comparative information, and has chosen, for First Time Adoption purposes, to put the value of right of use equal to the lease liability except for advance payments which are additionally included in the carrying amount of right of use. At the First Time Adoption of IFRS 16 right of use were RUB 2 062 507 thousand, lease liabilities comprised RUB 1 977 228 thousand.

Right-of-use assets are disclosed within fixed assets in the consolidated statement of financial position, lease liabilities are disclosed with amounts due to customers in the consolidated statement of financial position. Finance cost is disclosed within interest expense and similar changes in the consolidated statement of comprehensive income, depreciation of right-of-use assets is disclosed as depreciation of right-of-use assets in the consolidated statement of comprehensive income. Cash outflow for lease liabilities is disclosed within cash flows from financing activities in the consolidated statement of cash flows.

As of 30 June 2019 right of use accounted for as fixed assets are RUB 1 739 071 thousand. Lease liabilities accounted for as amounts due to customers are RUB 1 786 825 thousand.

Change in presentation. Starting from 1 January 2019, the Group has decided to present contractual interest accrued for Stage 3 loans gross with simultaneous provisioning of this contractual interest. The details of this change and effect on disclosure in the consolidated financial statements are presented as follows:

	As previously reported	Effect of reclassifications	As adjusted
Consolidated statement of financial position as at 31 December 2018			
Gross loans to customers (Note 9)	919 329 207	4 558 336	923 887 543
Impairment loss allowance (Note 9)	(56 178 502)	(4 558 336)	(60 736 838)
Loans to customers (Note 9)	863 150 705	-	863 150 705

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019 (unaudited)	31 December 2018
Assets		
CIB	1 015 588 431	1 096 420 095
Retail banking	163 209 903	146 328 653
Leasing	28 061 339	27 526 767
Other	109 163 366	92 340 031
Total assets	1 316 023 039	1 362 615 546
Liabilities		
CIB	770 006 279	821 870 005
Retail banking	304 262 318	299 824 819
Leasing	23 315 987	23 207 443
Other	21 041 299	21 950 975
Total liabilities	1 118 625 883	1 166 853 242

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 June 2019 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	7 444 729	2 681 732	427 213	(102 948)	10 450 726
Inter-segment (expense)/income	(771 100)	353 480	-	417 620	-
Net interest income	6 673 629	3 035 212	427 213	314 672	10 450 726
Net fee and commission income/(expense) from external customers	845 527	1 419 178	4 858	(13 300)	2 256 263
Dividend income	-	-	-	2	2
(Losses)/gains on financial assets and liabilities held for trading from external customers	(1 498 106)	361 665	(60)	34 287	(1 102 214)
Fair value adjustments in portfolio hedge accounting	-	-	-	(26 072)	(26 072)
Gains on disposals of financial assets	374 105	-	-	-	374 105
Operating income	6 395 155	4 816 055	432 011	309 589	11 952 810
Impairment on loans and other financial transactions	(358 715)	(1 262 594)	(73 500)	-	(1 694 809)
Net income from financial activities	6 036 440	3 553 461	358 511	309 589	10 258 001
Operating costs including: depreciation on fixed assets and right-of-use-assets and amortization of intangible assets	(1 599 023)	(2 773 347)	(84 085)	(403 278)	(4 859 733)
impairment of fixed assets	(230 841)	(575 368)	(904)	-	(807 113)
	-	(150)	-	-	(150)
Share of gains in associate	-	-	-	358 583	358 583
Gain on disposal of fixed assets	-	-	-	320	320
Profit before income tax expense	4 437 417	780 114	274 426	265 214	5 757 171
Income tax expense					(1 114 519)
Profit for the period					4 642 652
Cash flow hedge reserve					(127 458)
Revaluation reserve for financial assets at fair value through other comprehensive income					1 201 615
Foreign currency translation reserve					41 505
Total comprehensive income for the period					5 758 314

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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: depreciation on fixed assets and amortization of intangible assets	(1 575 050)	(2 601 896)	(123 893)	(342 558)	(4 643 397)
	(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

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the six-month period ended 30 June 2019 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	15 275 042	5 295 861	842 450	(446 875)	20 966 478
Inter-segment (expense)/income	(1 562 153)	728 235	-	833 918	-
Net interest income	13 712 889	6 024 096	842 450	387 043	20 966 478
Net fee and commission income/(expense) from external customers	1 648 507	2 737 740	12 374	(13 300)	4 385 321
Dividend income	-	-	-	2	2
(Losses)/gains on financial assets and liabilities held for trading from external customers	(2 441 741)	707 773	(331)	(29 556)	(1 763 855)
Fair value adjustments in portfolio hedge accounting	-	-	-	(6 034)	(6 034)
Gains on disposals of financial assets	586 771	-	-	-	586 771
Operating income	13 506 426	9 469 609	854 493	338 155	24 168 683
Impairment on loans and other financial transactions	(3 077 844)	(2 331 743)	(100 521)	-	(5 510 108)
Net income from financial activities	10 428 582	7 137 866	753 972	338 155	18 658 575
Operating costs including: depreciation on fixed assets and right-of-use-assets and amortization of intangible assets	(2 876 332)	(5 540 246)	(196 911)	(809 281)	(9 422 770)
impairment of fixed assets	(464 308)	(1 140 517)	(1 610)	-	(1 606 435)
	-	(15 215)	-	-	(15 215)
Share of gains in associate	-	-	-	589 133	589 133
Gain on disposal of fixed assets	-	-	-	320	320
Profit before income tax expense	7 552 250	1 597 620	557 061	118 327	9 825 258
Income tax expense					(1 910 875)
Profit for the period					7 914 383
Cash flow hedge reserve					(597 047)
Revaluation reserve for financial assets at fair value through other comprehensive income					2 396 166
Foreign currency translation reserve					42 673
Total comprehensive income for the period					9 756 175

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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: depreciation on fixed assets and amortization of intangible assets	(3 191 078)	(5 187 344)	(198 172)	(669 329)	(9 245 923)
	(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

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

5. Cash and cash balances

Cash and cash balances comprise:

	30 June 2019 (unaudited)	31 December 2018
Cash on hand	10 851 935	12 091 358
Current accounts with the CBR	8 724 906	3 447 490
Cash and cash balances	19 576 841	15 538 848

6. Trading securities

Trading securities comprise:

	30 June 2019 (unaudited)	31 December 2018
USD denominated		
Russian government eurobonds	-	1 556 909
RUB denominated		
Russian government bonds	358 765	3 752 528
Trading securities	358 765	5 309 437

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2019 (unaudited)	31 December 2018
Current accounts with credit institutions	71 014 429	82 623 139
Time deposits	177 790 456	114 733 010
Reverse repurchase agreements with credit institutions	50 768 623	150 678 666
Obligatory reserve with the CBR	13 129 529	11 973 998
Gross amounts due from credit institutions	312 703 037	360 008 813
Less: Impairment loss allowance	(432 051)	(419 823)
Amounts due from credit institutions	312 270 986	359 588 990

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.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019 (unaudited)			Three-month period ended 30 June 2018 (unaudited)		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss allowance at the beginning of the period	474 477	14 410	488 887	391 836	-	391 836
Recovery for the period	(49 334)	(6 493)	(55 827)	(226 792)	-	(226 792)
Effect of exchange rate changes	(1 117)	108	(1 009)	35 765	-	35 765
Impairment loss allowance at the end of the period	424 026	8 025	432 051	200 809	-	200 809

	Six-month period ended 30 June 2019 (unaudited)			Six-month period ended 30 June 2018 (unaudited)		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss allowance at the beginning of the period	419 789	34	419 823	-	-	-
Effect of change in accounting policy due to IFRS 9 adoption	-	-	-	515 196	-	515 196
Impairment loss allowance at the beginning of the period according to IFRS 9	419 789	34	419 823	515 196	-	515 196
Charge/(recovery) for the period	6 840	8 127	14 967	(334 587)	-	(334 587)
Effect of exchange rate changes	(2 603)	(136)	(2 739)	20 200	-	20 200
Impairment loss allowance at the end of the period	424 026	8 025	432 051	200 809	-	200 809

The following table shows gross amounts due from credit institutions and related impairment distributed by stages according to IFRS 9:

	30 June 2019 (unaudited)			31 December 2018		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross amounts due from credit institutions	310 645 709	2 057 328	312 703 037	359 347 096	661 717	360 008 813
Impairment	(424 026)	(8 025)	(432 051)	(419 789)	(34)	(419 823)
Total amounts due from credit institutions	310 221 683	2 049 303	312 270 986	358 927 307	661 683	359 588 990

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

7. Amounts due from credit institutions (continued)

As at 30 June 2019 there are three counterparties with balances that individually exceed 10% of the Group's equity. As at 30 June 2019, the aggregate amount of these balances is RUB 247 010 212 thousand (31 December 2018: three counterparties with aggregate amount of RUB 281 764 826 thousand). As at 30 June 2019, an allowance of RUB 292 611 thousand was recognized against these loans (31 December 2018: RUB 341 010 thousand).

As at 30 June 2019 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 55 999 528 thousand (31 December 2018: RUB 165 862 814 thousand).

As at 31 December 2018 Russian government bonds with the total fair value of RUB 3 427 071 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.

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.

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 2019 (unaudited)			31 December 2018		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	203 418 786	9 979 742	8 460 173	306 709 553	25 747 186	16 471 553
Interest rate swaps and options	319 700 197	7 493 015	7 443 302	427 697 625	5 248 843	4 497 636
Foreign exchange forwards, options and swaps	136 026 799	2 604 829	2 650 695	271 822 270	5 872 252	2 683 150
Commodities	1 201 576	11 595	11 324	-	-	-
Total derivative assets/liabilities		20 089 181	18 565 494		36 868 281	23 652 339

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

8. Derivative financial instruments (continued)

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 2019 (unaudited)			31 December 2018		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	502 715 258	2 227 598	2 554 851	557 327 810	2 339 692	1 713 468
Cross-currency interest rate swaps	132 947 586	2 194 266	2 911 026	190 026 893	505 258	13 004 256
Total cash flow hedge		4 421 864	5 465 877		2 844 950	14 717 724
Fair value hedge						
Interest rate swaps	579 861 777	6 966 720	8 898 721	639 715 294	3 943 200	5 606 451
Total fair value hedge		6 966 720	8 898 721		3 943 200	5 606 451
Total derivative financial assets/ liabilities designated for hedging		11 388 584	14 364 598		6 788 150	20 324 175

9. Loans to customers

Loans to customers comprise (see Note 3 for details of change in presentation for 31 December 2018):

	30 June 2019 (unaudited)	31 December 2018
Corporate customers	621 987 307	709 746 316
Retail customers, including SME	180 529 351	161 750 304
Lease receivables	25 504 905	24 341 470
Reverse repurchase agreements with companies	1 489 888	28 049 453
Gross loans to customers	829 511 451	923 887 543
Less: Impairment loss allowance	(58 245 139)	(60 736 838)
Loans to customers	771 266 312	863 150 705

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Impairment loss allowance at the beginning of the period	57 113 814	55 936 212	60 736 838	42 787 043
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	57 113 814	55 936 212	60 736 838	53 094 179
Charge for the period	1 692 470	4 794 454	5 859 695	8 022 722
Assets sold or recovered through repossession of collateral during the period	(418 424)	(1 500 028)	(713 645)	(1 588 436)
Assets written-off during the period	(549 687)	(1 697 028)	(7 558 216)	(1 948 404)
Effect of allowance for accrued interest at stage 3/(unwinding of discount)	706 857	(136 647)	1 350 028	(264 672)
Effect of exchange rate changes	(299 891)	622 136	(1 429 561)	703 710
Impairment loss allowance at the end of the period	58 245 139	58 019 099	58 245 139	58 019 099

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

	Three-month period ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 400 485	2 813 494	46 899 835	57 113 814
Charge for the period	(106 976)	254 289	1 545 157	1 692 470
Assets sold or recovered through repossession of collateral during the period	(5 593)	-	(412 831)	(418 424)
Assets written-off during the period	-	-	(549 687)	(549 687)
Effect of allowance for accrued interest at stage 3	-	-	706 857	706 857
Effect of exchange rate changes	(35 779)	(8 956)	(255 156)	(299 891)
Impairment loss allowance at the end of the period	7 252 137	3 058 827	47 934 175	58 245 139

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

	Three-month period ended 30 June 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	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	7 591 772	3 334 666	47 092 661	58 019 099
	Six-month period ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 599 346	2 843 461	50 294 031	60 736 838
(Recovery)/charge for the period	(129 079)	266 156	5 722 618	5 859 695
Assets sold or recovered through repossession of collateral during the period	(5 593)	-	(708 052)	(713 645)
Assets written-off during the period	-	-	(7 558 216)	(7 558 216)
Effect of allowance for accrued interest at stage 3	-	-	1 350 028	1 350 028
Effect of exchange rate changes	(212 537)	(50 790)	(1 166 234)	(1 429 561)
Impairment loss allowance at the end of the period	7 252 137	3 058 827	47 934 175	58 245 139
	Six-month period ended 30 June 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	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	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.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019 (unaudited):

	Gross loans	Impairment	Net loans
Corporate customers			
Loans not past due	573 612 826	(5 107 351)	568 505 475
Impaired loans			
- Not past due	14 680 429	(8 722 212)	5 958 217
- Past due less than 31 days	1 901 748	(558 057)	1 343 691
- Past due 31-90 days	2 290 264	(1 702 562)	587 702
- Past due 91-180 days	10 504 101	(7 763 462)	2 740 639
- Past due over 180 days	18 997 939	(16 131 696)	2 866 243
Total loans to corporate customers	621 987 307	(39 985 340)	582 001 967
Retail customers and SME			
Loans not past due	159 777 490	(2 896 268)	156 881 222
Not impaired loans, past due			
- Past due less than 31 days	4 320 670	(797 349)	3 523 321
- Past due 31-90 days	1 534 349	(824 712)	709 637
- Past due 91-180 days	392 411	(233 509)	158 902
- Past due over 180 days	2 558	(259)	2 299
Impaired loans			
- Not past due	459 648	(293 085)	166 563
- Past due less than 31 days	93 032	(63 395)	29 637
- Past due 31-90 days	180 077	(126 771)	53 306
- Past due 91-180 days	1 179 109	(878 302)	300 807
- Past due over 180 days	12 590 007	(11 434 293)	1 155 714
Total loans to retail customers and SME	180 529 351	(17 547 943)	162 981 408
Lease receivables			
Loans not past due	23 914 386	(413 877)	23 500 509
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	759 902	(16 301)	743 601
- Past due 31-90 days	223 283	(14 869)	208 414
Impaired loans			
- Not past due	257 808	(66 166)	191 642
- Past due less than 31 days	45 310	(25 288)	20 022
- Past due 31-90 days	155 350	(67 642)	87 708
- Past due 91-180 days	123 446	(81 477)	41 969
- Past due over 180 days	25 420	(19 767)	5 653
Total lease receivables	25 504 905	(705 387)	24 799 518
Reverse repurchase agreements with companies			
Loans not past due	1 489 888	(6 469)	1 483 419
Total loans to customers	829 511 451	(58 245 139)	771 266 312

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2018:

	Gross loans	Impairment	Net loans
Corporate customers			
Loans not past due	653 400 614	(5 933 501)	647 467 113
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	655 851	(13 261)	642 590
Impaired loans			
- Not past due	20 696 823	(8 873 890)	11 822 933
- Past due less than 31 days	3 864 619	(2 618 316)	1 246 303
- Past due 31-90 days	311 446	(131 084)	180 362
- Past due 91-180 days	1 476 125	(958 438)	517 687
- Past due over 180 days	29 340 838	(26 040 248)	3 300 590
Total loans to corporate customers	709 746 316	(44 568 738)	665 177 578
Retail customers			
Loans not past due	144 797 026	(2 856 302)	141 940 724
Not impaired loans, past due			
- Past due less than 31 days	2 518 802	(532 444)	1 986 358
- Past due 31-90 days	1 108 034	(544 385)	563 649
- Past due 91-180 days	307 382	(170 327)	137 055
- Past due over 180 days	156 652	(12 929)	143 723
Impaired loans			
- Not past due	352 252	(198 942)	153 310
- Past due less than 31 days	176 614	(90 166)	86 448
- Past due 31-90 days	105 902	(79 576)	26 326
- Past due 91-180 days	664 306	(498 034)	166 272
- Past due over 180 days	11 563 334	(10 519 588)	1 043 746
Total loans to retail customers	161 750 304	(15 502 693)	146 247 611
Lease receivables			
Loans not past due	23 569 656	(338 413)	23 231 243
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	199 976	(3 852)	196 124
- Past due 31-90 days	51 230	(651)	50 579
Impaired loans			
- Not past due	254 873	(77 131)	177 742
- Past due less than 31 days	57 778	(36 812)	20 966
- Past due 31-90 days	59 990	(45 452)	14 538
- Past due 91-180 days	129 208	(111 288)	17 920
- Past due over 180 days	18 759	(15 066)	3 693
Total lease receivables	24 341 470	(628 665)	23 712 805
Reverse repurchase agreements with companies			
Loans not past due	28 049 453	(36 742)	28 012 711
Total loans to customers	923 887 543	(60 736 838)	863 150 705

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019 (unaudited):

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	569 450 775	4 162 051	48 374 481	621 987 307
Impairment	(4 611 556)	(495 795)	(34 877 989)	(39 985 340)
Net loans to corporate customers	564 839 219	3 666 256	13 496 492	582 001 967
Retail customers and SME				
Gross loans	155 989 652	10 037 826	14 501 873	180 529 351
Impairment	(2 266 162)	(2 485 935)	(12 795 846)	(17 547 943)
Net loans to retail customers and SME	153 723 490	7 551 891	1 706 027	162 981 408
Lease receivables				
Gross lease receivables	24 137 325	760 246	607 334	25 504 905
Impairment	(367 950)	(77 097)	(260 340)	(705 387)
Net lease receivables	23 769 375	683 149	346 994	24 799 518
Reverse repurchase agreements with companies				
Gross loans	1 489 888	-	-	1 489 888
Impairment	(6 469)	-	-	(6 469)
Net reverse repurchase agreements with companies	1 483 419	-	-	1 483 419
Total loans to customers	743 815 503	11 901 296	15 549 513	771 266 312

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 December 2018:

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	639 423 638	14 632 827	55 689 851	709 746 316
Impairment	(5 108 557)	(838 205)	(38 621 976)	(44 568 738)
Net loans to corporate customers	634 315 081	13 794 622	17 067 875	665 177 578
Retail customers and SME				
Gross loans	139 894 394	8 993 502	12 862 408	161 750 304
Impairment	(2 119 372)	(1 997 015)	(11 386 306)	(15 502 693)
Net loans to retail customers and SME	137 775 022	6 996 487	1 476 102	146 247 611
Lease receivables				
Gross lease receivables	23 579 158	241 704	520 608	24 341 470
Impairment	(334 675)	(8 241)	(285 749)	(628 665)
Net lease receivables	23 244 483	233 463	234 859	23 712 805
Reverse repurchase agreements with companies				
Gross loans	28 049 453	-	-	28 049 453
Impairment	(36 742)	-	-	(36 742)
Net reverse repurchase agreements with companies	28 012 711	-	-	28 012 711
Total loans to customers	823 347 297	21 024 572	18 778 836	863 150 705

As at 30 June 2019 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 1 633 254 thousand (31 December 2018: RUB 30 172 001 thousand).

As at 30 June 2019 the Group had RUB 208 376 272 thousand due from its ten largest borrowers (25% of gross loan portfolio) (31 December 2018: RUB 243 755 054 thousand or 27%). An allowance of RUB 342 152 thousand was recognized against these loans (31 December 2018: RUB 405 822 thousand).

As at 30 June 2019 the Group had six borrowers or groups of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2018: ten borrowers or groups of borrowers). As at 30 June 2019 the gross amount of these loans is RUB 173 343 389 thousand (31 December 2018: RUB 262 552 497 thousand). An allowance of RUB 351 095 thousand was recognized against these loans (31 December 2018: RUB 432 682 thousand).

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019 (unaudited)	31 December 2018
Debt and other fixed income investments		
USD denominated		
Russian government eurobonds	15 860 849	20 403 064
RUB denominated		
Central bank bonds	100 905 295	-
Russian government bonds	18 502 589	20 516 950
Corporate and bank bonds	8 413 408	6 152 651
Total debt and other fixed income investments measured at fair value through other comprehensive income	143 682 141	47 072 665
Equity investments		
RUB denominated		
Equity investments in financial institutions	116 945	116 945
EUR denominated		
Equity investments in financial institutions	6 747	6 747
Total equity investments measures at fair value through other comprehensive income	123 692	123 692
Total financial assets measured at fair value through other comprehensive income	143 805 833	47 196 357

As of 30 June 2013 and 31 December 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 2019 included in debt and other fixed income investments are securities sold under repurchase agreements in the amount of RUB 11 499 177 thousand (31 December 2018: RUB 937 601 thousand) (see Note 13 for details).

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). Total acquisition costs amounted to RUB 6 033 031 thousand, including increase in share capital amounted to RUB 1 209 598 thousand.

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 2019	31 December 2018
BARN B.V.	Holding company	Netherlands	40%	40%

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

11. Investments in associate (continued)

The above associate is accounted for using the equity method.

The summarized financial information in respect of BARN B.V. as of 30 June 2019 and as of 31 December 2018 is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	30 June 2019 (unaudited)	31 December 2018
Total assets	101 711 622	92 344 461
Total liabilities	83 470 537	75 682 206
Equity	18 241 085	16 662 255
Net profit	1 472 833	2 814 156

The carrying amounts of the Group's interest in BARN B.V. as of reporting date 30 June 2019 and as of 31 December 2018 are as follows:

	30 June 2019 (unaudited)	31 December 2018
Net assets of BARN B.V.	18 241 085	16 662 255
Proportion of the Group's ownership interest in BARN B.V.	7 296 434	6 664 902
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	7 543 669	6 912 137

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 (unaudited)	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 (unaudited)	6 455 707
Carrying amount of the Group's interest in BARN B.V. as at 1 January 2019	6 912 137
Share of post-acquisition net profit of associate	589 133
Share of post-acquisition other comprehensive income of associate	42 399
Carrying amount of the Group's interest in BARN B.V. as at 30 June 2019 (unaudited)	7 543 669

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Current tax charge	2 165 798	2 538 471	2 708 991	4 614 102
Deferred tax charge – reversal of temporary differences	(1 051 279)	(1 895 207)	(798 116)	(2 371 409)
Income tax expense	1 114 519	643 264	1 910 875	2 242 693

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

	Three-month period ended 30 June 2019 (unaudited)			Three-month period ended 30 June 2018 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(159 250)	31 792	(127 458)	618 228	(123 646)	494 582
Revaluation reserve for financial assets at fair value through other comprehensive income	1 502 019	(300 404)	1 201 615	(1 235 260)	247 052	(988 208)
Foreign currency translation reserve	41 505	-	41 505	23 044	-	23 044
Other comprehensive income	1 384 274	(268 612)	1 115 662	(593 988)	123 406	(470 582)

	Six-month period ended 30 June 2019 (unaudited)			Six-month period ended 30 June 2018 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(746 241)	149 194	(597 047)	876 719	(175 344)	701 375
Revaluation reserve for financial assets at fair value through other comprehensive income	2 995 208	(599 042)	2 396 166	(2 832 747)	566 549	(2 266 198)
Foreign currency translation reserve	42 673	-	42 673	(23 856)	-	(23 856)
Other comprehensive income	2 291 640	(449 848)	1 841 792	(1 979 884)	391 205	(1 588 679)

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2019 (unaudited)	31 December 2018
Current accounts	8 535 843	9 328 075
Time deposits and loans	39 774 172	44 255 468
Repurchase agreements with credit institutions (Note 10)	10 708 405	869 379
Subordinated debt (Note 19)	30 353 969	33 517 157
Amounts due to credit institutions	89 372 389	87 970 079

As at 30 June 2019 ten largest deposits, excluding subordinated debt, represented 85% of total amounts due to credit institutions (31 December 2018: 77%).

As at 30 June 2019 and 31 December 2018 the Group had no counterparties with aggregate balances that individually exceeded 10% of equity, excluding subordinated debt.

As at 30 June 2019 fair value of securities pledged under repurchase agreements with credit institutions is RUB 11 499 177 thousand (31 December 2018: RUB 937 601 thousand) (see Note 10 for details).

14. Amounts due to customers

The amounts due to customers include the following:

	30 June 2019 (unaudited)	31 December 2018
Current accounts	210 104 683	207 011 786
Time deposits	764 335 386	808 629 082
Lease liabilities under IFRS 16	1 786 825	-
Amounts due to customers	976 226 894	1 015 640 868

As at 30 June 2019, approximately 41% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2018: 45%).

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

	30 June 2019 (unaudited)	31 December 2018
Corporate		
Current accounts	86 999 070	79 068 909
Time deposits	583 334 972	636 922 591
Total corporate accounts	670 334 042	715 991 500
Retail		
Current accounts	123 105 613	127 942 877
Time deposits	181 000 414	171 706 491
Total retail accounts	304 106 027	299 649 368
Lease liabilities under IFRS 16	1 786 825	-
Amounts due to customers	976 226 894	1 015 640 868

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

14. Amounts due to customers (continued)

Included in retail time deposits are deposits of individuals in the amount of RUB 166 593 791 thousand (31 December 2018: RUB 151 315 470 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 14 406 623 thousand (31 December 2018: RUB 20 391 021 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 30 June 2019 (unaudited)	Carrying value at 31 December 2018
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUB	9.00	46 687	46 732
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUB	9.10	3	3
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUB	-	-	818
Debt securities issued					46 690	47 553

16. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 June 2019 (unaudited)	31 December 2018
Undrawn loan commitments	343 100 448	323 047 380
Undrawn commitments to issue documentary instruments	246 928 074	314 753 124
Guarantees issued	137 342 972	146 447 347
Letters of credit	54 829 984	58 185 712
Other commitments	597 145	-
Gross credit related commitments and contingencies	782 798 623	842 433 563
Provision for credit related commitments and contingencies	(3 065 803)	(3 532 376)
Net credit related commitments and contingencies	779 732 820	838 901 187

The table above includes both committed and uncommitted lines for loans and documentary instruments.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

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 is as follows:

	Three-month period ended 30 June 2019 (unaudited)				Three-month period ended 30 June 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the period	2 605 081	103 704	54 490	2 763 275	3 745 781	542 987	84 601	4 373 369
(Recovery)/charge for the period	(346 587)	270 276	59 729	(16 582)	(287 900)	112 280	(44 235)	(219 855)
Balance as at the end of the period	2 258 494	373 980	114 219	2 746 693	3 457 881	655 267	40 366	4 153 514

	Six-month period ended 30 June 2019 (unaudited)				Six-month period ended 30 June 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the period	3 102 125	121 818	41 023	3 264 966	3 614 982	515 157	285 005	4 415 144
(Recovery)/charge for the period	(843 631)	252 162	73 196	(518 273)	(157 101)	140 110	(244 639)	(261 630)
Balance as at the end of the period	2 258 494	373 980	114 219	2 746 693	3 457 881	655 267	40 366	4 153 514

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	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Provisions at the beginning of the period	232 643	168 951	267 410	1 458 050
Charge/(recovery) for the period	86 467	1 864	51 700	(1 287 235)
Provisions at the end of the period	319 110	170 815	319 110	170 815

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 2019:

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	682 797 696	13 578 485	349 048	696 725 229
Provisions for credit related commitments and contingencies	(2 258 494)	(373 980)	(114 219)	(2 746 693)
Net credit related commitments and contingencies	680 539 202	13 204 505	234 829	693 978 536

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

The following table shows gross credit related commitments and related impairment under IAS 37 as of 30 June 2019:

	Performing exposure	Impaired exposure	Total
Gross credit related commitments and contingencies	84 528 907	1 544 487	86 073 394
Provisions for credit related commitments and contingencies	-	(319 110)	(319 110)
Net credit related commitments and contingencies	84 528 907	1 225 377	85 754 284

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 December 2018:

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	715 583 026	34 351 805	57 073	749 991 904
Provisions for credit related commitments and contingencies	(3 102 125)	(121 818)	(41 023)	(3 264 966)
Net credit related commitments and contingencies	712 480 901	34 229 987	16 050	746 726 938

The following table shows gross credit related commitments and related impairment under IAS 37 as of 31 December 2018:

	Performing exposure	Impaired exposure	Total
Gross credit related commitments and contingencies	91 160 605	1 281 054	92 441 659
Provisions for credit related commitments and contingencies	-	(267 410)	(267 410)
Net credit related commitments and contingencies	91 160 605	1 013 644	92 174 249

Operating environment. The Russian Federation displays certain characteristics of an emerging market. Emerging markets such as the Russian Federation are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in the Russian Federation may change frequently and are subject to arbitrary 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.

Given that Russia produces and exports large volumes of oil and gas, the Russian economy is particularly sensitive to the prices of oil and gas on the world market. Following high volatility in natural resources prices, the Ruble exchange rate and interest rates in 2017 and 2018 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.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

17. (Losses)/gains on financial assets and liabilities held for trading

(Losses)/gains on financial assets and liabilities held for trading comprise:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Net gains/(losses) from trading securities	33 078	(580 322)	22 333	(906 185)
Net (losses)/gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	(1 135 292)	(18 450)	(1 786 188)	440 416
Losses on financial assets and liabilities held for trading	(1 102 214)	(598 772)	(1 763 855)	(465 769)

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 2019 (unaudited)		
	Level 1	Level 2	Total
Financial assets measured at fair value			
Debt securities held for trading			
- held by the Group	358 765	-	358 765
Derivative financial assets	-	20 089 181	20 089 181
Derivative financial assets designated for hedging	-	11 388 584	11 388 584
Financial assets at fair value through other comprehensive income			
- held by the Group	22 864 262	109 318 702	132 182 964
- pledged under repurchase agreements	11 499 177	-	11 499 177
Total	34 722 204	140 796 467	175 518 671
Financial liabilities measured at fair value			
Derivative financial liabilities	-	18 565 494	18 565 494
Derivative financial liabilities designated for hedging	-	14 364 598	14 364 598
Total	-	32 930 092	32 930 092

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

18. Fair value of financial instruments (continued)

	31 December 2018 (unaudited)		Total
	Level 1	Level 2	
Financial assets at fair value			
Debt securities held for trading			
- held by the Group	2 365 174	2 944 263	5 309 437
Derivative financial assets	-	36 868 281	36 868 281
Derivative financial assets designated for hedging	-	6 788 150	6 788 150
Financial assets at fair value through other comprehensive income			
- held by the Group	37 325 950	8 809 114	46 135 064
- pledged under repurchase agreements	937 601	-	937 601
Total	40 628 725	55 409 808	96 038 533
Financial liabilities at fair value			
Financial liabilities held for trading	3 427 071	-	3 427 071
Derivative financial liabilities	-	23 652 339	23 652 339
Derivative financial liabilities designated for hedging	-	20 324 175	20 324 175
Total	3 427 071	43 976 514	47 403 585

The tables above do not include equity investments at fair value through other comprehensive income in amount of RUB 123 692 thousand (31 December 2018: RUB 123 692 thousand), which do not have a quoted market price in an active market.

During the six-month period ended 30 June 2019 transfers from Level 2 to Level 1 amounted to RUB 146 757 thousand for trading securities (six-month period ended 30 June 2018: transfers from Level 2 to Level 1 amounted to RUB 54 314 thousand).

During the six-month period ended 30 June 2019 there were no changes between fair value levels for securities at fair value through other comprehensive income (six-month period ended 30 June 2018: transfers from Level 2 to Level 1 amounted to RUB 5 213 620 thousand).

19. Related party disclosures

As at 30 June 2019 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.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

19. Related party disclosures (continued)

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

	30 June 2019 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2018	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	699 531	8.0%	-	
- In EUR	302 678	0.0%	571 226	0.0%
- In USD	154 943 685	3.0%	91 379 215	3.3%
Derivative financial assets	6 884 082		4 358 968	
Derivative financial assets designated for hedging	10 146 459		4 853 841	
Other assets	214 802		162 569	
Amounts due to credit institutions				
- In Russian Roubles	964 257	0.0%	145 886	0.0%
- In EUR	489 721	1.8%	539 270	1.7%
- In USD	30 816 894	12.2%	33 839 765	12.8%
Derivative financial liabilities	11 076 977		14 160 452	
Derivative financial liabilities designated for hedging	9 183 045		16 573 195	
Other liabilities	501 543		530 001	
Commitments and guarantees issued	8 915 254		5 529 485	
Commitments and guarantees received	6 023 552		23 853 936	

	Six-month period ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues	13 751 874	10 762 180
Interest expense and similar charges	(8 137 384)	(6 217 452)
Fee and commission income	13 236	27 603
Fee and commission expense	(100 018)	(192 142)
Gains/(losses) on financial assets and liabilities held for trading	18 751 709	(8 191 590)
Fair value adjustments in portfolio hedge accounting	(583 710)	534 085
(Personnel expenses)/recovery of personnel expenses	(14 583)	952
Other administrative expenses	(33 530)	(45 914)

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (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 2019 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2018	Weighted average interest rate, %
Amounts due from credit institutions				
- in Russian Roubles	12 908 879	11.8%	47	0.0%
- in EUR	26 480 655	0.0%	16 422 965	0.0%
- in USD	2 046 533	0.0%	123 539	0.0%
- in other currencies	4 803	0.0%	2 569	0.0%
Derivative financial assets	1 201 631		3 622 258	
Derivative financial assets designated for hedging	1 227 426		1 429 811	
Loans to customers				
- in Russian Roubles	891 763	5.8%	1 010 205	5.8%
Intangible assets	37 235		103 990	
Other assets	145 375		8 472	
Amounts due to credit institutions				
- in Russian Roubles	116 274	2.1%	5 178 908	9.1%
- in EUR	5 432 773	1.4%	7 131 383	1.4%
- in USD	1 367 084	3.4%	1 484 764	3.4%
Derivative financial liabilities	2 192 754		3 023 885	
Derivative financial liabilities designated for hedging	2 149 528		1 752 537	
Amounts due to customers				
- in Russian Roubles	780 524	5.5%	842 935	5.6%
Other liabilities	334 344		203 497	
Commitments and guarantees issued	19 850 287		31 229 672	
Commitments and guarantees received	4 539 997		3 648 690	

	Six-month period ended 30 June	
	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues	92 360	(71 320)
Interest expense and similar charges	(699 896)	(1 165 760)
Fee and commission income	52 682	68 844
Fee and commission expense	(45 456)	(127 115)
Gains on financial assets and liabilities held for trading	652 936	721 640
Fair value adjustments in portfolio hedge accounting	605 336	(21 687)
Other income	247	242
Personnel expenses	(3 296)	(7 422)
Other administrative expenses	(131 692)	(105 636)

Balances and transactions with associate are as follows:

	30 June 2019 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2018	Weighted average interest rate, %
Amounts due from credit institutions				
- in Russian Roubles	12 396 151	9.1%	22 614 567	9.0%
Derivative financial assets	2 413		113 405	
Investments in associate	7 543 669		6 912 137	
Amounts due to credit institutions				
- in Russian Roubles	24 453	0.0%	24 173	0.0%
- in EUR	10 195	0.0%	1 206	0.0%
- in USD	208	0.0%	3 299	0.0%
Derivative financial liabilities	144 388		-	
Commitments and guarantees issued	318 020		296 620	

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2019 (continued) (in thousands of Russian Rubles)

19. Related party disclosures (continued)

	Six-month period ended 30 June 2019 (unaudited)	Six-month period ended 30 June 2018 (unaudited)
Interest income and similar revenues	1 176 394	1 003 325
Interest expense and similar charges	(395 397)	(138 321)
Fee and commission income	11 965	30 519
Losses on financial assets and liabilities held for trading	(651 159)	(507 435)
Share of gains of associate	589 133	446 780

Balances and transactions with key management personnel are as follows:

	30 June 2019 (unaudited)	31 December 2018
Amounts due to customers	451 147	456 038
Other liabilities	81 173	74 119

	Six-month period ended 30 June 2019 (unaudited)	Six -month period ended 30 June 2018 (unaudited)
Interest expense	(8 862)	(5 180)
Personnel expenses, including:	(123 820)	(172 589)
short-term benefits	(113 374)	(112 599)
long-term benefits	(7 558)	(58 765)
post-employment benefits	(2 888)	(1 225)

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

	Six-month period ended 30 June 2019 (unaudited) UniCredit S.p.A.	Six -month period ended 30 June 2018 (unaudited) UniCredit S.p.A.
Subordinated loans at the beginning of the period	33 517 157	27 718 054
Accrual of interest, net of interest paid	(87 832)	(7 797)
Effect of exchange rates changes	(3 075 356)	2 479 751
Subordinated loans at the end of the period	30 353 969	30 190 008

20. Subsequent events

On 18 July 2019, the Rating Agency S&P Global Ratings ("S&P") changed AO UniCredit Bank's outlook to stable from negative. The 'BBB-' long and 'A-3' short-term issuer credit ratings have been affirmed.



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Директор
АО «Делойт и Туш СНГ»

