

AO UniCredit Bank

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

Contents

Page

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 September 2019	1
REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	2-3
CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2019:	
CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION	4
CONDENSED INTERIM CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	5
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS	7

Selected notes to the condensed interim consolidated financial statements

1. Principal activities	8
2. Basis of preparation	8
3. Significant accounting policies	10
4. Operating segments	12
5. Cash and cash balances	17
6. Trading securities	17
7. Amounts due from credit institutions	17
8. Derivative financial instruments	19
9. Loans to customers	20
10. Financial assets at fair value through other comprehensive income	27
11. Investments in associate	27
12. Taxation	29
13. Amounts due to credit institutions	30
14. Amounts due to customers	30
15. Debt securities issued	31
16. Credit related commitments and contingencies	31
17. Gains/(losses) on financial assets and liabilities held for trading	34
18. Fair value of financial instruments	34
19. Related party disclosures	35

AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 and its subsidiary (collectively – the "Group") as at 30 September 2019, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine-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 nine-month periods ended 30 September 2019 were approved by the Board of Management of AO UniCredit Bank on 5 November 2019.



K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

5 November 2019
Moscow



G. Chernysheva
Chief Accountant

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 September 2019 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine-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 September 2019, and its consolidated financial performance for the three and nine-months then ended and its consolidated cash flows for the nine-months then ended in accordance with IAS 34 *Interim Financial Reporting*.


Anna Zdanevych
Engagement partner

7 November 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 September 2019


(in thousands of Russian Rubles)

	Notes	30 September 2019 (unaudited)	31 December 2018
ASSETS			
Cash and cash balances	5	14 646 237	15 538 848
Debt securities held for trading	6		
- held by the Group		102 217	5 309 437
Derivative financial assets	8	20 688 090	36 868 281
Derivative financial assets designated for hedging	8	11 816 683	6 788 150
Changes in fair value of portfolio hedged items		5 726 934	(1 388 458)
Financial assets at amortized cost			
- Amounts due from credit institutions	7	357 840 642	359 588 990
- Loans to customers	9	792 833 577	863 150 705
Financial assets at fair value through other comprehensive income	10		
- held by the Group		128 211 491	46 258 756
- pledged under repurchase agreements		6 229 144	937 601
Investments in associate	11	7 948 674	6 912 137
Fixed assets		6 877 092	5 450 004
Intangible assets		7 584 690	7 331 783
Deferred income tax assets		2 585 623	1 836 648
Current income tax assets		166 746	207 457
Other assets		9 818 268	7 825 207
TOTAL ASSETS		1 373 076 108	1 362 615 546
LIABILITIES			
Amounts due to credit institutions	13	96 292 331	87 970 079
Amounts due to customers	14	1 009 517 882	1 015 640 868
Debt securities issued	15	3	47 553
Financial liabilities held for trading	7	-	3 427 071
Derivative financial liabilities	8	18 482 728	23 652 339
Derivative financial liabilities designated for hedging	8	18 515 048	20 324 175
Changes in fair value of portfolio hedged items		4 871 109	245 169
Current income tax liabilities		-	140 808
Other liabilities		22 734 089	15 405 180
TOTAL LIABILITIES		1 170 413 190	1 166 853 242
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(674 376)	146 889
Revaluation reserve for financial assets at fair value through other comprehensive income		495 619	(2 092 519)
Foreign currency translation reserve		(46 855)	(98 835)
Retained earnings		160 663 443	155 581 682
TOTAL EQUITY		202 662 918	195 762 304
TOTAL LIABILITIES AND EQUITY		1 373 076 108	1 362 615 546


K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

5 November 2019
Moscow




G. Chernysheva
Chief Accountant

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

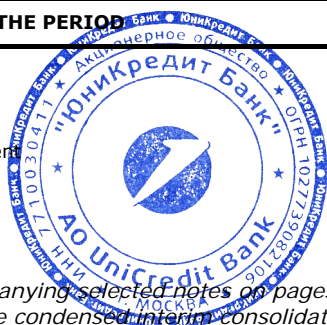
AO UniCredit Bank

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

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues		28 701 409	27 285 795	88 538 249	79 957 094
Interest expense and similar charges		(18 803 324)	(17 323 482)	(57 673 686)	(49 390 947)
Net interest income		9 898 085	9 962 313	30 864 563	30 566 147
Fee and commission income		2 928 980	2 891 667	8 776 656	8 601 571
Fee and commission expense		(669 619)	(699 540)	(2 131 974)	(2 117 139)
Net fee and commission income		2 259 361	2 192 127	6 644 682	6 484 432
Dividend income		18 755	4 985	18 757	4 987
Gains/(losses) on financial assets and liabilities held for trading	17	528 460	(1 373 041)	(1 235 395)	(1 838 810)
Fair value adjustments in portfolio hedge accounting		(22 111)	722	(28 145)	96 828
Gains/(losses) on disposal of:					
- financial assets at amortized cost		178 747	254 239	285 447	500 748
- financial assets at fair value through other comprehensive income		910 445	(230)	1 390 516	1 503 924
OPERATING INCOME		13 771 742	11 041 115	37 940 425	37 318 256
(Impairment)/recovery of impairment on:					
- financial assets at fair value through other comprehensive income		(16 400)	35 141	(118 419)	(51 974)
- financial assets at amortized costs	7,9	(744 084)	(2 478 616)	(6 618 746)	(10 166 751)
- other financial transactions	16	(1 929 363)	209 467	(1 462 790)	1 758 332
NET INCOME FROM FINANCIAL ACTIVITIES		11 081 895	8 807 107	29 740 470	28 857 863
Personnel expenses		(2 506 212)	(2 388 803)	(7 540 477)	(7 148 416)
Other administrative expenses		(1 670 584)	(1 813 777)	(4 812 312)	(5 197 920)
Depreciation of fixed assets		(190 164)	(170 017)	(510 914)	(557 702)
Depreciation of right-of-use assets		(165 312)	-	(488 748)	-
Impairment of fixed assets		(9 670)	-	(24 885)	-
Amortization of intangible assets		(363 194)	(423 025)	(1 325 443)	(1 111 028)
Other provisions		(27 062)	(13 606)	360 646	7 254
Other operating expenses		(5 969)	(67 348)	(18 804)	(114 687)
Operating costs		(4 938 167)	(4 876 576)	(14 360 937)	(14 122 499)
Share of gains of associate	11	396 058	284 201	985 191	730 981
Gains on disposal of fixed assets		1 174	3 090	1 494	3 460
PROFIT BEFORE INCOME TAX EXPENSE		6 540 960	4 217 822	16 366 218	15 469 805
Income tax expense	12	(1 252 259)	(831 544)	(3 163 134)	(3 074 237)
PROFIT FOR THE PERIOD		5 288 701	3 386 278	13 203 084	12 395 568
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		(224 975)	457 999	(837 179)	1 144 221
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		757	(4 370)	15 914	10 783
Revaluation reserve for financial assets at fair value through other comprehensive income, net of tax:					
- fair value changes		(468 432)	(792 439)	1 717 156	(2 002 328)
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period		660 404	(2)	870 982	(1 056 311)
Foreign currency translation reserve		9 307	(10 176)	51 980	(34 032)
Other comprehensive (loss)/income for the period, net of tax	12	(22 939)	(348 988)	1 818 853	(1 937 667)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		5 265 762	3 037 290	15 021 937	10 457 901

K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

5 November 2019
Moscow




G. Chernysheva
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 Nine-Month Period Ended 30 September 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)	-	-	-	-	-	12 395 568	12 395 568
Other comprehensive income							
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	1 155 004	-	-	-	1 155 004
Change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	(3 058 639)	-	-	(3 058 639)
Change in foreign currency translation reserve (unaudited)	-	-	-	-	(34 032)	-	(34 032)
Total other comprehensive income/(loss) (unaudited)	-	-	1 155 004	(3 058 639)	(34 032)	-	(1 937 667)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	-	-	1 155 004	(3 058 639)	(34 032)	12 395 568	10 457 901
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 September 2018 (unaudited)	41 787 806	437 281	886 144	(1 742 203)	(34 032)	151 273 182	192 608 178
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)	-	-	-	-	-	13 203 084	13 203 084
Other comprehensive income							
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(821 265)	-	-	-	(821 265)
Change in revaluation reserve financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	2 588 138	-	-	2 588 138
Change in foreign currency translation reserve (unaudited)	-	-	-	-	51 980	-	51 980
Total other comprehensive (loss)/income (unaudited)	-	-	(821 265)	2 588 138	51 980	-	1 818 853
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD (unaudited)	-	-	(821 265)	2 588 138	51 980	13 203 084	15 021 937
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 September 2019 (unaudited)	41 787 806	437 281	(674 376)	495 619	(46 855)	160 663 443	202 662 918


K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

5 November 2019
Moscow





G. Chernysheva
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 Nine-Month Period Ended 30 September 2019 (in thousands of Russian Rubles)

	Notes	Nine-month period ended 30 September 2019 (unaudited)	Nine-month period ended 30 September 2018 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		20 140 146	20 744 528
Net cash from/(used in) operating activities before income tax		98 104 766	(13 093 307)
Corporate income tax paid		(4 454 083)	(6 774 703)
Net cash flows from/(used in) operating activities		93 650 683	(19 868 010)
Cash flows from investing activities			
Purchase of associate	11	-	(6 033 031)
Dividends received		18 757	4 987
Purchase of financial assets at fair value through other comprehensive income		(399 432 844)	(271 891 595)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		316 209 360	298 220 495
Proceeds from sale of fixed and intangible assets		21 948	24 181
Purchase of fixed and intangible assets		(2 224 589)	(1 856 501)
Net cash flows (used in)/from investing activities		(85 407 368)	18 468 536
Cash flows from financing activities			
Dividends paid on ordinary shares		(8 121 323)	(6 861 533)
Cash outflow for lease liabilities		(442 052)	-
Redemption of bonds issued		(45 917)	(4 000 000)
Net cash flows used in financing activities		(8 609 292)	(10 861 533)
Effect of exchange rates changes on cash and cash balances		(526 634)	(539 127)
Net decrease in cash and cash balances		(892 611)	(12 800 134)
Cash and cash balances, beginning	5	15 538 848	30 202 650
Cash and cash balances, ending	5	14 646 237	17 402 516


K. Zhukov-Emelyanov
Acting Chairman of the Board of Management

5 November 2019
Moscow




G. Chernysheva
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 Nine-Month Period Ended 30 September 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 September 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 September 2019 the sole shareholder of the Group is UniCredit S.p.A.

As at 30 September 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*.

These 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 Nine-Month Period Ended 30 September 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 September 2019	31 December 2018
RUB/1 US Dollar	64.4156	69.4706
RUB/1 Euro	70.3161	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 Nine-Month Period Ended 30 September 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 Nine-Month Period Ended 30 September 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. As of 1 January 2019, 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 September 2019 right of use accounted for as fixed assets are RUB 1 573 759 thousand. Lease liabilities accounted for as amounts due to customers are RUB 1 648 460 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

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019 (unaudited)	31 December 2018
Assets		
CIB	1 012 921 849	1 096 420 095
Retail banking	171 421 839	146 328 653
Leasing	32 227 261	27 526 767
Other	156 505 159	92 340 031
Total assets	1 373 076 108	1 362 615 546
Liabilities		
CIB	806 134 899	821 870 005
Retail banking	314 762 591	299 824 819
Leasing	27 247 107	23 207 443
Other	22 268 593	21 950 975
Total liabilities	1 170 413 190	1 166 853 242

AO UniCredit Bank

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

4. Operating segments (continued)

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

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	7 128 953	2 834 793	442 058	(507 719)	9 898 085
Inter-segment (expense)/income	(1 504 265)	334 059	-	1 170 206	-
Net interest income	5 624 688	3 168 852	442 058	662 487	9 898 085
Net fee and commission income from external customers	859 434	1 378 945	7 682	13 300	2 259 361
Dividend income	-	-	-	18 755	18 755
Gains/(losses) on financial assets and liabilities held for trading from external customers	200 097	312 529	(608)	16 442	528 460
Fair value adjustments in portfolio hedge accounting	-	-	-	(22 111)	(22 111)
Gains on disposals of financial assets	999 047	90 145	-	-	1 089 192
Operating income	7 683 266	4 950 471	449 132	688 873	13 771 742
Impairment on loans and other financial transactions	(2 383 015)	(274 384)	(32 448)	-	(2 689 847)
Net income from financial activities	5 300 251	4 676 087	416 684	688 873	11 081 895
Operating costs including: depreciation on fixed assets and right-of-use-assets and amortization of intangible assets	(1 597 865)	(2 796 576)	(106 492)	(437 234)	(4 938 167)
impairment of fixed assets	(188 339)	(529 169)	(1 162)	-	(718 670)
	-	(9 670)	-	-	(9 670)
Share of gains in associate	-	-	-	396 058	396 058
Gain on disposal of fixed assets	-	-	-	1 174	1 174
Profit before income tax expense	3 702 386	1 879 511	310 192	648 871	6 540 960
Income tax expense					(1 252 259)
Profit for the period					5 288 701
Cash flow hedge reserve					(224 218)
Revaluation reserve for financial assets at fair value through other comprehensive income					191 972
Foreign currency translation reserve					9 307
Total comprehensive income for the period					5 265 762

AO UniCredit Bank

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

4. Operating segments (continued)

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

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	7 168 053	2 621 566	399 076	(226 382)	9 962 313
Inter-segment (expense)/income	(249 351)	448 903	-	(199 552)	-
Net interest income/(expense)	6 918 702	3 070 469	399 076	(425 934)	9 962 313
Net fee and commission income from external customers	883 857	1 301 577	6 693	-	2 192 127
Dividend income	-	-	-	4 985	4 985
(Losses)/gains on financial assets and liabilities held for trading from external customers	(1 789 042)	435 787	(1 099)	(18 687)	(1 373 041)
Fair value adjustments in portfolio hedge accounting	-	-	-	722	722
Gains on disposals of financial assets	90 922	163 087	-	-	254 009
Operating income/(expense)	6 104 439	4 970 920	404 670	(438 914)	11 041 115
Impairment on loans and other financial transactions	(1 508 327)	(493 100)	(125 331)	(107 250)	(2 234 008)
Net income/(expense) from financial activities	4 596 112	4 477 820	279 339	(546 164)	8 807 107
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 683 813)	(2 709 220)	(106 922)	(376 621)	(4 876 576)
	(209 044)	(383 389)	(609)	-	(593 042)
Share of gains of associate	-	-	-	284 201	284 201
Gain on disposal of fixed assets	-	-	-	3 090	3 090
Profit/(loss) before income tax expense	2 912 299	1 768 600	172 417	(635 494)	4 217 822
Income tax expense					(831 544)
Profit for the period					3 386 278
Cash flow hedge reserve					453 629
Revaluation reserve for financial assets at fair value through other comprehensive income					(792 441)
Foreign currency translation reserve					(10 176)
Total comprehensive income for the period					3 037 290

AO UniCredit Bank

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

4. Operating segments (continued)

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

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	22 403 995	8 130 654	1 284 508	(954 594)	30 864 563
Inter-segment (expense)/income	(3 066 418)	1 062 294	-	2 004 124	-
Net interest income	19 337 577	9 192 948	1 284 508	1 049 530	30 864 563
Net fee and commission income from external customers	2 507 941	4 116 685	20 056	-	6 644 682
Dividend income	-	-	-	18 757	18 757
(Losses)/gains on financial assets and liabilities held for trading from external customers	(2 241 644)	1 020 302	(939)	(13 114)	(1 235 395)
Fair value adjustments in portfolio hedge accounting	-	-	-	(28 145)	(28 145)
Gains on disposals of financial assets	1 585 818	90 145	-	-	1 675 963
Operating income	21 189 692	14 420 080	1 303 625	1 027 028	37 940 425
Impairment on loans and other financial transactions	(5 460 859)	(2 606 127)	(132 969)	-	(8 199 955)
Net income from financial activities	15 728 833	11 813 953	1 170 656	1 027 028	29 740 470
Operating costs including: depreciation on fixed assets and right-of-use-assets and amortization of intangible assets	(4 474 197)	(8 336 822)	(303 403)	(1 246 515)	(14 360 937)
impairment of fixed assets	(652 647)	(1 669 686)	(2 772)	-	(2 325 105)
	-	(24 885)	-	-	(24 885)
Share of gains in associate	-	-	-	985 191	985 191
Gain on disposal of fixed assets	-	-	-	1 494	1 494
Profit before income tax expense	11 254 636	3 477 131	867 253	767 198	16 366 218
Income tax expense					(3 163 134)
Profit for the period					13 203 084
Cash flow hedge reserve					(821 265)
Revaluation reserve for financial assets at fair value through other comprehensive income					2 588 138
Foreign currency translation reserve					51 980
Total comprehensive income for the period					15 021 937

AO UniCredit Bank

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

4. Operating segments (continued)

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

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	21 926 709	7 150 163	1 156 595	332 680	30 566 147
Inter-segment (expense)/income	(1 741 705)	1 362 069	-	379 636	-
Net interest income	20 185 004	8 512 232	1 156 595	712 316	30 566 147
Net fee and commission income from external customers	2 610 931	3 854 835	18 666	-	6 484 432
Dividend income	-	-	-	4 987	4 987
(Losses)/gains on financial assets and liabilities held for trading from external customers	(2 906 528)	1 066 896	409	413	(1 838 810)
Fair value adjustments in portfolio hedge accounting	-	-	-	96 828	96 828
Gains on disposals of financial assets	1 634 971	369 701	-	-	2 004 672
Operating income	21 524 378	13 803 664	1 175 670	814 544	37 318 256
Impairment on loans and other financial transactions	(6 088 048)	(2 037 024)	(185 348)	(149 973)	(8 460 393)
Net income from financial activities	15 436 330	11 766 640	990 322	664 571	28 857 863
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(4 874 891)	(7 896 564)	(305 094)	(1 045 950)	(14 122 499)
Share of gain in associate	(599 067)	(1 067 478)	(2 185)	-	(1 668 730)
Gains on disposal of fixed assets	-	-	-	730 981	730 981
	-	-	-	3 460	3 460
Profit before income tax expense	10 561 439	3 870 076	685 228	353 062	15 469 805
Income tax expense					(3 074 237)
Profit for the period					12 395 568
Cash flow hedge reserve					1 155 004
Revaluation reserve for available-for-sale securities					(3 058 639)
Foreign currency translation reserve					(34 032)
Total comprehensive income					10 457 901

AO UniCredit Bank

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

5. Cash and cash balances

Cash and cash balances comprise:

	30 September 2019 (unaudited)	31 December 2018
Cash on hand	9 404 977	12 091 358
Current accounts with the CBR	5 241 260	3 447 490
Cash and cash balances	14 646 237	15 538 848

6. Trading securities

Trading securities comprise:

	30 September 2019 (unaudited)	31 December 2018
USD denominated		
Russian government eurobonds	-	1 556 909
RUB denominated		
Russian government bonds	102 217	3 752 528
Trading securities	102 217	5 309 437

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2019 (unaudited)	31 December 2018
Current accounts with credit institutions	73 448 590	82 623 139
Time deposits	235 456 979	114 733 010
Reverse repurchase agreements with credit institutions	36 925 336	150 678 666
Obligatory reserve with the CBR	12 414 827	11 973 998
Gross amounts due from credit institutions	358 245 732	360 008 813
Less: Impairment loss allowance	(405 090)	(419 823)
Amounts due from credit institutions	357 840 642	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.

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019 (unaudited)			Three-month period ended 30 September 2018 (unaudited)		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss allowance at the beginning of the period	424 026	8 025	432 051	200 809	-	200 809
Recovery for the period	(24 661)	(807)	(25 468)	(309)	-	(309)
Effect of exchange rate changes	(1 274)	(219)	(1 493)	6 386	-	6 386
Impairment loss allowance at the end of the period	398 091	6 999	405 090	206 886	-	206 886

	Nine-month period ended 30 September 2019 (unaudited)			Nine-month period ended 30 September 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
(Recovery)/charge for the period	(17 821)	7 320	(10 501)	(334 896)	-	(334 896)
Effect of exchange rate changes	(3 877)	(355)	(4 232)	26 586	-	26 586
Impairment loss allowance at the end of the period	398 091	6 999	405 090	206 886	-	206 886

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

	30 September 2019 (unaudited)			31 December 2018		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross amounts due from credit institutions	356 023 723	2 222 009	358 245 732	359 347 096	661 717	360 008 813
Impairment	(398 091)	(6 999)	(405 090)	(419 789)	(34)	(419 823)
Total amounts due from credit institutions	355 625 632	2 215 010	357 840 642	358 927 307	661 683	359 588 990

AO UniCredit Bank

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

7. Amounts due from credit institutions (continued)

As at 30 September 2019 there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 30 September 2019, the gross aggregate amount of these balances is RUB 316 322 653 thousand (31 December 2018: three counterparties with aggregate amount of RUB 281 764 826 thousand). As at 30 September 2019, an allowance of RUB 318 234 thousand was recognized against these loans (31 December 2018: RUB 341 010 thousand).

As at 30 September 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 41 221 164 thousand (31 December 2018: RUB 165 862 814 thousand).

As at 30 September 2019 securities in amount of RUB 100 684 thousand (31 December 2018: none) were repledged under repurchase agreements with credit institutions (see Note 13 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

As at 30 September 2019 included in time deposits are term placements with the CBR in the amount of RUB 30 028 644 thousand (31 December 2018: none).

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 September 2019 (unaudited)			31 December 2018		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	233 901 221	9 921 334	8 190 644	306 709 553	25 747 186	16 471 553
Interest rate swaps and options	372 229 650	8 279 265	7 329 698	427 697 625	5 248 843	4 497 636
Foreign exchange forwards, options and swaps	145 749 744	2 352 087	2 826 982	271 822 270	5 872 252	2 683 150
Commodities	4 074 702	135 404	135 404	-	-	-
Total derivative assets/liabilities		20 688 090	18 482 728		36 868 281	23 652 339

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019 (unaudited)			31 December 2018		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	296 775 629	2 719 877	3 073 728	557 327 810	2 339 692	1 713 468
Cross-currency interest rate swaps	117 594 396	1 815 663	4 797 733	190 026 893	505 258	13 004 256
Total cash flow hedge		4 535 540	7 871 461		2 844 950	14 717 724
Fair value hedge						
Interest rate swaps	676 786 621	7 281 143	10 643 587	639 715 294	3 943 200	5 606 451
Total fair value hedge		7 281 143	10 643 587		3 943 200	5 606 451
Total derivative financial assets/ liabilities designated for hedging		11 816 683	18 515 048		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 September 2019 (unaudited)	31 December 2018
Corporate customers	625 430 717	709 746 316
Retail customers, including SME	185 718 492	161 750 304
Lease receivables	28 729 376	24 341 470
Reverse repurchase agreements with companies	6 744 080	28 049 453
Gross loans to customers	846 622 665	923 887 543
Less: Impairment loss allowance	(53 789 088)	(60 736 838)
Loans to customers	792 833 577	863 150 705

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Impairment loss allowance at the beginning of the period	58 245 139	58 019 099	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	58 245 139	58 019 099	60 736 838	53 094 179
Charge for the period	769 552	2 478 925	6 629 247	10 501 647
Assets sold or recovered through repossession of collateral during the period	(3 295 408)	(4 189 884)	(4 009 053)	(5 778 320)
Assets written-off during the period	(2 678 816)	(48 397)	(10 237 032)	(1 996 801)
Effect of allowance for accrued interest at Stage 3/(unwinding of discount)	593 173	(284 402)	1 943 201	(549 074)
Effect of exchange rate changes	155 448	834 760	(1 274 113)	1 538 470
Impairment loss allowance at the end of the period	53 789 088	56 810 101	53 789 088	56 810 101

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

	Three-month period ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 252 137	3 058 827	47 934 175	58 245 139
(Recovery)/charge for the period	(576 756)	(388 296)	1 734 604	769 552
Assets sold or recovered through repossession of collateral during the period	(1 161)	-	(3 294 247)	(3 295 408)
Assets written-off during the period	-	-	(2 678 816)	(2 678 816)
Effect of allowance for accrued interest at Stage 3	-	-	593 173	593 173
Effect of exchange rate changes	17 361	(4 774)	142 861	155 448
Impairment loss allowance at the end of the period	6 691 581	2 665 757	44 431 750	53 789 088

AO UniCredit Bank

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

9. Loans to customers (continued)

	Three-month period ended 30 September 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 591 772	3 334 666	47 092 661	58 019 099
Charge/(recovery) for the period	582 155	(750 418)	2 647 188	2 478 925
Assets sold or recovered through repossession of collateral during the period	-	-	(4 189 884)	(4 189 884)
Assets written-off during the period	-	-	(48 397)	(48 397)
Unwinding of discount	-	-	(284 402)	(284 402)
Effect of exchange rate changes	137 042	-	697 718	834 760
Impairment loss allowance at the end of the period	8 310 969	2 584 248	45 914 884	56 810 101

	Nine-month period ended 30 September 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	(705 835)	(122 140)	7 457 222	6 629 247
Assets sold or recovered through repossession of collateral during the period	(6 754)	-	(4 002 299)	(4 009 053)
Assets written-off during the period	-	-	(10 237 032)	(10 237 032)
Effect of allowance for accrued interest at Stage 3	-	-	1 943 201	1 943 201
Effect of exchange rate changes	(195 176)	(55 564)	(1 023 373)	(1 274 113)
Impairment loss allowance at the end of the period	6 691 581	2 665 757	44 431 750	53 789 088

	Nine-month period ended 30 September 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
Charge/(recovery) for the period	127 028	(379 078)	10 753 697	10 501 647
Assets sold or recovered through repossession of collateral during the period	(5 626)	-	(5 772 694)	(5 778 320)
Assets written-off during the period	-	-	(1 996 801)	(1 996 801)
Unwinding of discount	-	-	(549 074)	(549 074)
Effect of exchange rate changes	(167 894)	1 675	1 704 689	1 538 470
Impairment loss allowance at the end of the period	8 310 969	2 584 248	45 914 884	56 810 101

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.

AO UniCredit Bank

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

	Gross loans	Impairment	Net loans
Corporate customers			
Loans not past due	580 372 155	(5 212 344)	575 159 811
Not impaired loans, past due:			
- Past due 31-90 days	31 316	(594)	30 722
Impaired loans:			
- Not past due	15 325 885	(8 798 470)	6 527 415
- Past due 31-90 days	210 218	(149 623)	60 595
- Past due 91-180 days	1 583 160	(566 210)	1 016 950
- Past due over 180 days	27 907 983	(23 883 066)	4 024 917
Total loans to corporate customers	625 430 717	(38 610 307)	586 820 410
Retail customers and SME			
Loans not past due	167 719 355	(2 108 117)	165 611 238
Not impaired loans, past due:			
- Past due less than 31 days	3 877 861	(619 530)	3 258 331
- Past due 31-90 days	1 443 642	(742 553)	701 089
- Past due 91-180 days	400 811	(232 885)	167 926
- Past due over 180 days	3 633	(643)	2 990
Impaired loans:			
- Not past due	521 679	(364 747)	156 932
- Past due less than 31 days	107 949	(80 410)	27 539
- Past due 31-90 days	185 902	(141 437)	44 465
- Past due 91-180 days	1 301 990	(1 017 602)	284 388
- Past due over 180 days	10 155 670	(9 126 987)	1 028 683
Total loans to retail customers and SME	185 718 492	(14 434 911)	171 283 581
Lease receivables			
Loans not past due	27 494 477	(386 022)	27 108 455
Not impaired loans, past due:			
- Past due less than 31 days	439 426	(20 713)	418 713
- Past due 31-90 days	83 989	(7 841)	76 148
Impaired loans:			
- Not past due	268 642	(82 747)	185 895
- Past due less than 31 days	37 505	(24 518)	12 987
- Past due 31-90 days	217 570	(85 072)	132 498
- Past due 91-180 days	172 283	(98 025)	74 258
- Past due over 180 days	15 484	(12 836)	2 648
Total lease receivables	28 729 376	(717 774)	28 011 602
Reverse repurchase agreements with companies			
Loans not past due	6 744 080	(26 096)	6 717 984
Total loans to customers	846 622 665	(53 789 088)	792 833 577

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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
Not impaired loans, 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
Not impaired loans, 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

AO UniCredit Bank

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

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	572 968 209	7 435 262	45 027 246	625 430 717
Impairment	(4 561 590)	(651 348)	(33 397 369)	(38 610 307)
Net loans to corporate customers	568 406 619	6 783 914	11 629 877	586 820 410
Retail customers and SME				
Gross loans	166 585 754	6 859 548	12 273 190	185 718 492
Impairment	(1 759 891)	(1 943 837)	(10 731 183)	(14 434 911)
Net loans to retail customers and SME	164 825 863	4 915 711	1 542 007	171 283 581
Lease receivables				
Gross lease receivables	27 458 528	559 364	711 484	28 729 376
Impairment	(344 004)	(70 572)	(303 198)	(717 774)
Net lease receivables	27 114 524	488 792	408 286	28 011 602
Reverse repurchase agreements with companies				
Gross loans	6 744 080	-	-	6 744 080
Impairment	(26 096)	-	-	(26 096)
Net reverse repurchase agreements with companies	6 717 984	-	-	6 717 984
Total loans to customers	767 064 990	12 188 417	13 580 170	792 833 577

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 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 7 582 357 thousand (31 December 2018: RUB 30 172 001 thousand).

As at 30 September 2019 the Group had RUB 204 546 429 thousand due from its ten largest borrowers (24% of gross loan portfolio) (31 December 2018: RUB 243 755 054 thousand or 27%). An allowance of RUB 337 943 thousand was recognized against these loans (31 December 2018: RUB 405 822 thousand).

As at 30 September 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 September 2019 the gross amount of these loans is RUB 176 081 244 thousand (31 December 2018: RUB 262 552 497 thousand). An allowance of RUB 390 936 thousand was recognized against these loans (31 December 2018: RUB 432 682 thousand).

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019 (unaudited)	31 December 2018
Debt and other fixed income investments		
USD denominated		
Russian government eurobonds	-	20 403 064
RUB denominated		
Central bank bonds	95 699 292	-
Russian government bonds	29 291 657	20 516 950
Corporate and bank bonds	9 325 994	6 152 651
Total debt and other fixed income investments measured at fair value through other comprehensive income	134 316 943	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	134 440 635	47 196 357

As of 30 September 2019 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 September 2019 included in debt and other fixed income investments are securities sold under repurchase agreements in the amount of RUB 6 229 144 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 September 2019	31 December 2018
BARN B.V.	Holding company	Netherlands	40%	40%

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 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 September 2019 (unaudited)	31 December 2018
Total assets	103 806 787	92 344 461
Total liabilities	84 553 191	75 682 206
Equity	19 253 596	16 662 255
Net profit	2 462 977	2 814 156

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

	30 September 2019 (unaudited)	31 December 2018
Net assets of BARN B.V.	19 253 596	16 662 255
Proportion of the Group's ownership interest in BARN B.V.	7 701 439	6 664 902
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	7 948 674	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	730 981
Share of post-acquisition other comprehensive loss of associate	(38 052)
Carrying amount of the Group's interest in BARN B.V. as at 30 September 2018 (unaudited)	6 725 960
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	985 191
Share of post-acquisition other comprehensive income of associate	51 346
Carrying amount of the Group's interest in BARN B.V. as at 30 September 2019 (unaudited)	7 948 674

AO UniCredit Bank

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

12. Taxation

The corporate income tax expense comprises:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Current tax charge	1 644 996	1 350 942	4 353 987	5 965 044
Deferred tax charge – reversal of temporary differences	(392 737)	(519 398)	(1 190 853)	(2 890 807)
Income tax expense	1 252 259	831 544	3 163 134	3 074 237

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

	Three-month period ended 30 September 2019 (unaudited)			Three-month period ended 30 September 2018 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(280 181)	55 963	(224 218)	567 036	(113 407)	453 629
Revaluation reserve for financial assets at fair value through other comprehensive income	239 965	(47 993)	191 972	(990 552)	198 111	(792 441)
Foreign currency translation reserve	9 307	-	9 307	(10 176)	-	(10 176)
Other comprehensive income	(30 909)	7 970	(22 939)	(433 692)	84 704	(348 988)

	Nine-month period ended 30 September 2019 (unaudited)			Nine-month period ended 30 September 2018 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(1 026 422)	205 157	(821 265)	1 443 755	(288 751)	1 155 004
Revaluation reserve for financial assets at fair value through other comprehensive income	3 235 173	(647 035)	2 588 138	(3 823 299)	764 660	(3 058 639)
Foreign currency translation reserve	51 980	-	51 980	(34 032)	-	(34 032)
Other comprehensive income	2 260 731	(441 878)	1 818 853	(2 413 576)	475 909	(1 937 667)

AO UniCredit Bank

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

13. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2019 (unaudited)	31 December 2018
Current accounts	8 254 007	9 328 075
Time deposits and loans	51 070 021	44 255 468
Repurchase agreements with credit institutions (Note 10)	5 990 841	869 379
Subordinated debt (Note 19)	30 977 462	33 517 157
Amounts due to credit institutions	96 292 331	87 970 079

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

As at 30 September 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 September 2019 fair value of securities pledged under repurchase agreements with credit institutions is RUB 6 229 144 thousand (31 December 2018: RUB 937 601 thousand) (see Note 10 for details).

As at 30 September 2019 included in repurchase agreements with credit institutions are agreements in the amount of RUB 100 818 thousand (31 December 2018: none) which are secured by Russian government bonds with fair value of RUB 100 684 thousand (31 December 2018: none) obtained under reverse repurchase agreements with credit institutions (see Note 7 for details).

14. Amounts due to customers

The amounts due to customers include the following:

	30 September 2019 (unaudited)	31 December 2018
Current accounts	225 383 826	207 011 786
Time deposits	782 485 596	808 629 082
Lease liabilities under IFRS 16 (Note 2)	1 648 460	-
Amounts due to customers	1 009 517 882	1 015 640 868

As at 30 September 2019, approximately 43% 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 September 2019 (unaudited)	31 December 2018
Corporate		
Current accounts	103 758 236	79 068 909
Time deposits	589 483 486	636 922 591
Total corporate accounts	693 241 722	715 991 500
Retail		
Current accounts	121 625 590	127 942 877
Time deposits	193 002 110	171 706 491
Total retail accounts	314 627 700	299 649 368
Lease liabilities under IFRS 16	1 648 460	-
Amounts due to customers	1 009 517 882	1 015 640 868

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 178 248 248 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 14 753 862 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 September 2019 (unaudited)	Carrying value at 31 December 2018
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUB	9.10	3	3
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUB		-	46 732
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUB		-	818
Debt securities issued					3	47 553

16. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 September 2019 (unaudited)	31 December 2018
Undrawn loan commitments	359 848 836	323 047 380
Undrawn commitments to issue documentary instruments	250 400 943	314 753 124
Guarantees issued	138 434 988	146 447 347
Letters of credit	48 430 558	58 185 712
Gross credit related commitments and contingencies	797 115 325	842 433 563
Provision for credit related commitments and contingencies	(4 995 166)	(3 532 376)
Net credit related commitments and contingencies	792 120 159	838 901 187

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

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019 (unaudited)				Three-month period ended 30 September 2018 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the period	2 258 494	373 980	114 219	2 746 693	3 457 881	655 267	40 366	4 153 514
Charge/(recovery) for the period	649 881	(294 421)	32 504	387 964	293 984	(500 759)	(3 067)	(209 842)
Balance as at the end of the period	2 908 375	79 559	146 723	3 134 657	3 751 865	154 508	37 299	3 943 672

	Nine-month period ended 30 September 2019 (unaudited)				Nine-month period ended 30 September 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	(193 750)	(42 259)	105 700	(130 309)	136 883	(360 649)	(247 706)	(471 472)
Balance as at the end of the period	2 908 375	79 559	146 723	3 134 657	3 751 865	154 508	37 299	3 943 672

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Provisions at the beginning of the period	319 110	170 815	267 410	1 458 050
Charge/(recovery) for the period	1 541 399	375	1 593 099	(1 286 860)
Provisions at the end of the period	1 860 509	171 190	1 860 509	171 190

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 September 2019:

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	696 734 982	8 818 387	265 350	705 818 719
Provisions for credit related commitments and contingencies	(2 908 375)	(79 559)	(146 723)	(3 134 657)
Net credit related commitments and contingencies	693 826 607	8 738 828	118 627	702 684 062

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019:

	Performing exposure	Impaired exposure	Total
Gross credit related commitments and contingencies	90 071 698	1 224 908	91 296 606
Provisions for credit related commitments and contingencies	(926 956)	(933 553)	(1 860 509)
Net credit related commitments and contingencies	89 144 742	291 355	89 436 097

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.

AO UniCredit Bank

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

17. Gains/(losses) on financial assets and liabilities held for trading

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Net gains/(losses) from trading securities	23 247	(509 600)	45 580	(1 415 785)
Net gains/(losses) from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	505 213	(863 441)	(1 280 975)	(423 025)
Gains/(losses) on financial assets and liabilities held for trading	528 460	(1 373 041)	(1 235 395)	(1 838 810)

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 September 2019 (unaudited)		
	Level 1	Level 2	Total
Financial assets measured at fair value			
Debt securities held for trading			
- held by the Group	102 217	-	102 217
Derivative financial assets	-	20 688 090	20 688 090
Derivative financial assets designated for hedging	-	11 816 683	11 816 683
Financial assets at fair value through other comprehensive income			
- held by the Group	12 206 558	115 881 241	128 087 799
- pledged under repurchase agreements	6 229 144	-	6 229 144
Total	18 537 919	148 386 014	166 923 933
Financial liabilities measured at fair value			
Derivative financial liabilities	-	18 482 728	18 482 728
Derivative financial liabilities designated for hedging	-	18 515 048	18 515 048
Total	-	36 997 776	36 997 776

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 nine-month period ended 30 September 2019 transfers from Level 2 to Level 1 amounted to RUB 102 217 thousand for trading securities (nine-month period ended 30 September 2018: there were no changes between fair value levels for trading securities).

During the nine-month period ended 30 September 2019 transfers from Level 2 to Level 1 amounted to RUB 8 155 633 thousand for securities at fair value through other comprehensive income (nine-month period ended 30 September 2018: changes from Level 2 to Level 1 amounted to RUB 5 256 019 thousand for securities at fair value through other comprehensive income).

19. Related party disclosures

As at 30 September 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.

AO UniCredit Bank

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

19. Related party disclosures (continued)

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

	30 September 2019 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2018	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	219 972	7.0%	-	
- In EUR	299 687	0.0%	571 226	0.0%
- In USD	185 789 303	2.1%	91 379 215	3.3%
Derivative financial assets	6 911 713		4 358 968	
Derivative financial assets designated for hedging	11 020 148		4 853 841	
Other assets	227 966		162 569	
Amounts due to credit institutions				
- In Russian Roubles	1 153 912	0.0%	145 886	0.0%
- In EUR	473 857	1.8%	539 270	1.7%
- In USD	31 545 918	12.0%	33 839 765	12.8%
Derivative financial liabilities	11 682 203		14 160 452	
Derivative financial liabilities designated for hedging	13 520 624		16 573 195	
Other liabilities	536 271		530 001	
Commitments and guarantees issued	11 041 502		5 529 485	
Commitments and guarantees received	6 273 857		23 853 936	

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues	5 408 130	5 622 863	19 160 004	16 385 043
Interest expense and similar charges	(3 996 160)	(3 915 742)	(12 133 544)	(10 133 194)
Fee and commission income	4 057	1 788	17 293	29 391
Fee and commission expense	(10 511)	(48 231)	(110 529)	(240 373)
(Losses)/gains on financial assets and liabilities held for trading	(4 793 422)	(7 523 777)	13 958 287	(15 715 367)
Fair value adjustments in portfolio hedge accounting	(941 726)	1 344 984	(1 525 436)	1 879 069
(Personnel expenses)/recovery of personnel expenses	(4 863)	12 901	(19 446)	13 853
Other administrative expenses	(17 981)	(16 648)	(51 511)	(62 562)

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2019 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2018	Weighted average interest rate, %
Amounts due from credit institutions				
- in Russian Roubles	6 228 602	7.0%	47	0.0%
- in EUR	40 040 134	0.0%	16 422 965	0.0%
- in USD	2 669 300	0.0%	123 539	0.0%
- in other currencies	10 537	0.0%	2 569	0.0%
Derivative financial assets	965 111		3 622 258	
Derivative financial assets designated for hedging	771 380		1 429 811	
Loans to customers				
- in Russian Roubles	936 865	5.8%	1 010 205	5.8%
Intangible assets	55 434		103 990	
Other assets	133 411		8 472	
Amounts due to credit institutions				
- in Russian Roubles	461 302	0.0%	5 178 908	9.1%
- in EUR	3 647 732	2.2%	7 131 383	1.4%
- in USD	1 700 174	3.1%	1 484 764	3.4%
Derivative financial liabilities	2 371 479		3 023 885	
Derivative financial liabilities designated for hedging	2 034 642		1 752 537	
Amounts due to customers				
- in Russian Roubles	793 092	4.7%	842 935	5.6%
Other liabilities	226 358		203 497	
Commitments and guarantees issued	27 672 400		31 229 672	
Commitments and guarantees received	11 390 539		3 648 690	

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues	449 733	(75 694)	542 093	(147 014)
Interest expense and similar charges	(629 935)	(700 332)	(1 329 831)	(1 866 092)
Fee and commission income	29 053	40 167	81 735	109 011
Fee and commission expense	(32 328)	(67 837)	(77 784)	(194 952)
(Losses)/gains on financial assets and liabilities held for trading	(463 746)	636 328	189 190	1 357 968
Fair value adjustments in portfolio hedge accounting	32 346	403 301	637 682	381 614
Other income	117	122	364	364
Personnel expenses	(1 184)	(13 234)	(4 480)	(20 656)
Other administrative expenses	(63 140)	(51 409)	(194 832)	(157 045)

Balances and transactions with associate are as follows:

	30 September 2019 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2018	Weighted average interest rate, %
Amounts due from credit institutions				
- in Russian Roubles	8 870 097	9.0%	22 614 567	9.0%
Derivative financial assets	2 675		113 405	
Investments in associate	7 948 674		6 912 137	
Amounts due to credit institutions				
- in Russian Roubles	43 116	0.0%	24 173	0.0%
- in EUR	9 972	0.0%	1 206	0.0%
- in USD	5 258	0.0%	3 299	0.0%
Derivative financial liabilities	385 659		-	
Commitments and guarantees issued	326 440		296 620	

AO UniCredit Bank

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

19. Related party disclosures (continued)

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2019 (unaudited)	2018 (unaudited)	2019 (unaudited)	2018 (unaudited)
Interest income and similar revenues	323 363	457 820	1 499 757	1 461 145
Interest expense and similar charges	(108 210)	(53 849)	(503 607)	(192 170)
Fee and commission income	54	13 582	12 019	44 101
(Losses)/gains on financial assets and liabilities held for trading	(80 673)	320 878	(731 832)	(186 557)
Share of gains of associate	396 058	284 201	985 191	730 981

Balances and transactions with key management personnel are as follows:

	30 September 2019 (unaudited)	31 December 2018
Amounts due to customers	468 483	456 038
Other liabilities	85 266	74 119

	Nine-month period ended 30 September 2019 (unaudited)	Nine-month period ended 30 September 2018 (unaudited)
Interest expense	(13 486)	(8 294)
Personnel expenses, including:	(199 953)	(274 478)
short-term benefits	(160 344)	(170 312)
long-term benefits	(35 630)	(102 328)
post-employment benefits	(3 979)	(1 838)

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

	Nine-month period ended 30 September 2019 (unaudited) UniCredit S.p.A.	Nine-month period ended 30 September 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	(108 745)	3 728
Effect of exchange rates changes	(2 430 950)	3 842 583
Subordinated loans at the end of the period	30 977 462	31 564 365

Протипуровано, пронумеровано и
скреплено печатью 3 страниц

Партнер
АО «Делфт и ТУШ СЧТ»

