

AO UniCredit Bank

Condensed Interim Consolidated
Financial Statements
for the Six-Month Period Ended
30 June 2020 (unaudited)

STATEMENT OF MANAGEMENT'S RESPONSIBILITIES FOR THE PREPARATION AND APPROVAL OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020	1
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REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS	2-3
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CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2020:

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	11
5. Cash and cash balances	16
6. Trading securities	16
7. Amounts due from credit institutions	16
8. Derivative financial instruments	18
9. Loans to customers	19
10. Financial assets at fair value through other comprehensive income	27
11. Debt securities measured at amortized costs	28
12. Investments in associate	28
13. Taxation	29
14. Amounts due to credit institutions	30
15. Amounts due to customers	31
16. Credit related commitments and contingencies	32
17. Operating environment	34
18. Gains on financial assets and liabilities held for trading and foreign currencies	36
19. Fair value of financial instruments	36
20. Related party disclosures	38

AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020

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 June 2020, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-month period then ended and a summary of significant accounting policies and selected 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.

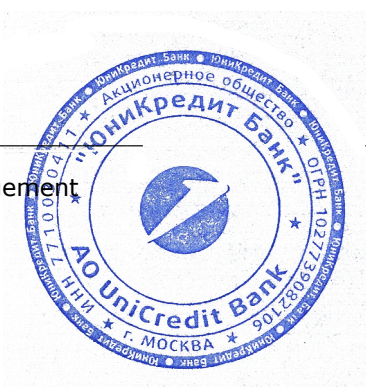
Management is also responsible for:

- 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 condensed interim consolidated 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 of the Group for the six-month period ended 30 June 2020 were approved by the Board of Management of AO UniCredit Bank on 4 August 2020.


M. Alekseev
Chairman of the Board of Management

4 August 2020
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 subsidiaries (the "Group") as of 30 June 2020, the related condensed interim consolidated statement of comprehensive income for three and six months then ended, condensed interim consolidated statements of changes in equity and cash flows for the six months then ended, 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 statements Performed by the Independent Auditor of the Entity*. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

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


Zdanevich Anna Mikheylova
Engagement partner

10 August 2020



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-regulatory organization of auditors Association "Sodruzhestvo", ORNZ 12006020384.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Financial Position as at 30 June 2020 (in thousands of Russian Rubles)

	Notes	30 June 2020 (unaudited)	31 December 2019
ASSETS			
Cash and cash balances	5	28 522 233	24 268 658
Debt securities held for trading	6	2 069 552	-
Derivative financial assets	8	28 207 029	23 884 409
Derivative financial assets designated for hedging	8	21 909 616	9 873 372
Changes in fair value of portfolio hedged items		14 983 717	6 559 846
Financial assets at amortized cost			
- Debt securities	11	30 320 599	-
- Amounts due from credit institutions	7	492 447 431	245 812 527
- Loans to customers	9	728 404 890	733 770 527
Financial assets at fair value through other comprehensive income	10		
- held by the Group		47 264 935	138 326 977
- pledged under repurchase agreements		-	678 732
Investments in associate	12	8 938 678	8 202 044
Fixed assets		12 024 145	12 358 165
Intangible assets		8 097 627	8 538 523
Deferred income tax assets		3 194 176	609 346
Current income tax assets		530 702	103 747
Other assets		9 210 748	13 461 888
TOTAL ASSETS		1 436 126 078	1 226 448 761
LIABILITIES			
Amounts due to credit institutions	14	67 205 326	96 509 472
Amounts due to customers	15	1 058 959 969	861 626 647
Derivative financial liabilities	8	28 943 049	20 957 225
Derivative financial liabilities designated for hedging	8	36 250 687	15 377 471
Changes in fair value of portfolio hedged items		8 667 567	3 742 597
Current income tax liabilities		-	9 996
Other liabilities		16 421 316	14 996 738
TOTAL LIABILITIES		1 216 447 914	1 013 220 146
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		244 840	(381 731)
Revaluation reserve for financial assets at fair value through other comprehensive income		1 689 160	2 000 726
Foreign currency translation reserve		(70 941)	(71 830)
Fixed assets revaluation		4 203 856	4 294 938
Retained earnings		171 386 162	165 161 425
TOTAL EQUITY		219 678 164	213 228 615
TOTAL LIABILITIES AND EQUITY		1 436 126 078	1 226 448 761


M. Alekseev
Chairman of the Board of Management

4 August 2020
Moscow




G. Chernysheva
Chief Accountant

The accompanying selected notes on pages 8 to 42 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Comprehensive Income for the Three and Six-Month Periods Ended 30 June 2020 (in thousands of Russian Rubles)

Notes	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	24 195 715	30 187 210	49 543 906	59 836 840
Interest expense and similar charges	(14 636 414)	(19 736 484)	(30 250 840)	(38 870 362)
Net interest income	9 559 301	10 450 726	19 293 066	20 966 478
Fee and commission income	2 315 103	2 998 583	5 020 839	5 847 676
Fee and commission expense	(492 360)	(742 320)	(1 156 822)	(1 462 355)
Net fee and commission income	1 822 743	2 256 263	3 864 017	4 385 321
Dividend income	2	2	2	2
Gains/(losses) on financial assets and liabilities held for trading and foreign currencies	18 300 995	(1 102 214)	3 947	(1 763 855)
Fair value adjustments in portfolio hedge accounting	(48 225)	(26 072)	(13 904)	(6 034)
Gains on disposal of:				
- financial assets at amortized cost	969 957	13 960	1 152 423	106 700
- financial assets at fair value through other comprehensive income	315 998	360 145	2 386 107	480 071
OPERATING INCOME	12 920 771	11 952 810	26 685 658	24 168 683
(Impairment)/recovery of impairment on:				
- financial assets at fair value through other comprehensive income	7 634	11 719	(24 322)	(102 019)
- financial assets at amortized costs	7,9,11 (5 229 594)	(1 636 643)	(8 787 894)	(5 874 662)
- other financial transactions	16 (183 019)	(69 885)	(144 416)	466 573
NET INCOME FROM FINANCIAL ACTIVITIES	7 515 792	10 258 001	17 729 026	18 658 575
Personnel expenses	(2 579 027)	(2 514 795)	(5 243 726)	(5 034 265)
Other administrative expenses	(2 076 645)	(1 557 080)	(3 854 807)	(3 141 728)
Depreciation of fixed assets	(260 899)	(170 187)	(531 579)	(320 750)
Depreciation of rights-of-use	(143 760)	(153 525)	(278 089)	(323 436)
Impairment of fixed assets	(3 118)	(150)	(14 840)	(15 215)
Amortization of intangible assets	(461 624)	(483 401)	(916 101)	(962 249)
Other provisions	(661)	18 354	77 883	387 708
Other operating (expenses)/ income	(32 571)	1 051	(97 956)	(12 835)
Operating costs	(5 558 305)	(4 859 733)	(10 859 215)	(9 422 770)
Share of gains of associate	12 461 147	358 583	729 570	589 133
Gain on fixed assets measured at fair value	231	-	231	-
Gains on disposal of fixed assets	342	320	1 368	320
PROFIT BEFORE INCOME TAX EXPENSE	2 419 207	5 757 171	7 600 980	9 825 258
Income tax expense	13 (426 129)	(1 114 519)	(1 449 781)	(1 910 875)
PROFIT FOR THE PERIOD	1 993 078	4 642 652	6 151 199	7 914 383
OTHER COMPREHENSIVE INCOME/(LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Fixed assets revaluation reserve	(54 312)	-	(91 082)	-
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	(5 455)	(133 498)	618 134	(612 204)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period	6 745	6 040	8 437	15 157
Revaluation reserve for financial assets at fair value through other comprehensive income, net of tax:				
- fair value changes	1 686 592	1 135 573	1 323 053	2 185 588
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period	(497 563)	66 042	(1 634 619)	210 578
Foreign currency translation reserve	(106 003)	41 505	889	42 673
Other comprehensive income for the period, net of tax	1 300 004	1 115 662	224 812	1 841 792
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	3 023 082	5 758 314	6 376 011	9 756 175

M. Alekseev
Chairman of the Board of Management

G. Chernysheva
Chief Accountant

4 August 2020
Moscow

The accompanying selected notes on pages 8 to 42 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Changes in Equity for the Six-Month Period Ended 30 June 2020 (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	Fixed assets revaluation reserve	Retained earnings	Total equity
1 January 2019	41 787 806	437 281	146 889	(2 092 519)	(98 835)	-	155 581 682	195 762 304
Total comprehensive income								
Profit for the period (unaudited)	-	-	-	-	-	-	7 914 383	7 914 383
Other comprehensive income								
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(597 047)	-	-	-	-	(597 047)
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	2 396 166	-	-	-	2 396 166
Change in foreign currency translation reserve (unaudited)	-	-	-	-	42 673	-	-	42 673
Total other comprehensive (loss)/income (unaudited)	-	-	(597 047)	2 396 166	42 673	-	-	1 841 792
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	-	-	(597 047)	2 396 166	42 673	-	7 914 383	9 756 175
Transactions with owner, directly recorded in equity								
Dividends paid on ordinary shares	-	-	-	-	-	-	(8 121 323)	(8 121 323)
Total transactions with owner	-	-	-	-	-	-	(8 121 323)	(8 121 323)
30 June 2019 (unaudited)	41 787 806	437 281	(450 158)	303 647	(56 162)	-	155 374 742	197 397 156
1 January 2020	41 787 806	437 281	(381 731)	2 000 726	(71 830)	4 294 938	165 161 425	213 228 615
Total comprehensive income								
Profit for the period (unaudited)	-	-	-	-	-	-	6 151 199	6 151 199
Other comprehensive income								
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	626 571	-	-	-	-	626 571
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	(311 566)	-	-	-	(311 566)
Change in foreign currency translation reserve (unaudited)	-	-	-	-	889	-	-	889
Fixed assets revaluation reserve, net of tax (unaudited)	-	-	-	-	-	(17 544)	-	(17 544)
Transfer of revaluation reserve upon depreciation (unaudited)	-	-	-	-	-	(73 538)	-	(73 538)
Total other comprehensive income/(loss) (unaudited)	-	-	626 571	(311 566)	889	(91 082)	-	224 812
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	-	-	626 571	(311 566)	889	(91 082)	6 151 199	6 376 011
Transfer of revaluation reserve upon depreciation (unaudited)	-	-	-	-	-	-	73 538	73 538
30 June 2020 (unaudited)	41 787 806	437 281	244 840	1 689 160	(70 941)	4 203 856	171 386 162	219 678 164


M. Alekseev
Chairman of the Board of Management


G. Chernysheva
Chief Accountant


4 August 2020
Moscow

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AO UniCredit Bank

Condensed Interim Consolidated Statement of Cash Flows for the Six-Month Period Ended 30 June 2020 (in thousands of Russian Rubles)

	Note	Six-month period ended 30 June 2020 (unaudited)	Six-month period ended 30 June 2019 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		22 390 083	21 148 509
Net cash (used in)/from operating activities before income tax		(17 299 021)	111 987 369
Corporate income tax paid		(4 544 384)	(3 244 463)
Net cash flows (used in)/from operating activities		(21 843 405)	108 742 906
Cash flows from investing activities			
Dividends received		2	2
Purchase of financial assets at fair value through other comprehensive income		(118 895 347)	(268 203 450)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		212 629 155	173 931 899
Purchase of financial assets at amortized cost - debt securities		(30 032 862)	-
Proceeds from sale of fixed and intangible assets		1 999	13 247
Purchase of fixed and intangible assets		(760 599)	(1 546 597)
Net cash flows from/(used in) investing activities		62 942 348	(95 804 899)
Cash flows from financing activities			
Dividends paid on ordinary shares		-	(8 121 323)
Redemption of subordinated debt	20	(37 381 559)	-
Cash outflow for lease liabilities		(311 087)	(268 490)
Net cash flows used in financing activities		(37 692 646)	(8 389 813)
Effect of exchange rates changes on cash and cash balances		847 278	(510 201)
Net increase in cash and cash balances		4 253 575	4 037 993
Cash and cash balances, beginning of the period	5	24 268 658	15 538 848
Cash and cash balances, ending of the period	5	28 522 233	19 576 841


M. Alekseev
Chairman of the Board of Management

4 August 2020
Moscow




G. Chernysheva
Chief Accountant

The accompanying selected notes on pages 8 to 42 are an integral part
of these condensed interim consolidated financial statements.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (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 starting from 1 November 2013. On 7 October 2019 the Bank was included in the list of investment advisors. The Bank is a member of the state deposit insurance system in the Russian Federation starting from 16 December 2004. The Bank also possesses cryptographic licence starting from 7 April 2015.

As at 30 June 2020 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. Both companies operate in the financial leasing industry on the local market. BARN B.V. is the holding company based in the Netherlands.

As at 30 June 2020 the Bank has 13 branches and 9 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus. As at 31 December 2019 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 2020.

2. Basis of preparation

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

The condensed interim consolidated financial statements are unaudited and do not include all the information and disclosures required in the annual financial statements. The Group omitted disclosures which would substantially duplicate the information contained in its audited annual consolidated financial statements for 2019 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 2019 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 2019 prepared in accordance with IFRS. In the opinion of the management, these financial statements reflect all adjustments necessary to present fairly the Group’s consolidated position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (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, derivative financial instruments and real estate are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

	30 June 2020	31 December 2019
RUB/US Dollar	69.9513	61.9057
RUB/Euro	78.6812	69.3406

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 2019. Besides, in 2020 the Group has updated its macroeconomic forecast to reflect expected credit losses by changing the credit risk of borrowers (see also Note 17).

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 the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (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 2023 (deferred from 1 January 2021)
Amendments to IAS 1 <i>Presentation of Financial Statements</i> regarding the classification of liabilities as current or non-current	1 January 2023 (deferred from 1 January 2022)
Amendments to IFRS 10 <i>Consolidated Financial Statements</i> 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

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 2019 except for standards or interpretations became effective starting 1 January 2020 as described below:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IAS 1 and IAS 8 Definition to Material
- Amendments to IFRS 3 Definition of business

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.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (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 condensed interim consolidated financial statements.

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

Segment breakdown of assets and liabilities is set out below:

	30 June 2020 (unaudited)	31 December 2019
Assets		
CIB	1 165 908 950	917 766 045
Retail banking	168 597 110	181 838 590
Leasing	33 536 250	33 771 082
Other	68 083 768	93 073 044
Total assets	1 436 126 078	1 226 448 761
Liabilities		
CIB	885 923 045	650 286 432
Retail banking	317 093 417	321 221 666
Leasing	2 172 248	1 867 789
Other	11 259 204	39 844 259
Total liabilities	1 216 447 914	1 013 220 146

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 June 2020 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	5 681 918	3 502 060	486 300	(110 977)	9 559 301
Inter-segment (expense)/income	(1 094 654)	(360 692)	-	1 455 346	-
Net interest income	4 587 264	3 141 368	486 300	1 344 369	9 559 301
Net fee and commission income from external customers	1 056 262	759 751	6 730	-	1 822 743
Dividend income	-	-	-	2	2
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies from external customers	(5 227)	140 188	(114)	166 148	300 995
Fair value adjustments in portfolio hedge accounting	-	-	-	(48 225)	(48 225)
Gains on disposals of financial assets	1 285 955	-	-	-	1 285 955
Operating income	6 924 254	4 041 307	492 916	1 462 294	12 920 771
Impairment on loans and other financial transactions	(2 740 126)	(2 519 960)	(144 893)	-	(5 404 979)
Net income from financial activities	4 184 128	1 521 347	348 023	1 462 294	7 515 792
Operating costs including: depreciation on fixed assets and rights of use and amortization of intangible assets	(1 811 938)	(3 156 152)	(136 053)	(454 162)	(5 558 305)
impairment of fixed assets	(248 449)	(616 352)	(1 482)	-	(866 283)
Gains on disposal of fixed assets	(896)	(2 222)	-	-	(3 118)
Gain on disposal of fixed assets	-	-	-	342	342
Gain on fixed assets measured at fair value	-	-	-	231	231
Share of gains in associate	-	-	-	461 147	461 147
Profit/(loss) before income tax expense	2 372 190	(1 634 805)	211 970	1 469 852	2 419 207
Income tax expense					(426 129)
Profit for the period					1 993 078
Cash flow hedge reserve					1 290
Revaluation reserve for financial assets at fair value through other comprehensive income					1 189 029
Fixed assets revaluation reserve					(54 312)
Foreign currency translation reserve					(106 003)
Total comprehensive income for the period					3 023 082

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

4. Operating segments (continued)

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

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

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

4. Operating segments (continued)

Segment information for the operating segments for the six-month period ended 30 June 2020 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	12 455 858	6 829 597	967 309	(959 698)	19 293 066
Inter-segment (expense)/income	(2 791 953)	(576 627)	-	3 368 580	-
Net interest income	9 663 905	6 252 970	967 309	2 408 882	19 293 066
Net fee and commission income from external customers	1 892 179	1 961 440	10 398	-	3 864 017
Dividend income	-	-	-	2	2
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies from external customers	(336 529)	391 981	(1 303)	(50 202)	3 947
Fair value adjustments in portfolio hedge accounting	-	-	-	(13 904)	(13 904)
Gains on disposals of financial assets	3 510 519	28 011	-	-	3 538 530
Operating income	14 730 074	8 634 402	976 404	2 344 778	26 685 658
Impairment on loans and other financial transactions	(4 474 305)	(4 144 207)	(338 120)	-	(8 956 632)
Net income from financial activities	10 255 769	4 490 195	638 284	2 344 778	17 729 026
Operating costs including: depreciation on fixed assets and right-of-use-assets and amortization of intangible assets	(3 488 722)	(6 165 349)	(281 094)	(924 050)	(10 859 215)
impairment of fixed assets	(498 880)	(1 223 953)	(2 936)	-	(1 725 769)
Gain on disposal of fixed assets	(896)	(13 944)	-	-	(14 840)
Gain on disposal of fixed assets	-	-	-	1 368	1 368
Gain on fixed assets measured at fair value	-	-	-	231	231
Share of gains in associate	-	-	-	729 570	729 570
Profit/(loss) before income tax expense	6 767 047	(1 675 154)	357 190	2 151 897	7 600 980
Income tax expense					(1 449 781)
Profit for the period					6 151 199
Cash flow hedge reserve					626 571
Revaluation reserve for financial assets at fair value through other comprehensive income					(311 566)
Fixed assets revaluation reserve					(91 082)
Foreign currency translation reserve					889
Total comprehensive income for the period					6 376 011

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

4. Operating segments (continued)

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

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

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

5. Cash and cash balances

Cash and cash balances comprise:

	30 June 2020 (unaudited)	31 December 2019
Cash on hand	17 295 649	10 973 214
Current accounts with the CBR	11 226 584	13 295 444
Cash and cash balances	28 522 233	24 268 658

6. Trading securities

Trading securities comprise:

	30 June 2020 (unaudited)	31 December 2019
RUB denominated		
Russian government bonds	2 069 552	-
Trading securities	2 069 552	-

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2020 (unaudited)	31 December 2019
Current accounts with credit institutions	83 232 926	46 028 899
Time deposits	200 127 437	140 059 986
Reverse repurchase agreements with credit institutions	196 951 170	47 973 174
Obligatory reserve with the CBR	12 615 356	11 957 146
Gross amounts due from credit institutions	492 926 889	246 019 205
Less: Impairment loss allowance	(479 458)	(206 678)
Amounts due from credit institutions	492 447 431	245 812 527

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 the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

7. Amounts due from credit institutions (continued)

A reconciliation of the impairment loss allowance is as follows:

	Three-month period ended 30 June 2020 (unaudited)			Three-month period ended 30 June 2019 (unaudited)		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss allowance at the beginning of the period	248 936	21 310	270 246	474 477	14 410	488 887
Charge/(recovery) for the period	245 810	(20 676)	225 134	(49 334)	(6 493)	(55 827)
Effect of exchange rate changes	(15 450)	(472)	(15 922)	(1 117)	108	(1 009)
Impairment loss allowance at the end of the period	479 296	162	479 458	424 026	8 025	432 051

	Six-month period ended 30 June 2020 (unaudited)			Six-month period ended 30 June 2019 (unaudited)		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss allowance at the beginning of the period	206 678	-	206 678	419 789	34	419 823
Charge for the period	274 613	162	274 775	6 840	8 127	14 967
Effect of exchange rate changes	(1 995)	-	(1 995)	(2 603)	(136)	(2 739)
Impairment loss allowance at the end of the period	479 296	162	479 458	424 026	8 025	432 051

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

	30 June 2020 (unaudited)			31 December 2019		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross loans	492 892 123	34 766	492 926 889	246 019 205	-	246 019 205
Impairment	(479 296)	(162)	(479 458)	(206 678)	-	(206 678)
Total amounts due from credit institutions	492 412 827	34 604	492 447 431	245 812 527	-	245 812 527

As at 30 June 2020 there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 30 June 2020, the aggregate amount of these balances is RUB 418 991 913 thousand (31 December 2019: two counterparties with aggregate amount of RUB 153 934 130 thousand). As at 30 June 2020, an allowance of RUB 430 485 thousand was recognized against these loans (31 December 2019: RUB 94 952 thousand).

As at 30 June 2020 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 211 110 214 thousand (31 December 2019: RUB 52 797 460 thousand).

As at 30 June 2020 securities in amount of RUB 673 291 thousand (31 December 2019: 336 421 thousand) were repledged under repurchase agreements with credit institutions (see Note 14 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

As at 30 June 2020 approximately 92% (31 December 2019: 85%) of amounts due from credit institutions were placed with banks rated not lower than "BBB-".

As at 30 June 2020 and 31 December 2019 the Group had no term placements with the CBR.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

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 financial instruments held for trading, recorded as assets or liabilities, together with their notional amounts.

	30 June 2020 (unaudited)			31 December 2019		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	237 247 925	10 860 636	11 628 901	245 993 056	11 294 188	9 589 482
Interest rate swaps and options	353 362 109	14 726 158	13 788 126	323 171 704	9 022 310	7 395 456
Foreign exchange forwards, options and swaps	149 401 248	2 620 235	3 526 022	193 016 771	3 567 911	3 972 287
Total derivative assets/liabilities		28 207 029	28 943 049		23 884 409	20 957 225

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

	30 June 2020 (unaudited)			31 December 2019		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	265 941 502	7 926 982	6 739 901	308 390 052	2 214 494	2 034 270
Cross-currency interest rate swaps	120 653 662	1 133 157	6 086 065	102 626 167	1 715 392	1 988 260
Total cash flow hedge		9 060 139	12 825 966		3 929 886	4 022 530
Fair value hedge						
Interest rate swaps	853 031 141	12 849 477	23 424 721	698 733 214	5 943 486	11 354 941
Total fair value hedge		12 849 477	23 424 721		5 943 486	11 354 941
Total derivative financial assets/ liabilities designated for hedging		21 909 616	36 250 687		9 873 372	15 377 471

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers

Loans to customers comprise:

	30 June 2020 (unaudited)	31 December 2019
Corporate customers	550 739 495	543 100 726
Retail customers, including SME	187 142 257	197 027 967
Lease receivables	31 392 944	30 025 485
Reverse repurchase agreements with companies	7 971 893	7 736 381
Gross loans to customers	777 246 589	777 890 559
Less: Impairment loss allowance	(48 841 699)	(44 120 032)
Loans to customers	728 404 890	733 770 527

A reconciliation of the impairment loss allowance is as follows:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Impairment loss allowance at the beginning of the period	48 739 556	57 113 814	44 120 032	60 736 838
Charge for the period	4 989 809	1 692 470	8 487 881	5 859 695
Assets sold or recovered through repossession of collateral during the period	(3 988 523)	(418 424)	(5 314 963)	(713 645)
Assets written-off during the period	(226 635)	(549 687)	(445 484)	(7 558 216)
Effect of contractual accrued interest	485 353	706 857	964 311	1 350 028
Effect of exchange rate changes	(1 157 861)	(299 891)	1 029 922	(1 429 561)
Impairment loss allowance at the end of the period	48 841 699	58 245 139	48 841 699	58 245 139

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

	Three-month period ended 30 June 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 928 780	4 109 115	36 701 661	48 739 556
Transfer to stage 1	258 982	(258 982)	-	-
Transfer to stage 2	(672 591)	752 975	(80 384)	-
Transfer to stage 3	-	(1 372 240)	1 372 240	-
(Recovery)/charge for the period	(465 845)	4 682 905	772 749	4 989 809
Loans sold or recovered through repossession of collateral during the period	(17 755)	-	(3 970 768)	(3 988 523)
Loans written-off during the period	-	-	(226 635)	(226 635)
Effect of contractual accrued interest	-	-	485 353	485 353
Effect of exchange rate changes	(199 670)	(90 516)	(867 675)	(1 157 861)
Impairment loss allowance at the end of the period	6 831 901	7 823 257	34 186 541	48 841 699

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

	Three-month period ended 30 June 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Impairment loss allowance at the beginning of the period	7 400 485	2 813 494	46 899 835	57 113 814
Transfer to stage 1	113 261	(120 148)	6 887	-
Transfer to stage 2	(211 288)	259 809	(48 521)	-
Transfer to stage 3	-	(306 581)	306 581	-
(Recovery)/charge for the period	(8 949)	421 209	1 280 210	1 692 470
Loans sold or recovered through repossession of collateral during the period	(5 593)	-	(412 831)	(418 424)
Loans written-off during the period	-	-	(549 687)	(549 687)
Effect of contractual accrued interest	-	-	706 857	706 857
Effect of exchange rate changes	(35 779)	(8 956)	(255 156)	(299 891)
Impairment loss allowance at the end of the period	7 252 137	3 058 827	47 934 175	58 245 139
	Six-month period ended 30 June 2020 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Impairment loss allowance at the beginning of the period	6 344 008	3 289 021	34 487 003	44 120 032
Transfer to stage 1	526 790	(526 790)	-	-
Transfer to stage 2	(905 057)	985 441	(80 384)	-
Transfer to stage 3	-	(1 397 851)	1 397 851	-
Charge for the period	696 924	5 534 922	2 256 035	8 487 881
Loans sold or recovered through repossession of collateral during the period	(17 755)	-	(5 297 208)	(5 314 963)
Loans written-off during the period	-	-	(445 484)	(445 484)
Effect of contractual accrued interest	-	-	964 311	964 311
Effect of exchange rate changes	186 991	(61 486)	904 417	1 029 922
Impairment loss allowance at the end of the period	6 831 901	7 823 257	34 186 541	48 841 699
	Six-month period ended 30 June 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Impairment loss allowance at the beginning of the period	7 599 346	2 843 461	50 294 031	60 736 838
Transfer to stage 1	282 788	(282 788)	-	-
Transfer to stage 2	(505 813)	572 759	(66 946)	-
Transfer to stage 3	-	(982 886)	982 886	-
Charge for the period	93 946	959 071	4 806 678	5 859 695
Loans sold or recovered through repossession of collateral during the period	(5 593)	-	(708 052)	(713 645)
Loans written-off during the period	-	-	(7 558 216)	(7 558 216)
Effect of contractual accrued interest	-	-	1 350 028	1 350 028
Effect of exchange rate changes	(212 537)	(50 790)	(1 166 234)	(1 429 561)
Impairment loss allowance at the end of the period	7 252 137	3 058 827	47 934 175	58 245 139

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

The table below analyzes information about the significant changes in the gross carrying amount of loans to customers during the period ended 30 June 2020 per stages:

	Three-month period ended 30 June 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers at the beginning of the period	789 293 085	40 325 448	45 848 603	875 467 136
New loans to customers originated	7 879 182	-	-	7 879 182
Transfer to stage 1	430 632	(430 632)	-	-
Transfer to stage 2	(46 950 159)	47 041 353	(91 194)	-
Transfer to stage 3	-	(3 828 206)	3 828 206	-
Loans to customers that have been derecognized	(66 911 867)	(3 458 168)	(334 103)	(70 704 138)
Assets sold or recovered through repossession of collateral during the period	(4 504 845)	-	(4 184 261)	(8 689 106)
Assets written-off during the period	-	-	(226 635)	(226 635)
Effect of exchange rate changes	(28 795 901)	3 363 291	(1 047 240)	(26 479 850)
Gross loans to customers at the end of the period	650 440 127	83 013 086	43 793 376	777 246 589

The table below analyzes information about the significant changes in the gross carrying amount of loans to customers during the period ended 30 June 2019 per stages:

	Three-month period ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers at the beginning of the period	780 554 617	14 149 231	63 352 087	858 055 935
New loans to customers originated	104 405 854	-	-	104 405 854
Transfer to stage 1	824 579	(831 466)	6 887	-
Transfer to stage 2	(9 896 011)	9 945 152	(49 141)	-
Transfer to stage 3	-	(4 262 726)	4 262 726	-
Loans to customers that have been derecognised	(117 319 896)	(3 754 741)	(2 728 768)	(123 803 405)
Assets sold or recovered through repossession of collateral during the period	(128 573)	-	(419 498)	(548 071)
Assets written-off during the period	-	-	(549 687)	(549 687)
Effect of exchange rate changes	(7 372 930)	(285 327)	(390 918)	(8 049 175)
Gross loans to customers at the end of the period	751 067 640	14 960 123	63 483 688	829 511 451

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

The table below analyzes information about the significant changes in the gross carrying amount of loans to customers during the period ended 30 June 2020 per stages:

	Six-month period ended 30 June 2020 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Gross loans to customers at the beginning of the period	716 641 844	17 781 963	43 466 752	777 890 559
New loans to customers originated	176 155 440	-	-	176 155 440
Transfer to stage 1	2 908 887	(2 908 887)	-	-
Transfer to stage 2	(82 845 238)	82 936 432	(91 194)	-
Transfer to stage 3	-	(6 905 708)	6 905 708	-
Loans to customers that have been derecognised	(182 090 633)	(11 288 535)	(1 484 162)	(194 863 330)
Assets sold or recovered through repossession of collateral during the period	(4 504 845)	-	(5 785 624)	(10 290 469)
Assets written-off during the period	-	-	(445 484)	(445 484)
Effect of exchange rate changes	24 174 672	3 397 821	1 227 380	28 799 873
Gross loans to customers at the end of the period	650 440 127	83 013 086	43 793 376	777 246 589

The table below analyzes information about the significant changes in the gross carrying amount of loans to customers during the period ended 30 June 2019 per stages:

	Six-month period ended 30 June 2019 (unaudited)			Total
	Stage 1	Stage 2	Stage 3	
Gross loans to customers at the beginning of the period	830 946 643	23 868 033	69 072 867	923 887 543
New loans to customers originated	198 105 207	-	-	198 105 207
Transfer to stage 1	1 981 060	(1 981 060)	-	-
Transfer to stage 2	(15 612 598)	15 680 164	(67 566)	-
Transfer to stage 3	-	(7 533 729)	7 533 729	-
Loans to customers that have been derecognised	(233 579 783)	(13 947 225)	(3 062 858)	(250 589 866)
Assets sold or recovered through repossession of collateral during the period	(128 573)	-	(753 655)	(882 228)
Assets written-off during the period	-	-	(7 558 216)	(7 558 216)
Effect of exchange rate changes	(30 644 316)	(1 126 060)	(1 680 613)	(33 450 989)
Gross loans to customers at the end of the period	751 067 640	14 960 123	63 483 688	829 511 451

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 the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

During the first half of 2020 the financial result from sale of loans to customers from Stage 1 is equal to RUB 42 479 thousand, loans from Stage 3 – RUB 1 109 944 thousand (30 June 2019: RUB 5 593 thousand and RUB 101 107 thousand, respectively).

The following table shows gross loans to customers and related impairment as at 30 June 2020 (unaudited):

	Gross loans	Impairment	Net loans
Corporate customers			
- Not past due	526 864 712	(11 417 674)	515 447 038
- Past due less than 31 days	4 630 336	(1 502 195)	3 128 141
- Past due 31-90 days	370 892	(130 269)	240 623
- Past due 91-180 days	1 396 274	(972 983)	423 291
- Past due over 180 days	17 477 281	(14 825 623)	2 651 658
Total loans to corporate customers	550 739 495	(28 848 744)	521 890 751
Retail customers and SME			
- Not past due	163 011 305	(2 765 348)	160 245 957
- Past due less than 31 days	3 775 736	(776 565)	2 999 171
- Past due 31-90 days	4 885 167	(2 079 828)	2 805 339
- Past due 91-180 days	2 913 251	(1 963 982)	949 269
- Past due over 180 days	12 556 798	(11 194 071)	1 362 727
Total loans to retail customers and SME	187 142 257	(18 779 794)	168 362 463
Lease receivables			
- Not past due	30 033 720	(673 277)	29 360 443
- Past due less than 31 days	584 814	(60 861)	523 953
- Past due 31-90 days	550 396	(119 563)	430 833
- Past due 91-180 days	71 150	(18 355)	52 795
- Past due over 180 days	152 864	(143 849)	9 015
Total lease receivables	31 392 944	(1 015 905)	30 377 039
Reverse repurchase agreements with companies			
- Not past due	7 971 893	(197 256)	7 774 637
Total loans to customers	777 246 589	(48 841 699)	728 404 890

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (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 2019:

	Gross loans	Impairment	Net loans
Corporate customers			
- Not past due	523 834 615	(11 477 258)	512 357 357
- Past due less than 31 days	847 477	(584 759)	262 718
- Past due 31-90 days	171 552	(154 397)	17 155
- Past due 91-180 days	261 381	(196 321)	65 060
- Past due over 180 days	17 985 701	(15 352 687)	2 633 014
Total loans to corporate customers	543 100 726	(27 765 422)	515 335 304
Retail customers and SME			
- Not past due	180 884 419	(3 215 026)	177 669 393
- Past due less than 31 days	2 355 535	(604 378)	1 751 157
- Past due 31-90 days	1 622 593	(905 947)	716 646
- Past due 91-180 days	1 619 918	(1 192 095)	427 823
- Past due over 180 days	10 545 502	(9 455 018)	1 090 484
Total loans to retail customers and SME	197 027 967	(15 372 464)	181 655 503
Lease receivables			
- Not past due	29 409 471	(548 642)	28 860 829
- Past due less than 31 days	269 800	(28 137)	241 663
- Past due 31-90 days	202 121	(67 630)	134 491
- Past due 91-180 days	67 578	(36 312)	31 266
- Past due over 180 days	76 515	(38 848)	37 667
Total lease receivables	30 025 485	(719 569)	29 305 916
Reverse repurchase agreements with companies			
- Not past due	7 736 381	(262 577)	7 473 804
Total loans to customers	777 890 559	(44 120 032)	733 770 527

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

The following table shows gross loans to customers and related impairment distributed by stages according to IFRS 9 as at 30 June 2020 (unaudited):

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	457 830 717	65 023 617	27 885 161	550 739 495
Impairment	(4 922 218)	(3 279 232)	(20 647 294)	(28 848 744)
Net loans to corporate customers	452 908 499	61 744 385	7 237 867	521 890 751
Retail customers and SME				
Gross loans	157 135 694	14 815 805	15 190 758	187 142 257
Impairment	(1 406 125)	(4 165 580)	(13 208 089)	(18 779 794)
Net loans to retail customers and SME	155 729 569	10 650 225	1 982 669	168 362 463
Lease receivables				
Gross lease receivables	27 501 823	3 173 664	717 457	31 392 944
Impairment	(306 302)	(378 445)	(331 158)	(1 015 905)
Net lease receivables	27 195 521	2 795 219	386 299	30 377 039
Reverse repurchase agreements with companies				
Gross loans	7 971 893	-	-	7 971 893
Impairment	(197 256)	-	-	(197 256)
Net reverse repurchase agreements with companies	7 774 637	-	-	7 774 637
Total loans to customers	643 608 226	75 189 829	9 606 835	728 404 890

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (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 2019:

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	504 771 208	8 189 728	30 139 790	543 100 726
Impairment	(3 829 002)	(865 321)	(23 071 099)	(27 765 422)
Net loans to corporate customers	500 942 206	7 324 407	7 068 691	515 335 304
Retail customers and SME				
Gross loans	174 985 264	9 415 957	12 626 746	197 027 967
Impairment	(1 920 216)	(2 410 285)	(11 041 963)	(15 372 464)
Net loans to retail customers and SME	173 065 048	7 005 672	1 584 783	181 655 503
Lease receivables				
Gross lease receivables	29 148 991	176 278	700 216	30 025 485
Impairment	(332 213)	(13 415)	(373 941)	(719 569)
Net lease receivables	28 816 778	162 863	326 275	29 305 916
Reverse repurchase agreements with companies				
Gross loans	7 736 381	-	-	7 736 381
Impairment	(262 577)	-	-	(262 577)
Net reverse repurchase agreements with companies	7 473 804	-	-	7 473 804
Total loans to customers	710 297 836	14 492 942	8 979 749	733 770 527

As at 30 June 2020 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 8 381 608 thousand (31 December 2019: RUB 8 622 814 thousand).

As at 30 June 2020 the Group had RUB 186 131 352 thousand due from its ten largest borrowers (24% of gross loan portfolio) (31 December 2019: RUB 166 589 729 thousand or 21%). An allowance of RUB 958 974 thousand was recognized against these loans (31 December 2019: RUB 280 329 thousand).

As at 30 June 2020 the Group had five borrowers or groups of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2019: three borrowers or groups of borrowers). As at 30 June 2020 the gross amount of these loans is RUB 131 511 506 thousand (31 December 2019: RUB 84 312 172 thousand). An allowance of RUB 809 874 thousand was recognized against these loans (31 December 2019: RUB 95 249 thousand).

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

10. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise:

	30 June 2020 (unaudited)	31 December 2019
Debt and other fixed income investments		
RUB denominated		
Central bank bonds	-	95 542 835
Russian government bonds	34 826 906	30 830 961
Corporate and bank bonds	12 314 337	12 508 221
Total debt and other fixed income investments measured at fair value through other comprehensive income	47 141 243	138 882 017
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	47 264 935	139 005 709

The following table shows gross amounts of debt and other fixed income investments and related impairment distributed by stages according to IFRS 9:

	30 June 2020 (unaudited)			31 December 2019		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross debt and other fixed income investments	46 148 904	1 048 650	47 197 554	138 977 231	-	138 977 231
Impairment	(46 411)	(9 900)	(56 311)	(95 214)	-	(95 214)
Total debt and other fixed income investments	46 102 493	1 038 750	47 141 243	138 882 017	-	138 882 017

As at 30 June 2020 there are no financial assets at fair value through other comprehensive income sold under repurchase agreements (31 December 2019: RUB 678 732 thousand) (see Note 14 for details).

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

11. Debt securities measured at amortized costs

In the first and the second quarters of 2020 the Group acquired Russian Government bonds in the total nominal amount of RUB 29 000 000 thousand into the portfolio of debt securities measured at amortised cost. Weighted average interest rate is equal to 6.28%, maturities are 06.10.2027 and 10.04.2030.

Debt securities measured at amortised cost comprise:

	30 June 2020 (unaudited)	31 December 2019
RUB denominated		
Russian government bonds	30 345 837	-
Less: allowance for impairment losses for securities measured at amortised cost	(25 238)	-
Total debt securities measured at amortised cost	30 320 599	-

12. Investments in associate

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

Name	Principal activity	Place of incorporation and principal place of business	Proportion of ownership interest by the Group	
			30 June 2020	31 December 2019
BARN B.V.	Holding company	Netherlands	40%	40%

The above associate is accounted for using the equity method.

The summarized financial information in respect of BARN B.V. as of 30 June 2020 and as of 31 December 2019 is set out below. The summarized financial information below represents amounts shown in the associate's financial statements prepared in accordance with IFRS.

	30 June 2020 (unaudited)	31 December 2019
Total assets	96 276 026	107 191 578
Total liabilities	74 547 419	87 304 557
Equity	21 728 607	19 887 021
Net profit	1 823 924	3 157 636

The carrying amounts of the Group's interest in BARN B.V. as of reporting date 30 June 2020 and as of 31 December 2019 are as follows:

	30 June 2020 (unaudited)	31 December 2019
Net assets of BARN B.V.	21 728 607	19 887 021
Proportion of the Group's ownership interest in BARN B.V.	8 691 443	7 954 809
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	8 938 678	8 202 044

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

12. Investments in associate (continued)

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 January 2019	6 912 137
Share of post-acquisition net profit of associate	589 133
Share of post-acquisition other comprehensive income of associate	42 399
Carrying amount of the Group's interest in BARN B.V. as at 30 June 2019 (unaudited)	7 543 669
Carrying amount of the Group's interest in BARN B.V. as at 1 January 2020	8 202 044
Share of post-acquisition net profit of associate	729 570
Share of post-acquisition other comprehensive income of associate	7 064
Carrying amount of the Group's interest in BARN B.V. as at 30 June 2020 (unaudited)	8 938 678

13. Taxation

The corporate income tax expense comprises:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Current tax charge	(133 354)	2 165 798	4 107 433	2 708 991
Deferred tax charge – origination/ (reversal) of temporary differences	559 483	(1 051 279)	(2 657 652)	(798 116)
Income tax expense	426 129	1 114 519	1 449 781	1 910 875

Recognition of deferred tax assets as at 30 June 2020 year is mainly driven by the excess of negative revaluation of derivatives designated for trading and hedging purposes and also hedged items over its positive revaluation. Recognition of loan impairment during the first half of 2020 year in IFRS reporting also is treated as the base for deferred tax assets recognition as at 30 June 2020.

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

	Three-month period ended 30 June 2020 (unaudited)			Three-month period ended 30 June 2019 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	1 613	(323)	1 290	(159 250)	31 792	(127 458)
Revaluation reserve for financial assets at fair value through other comprehensive income	1 485 665	(296 636)	1 189 029	1 502 019	(300 404)	1 201 615
Foreign currency translation reserve	(106 003)	-	(106 003)	41 505	-	41 505
Fixed assets revaluation reserve	(67 890)	13 578	(54 312)	-	-	-
Other comprehensive income	1 313 385	(283 381)	1 030 004	1 384 274	(268 612)	1 115 662

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

13. Taxation (continued)

	Six-month period ended 30 June 2020 (unaudited)			Six-month period ended 30 June 2019 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	783 214	(156 643)	626 571	(746 241)	149 194	(597 047)
Revaluation reserve for financial assets at fair value through other comprehensive income	(391 003)	79 437	(311 566)	2 995 208	(599 042)	2 396 166
Foreign currency translation reserve	889	-	889	42 673	-	42 673
Fixed assets revaluation reserve	(113 853)	22 771	(91 082)	-	-	-
Other comprehensive income	279 247	(54 435)	224 812	2 291 640	(449 848)	1 841 792

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2020 (unaudited)	31 December 2019
Current accounts	9 292 161	7 316 851
Time deposits and loans	57 281 420	58 494 241
Repurchase agreements with credit institutions (Note 10)	631 745	917 972
Subordinated debt	-	29 780 408
Amounts due to credit institutions	67 205 326	96 509 472

As at 30 June 2020 ten largest deposits represented 83% of total amounts due to credit institutions (31 December 2019: 83% excluding subordinated debt).

As at 30 June 2020, the Group has no counterparty with aggregate balances that individually exceeded 10% of equity (31 December 2019: one counterparty).

As at 30 June 2020 there were no securities pledged under repurchase agreements with credit institutions (31 December 2019: RUB 678 732 thousand) (see Note 10 for details).

As at 30 June 2020 included in repurchase agreements with credit institutions are agreements in the amount of RUB 631 745 thousand (31 December 2019: 302 919 thousand) which are secured by bonds with fair value of RUB 673 291 thousand (31 December 2019: 336 421 thousand) obtained under reverse repurchase agreements with credit institutions (see Note 7 for details).

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

15. Amounts due to customers

The amounts due to customers include the following:

	30 June 2020 (unaudited)	31 December 2019
Current accounts	276 824 568	215 990 365
Time deposits	780 749 362	644 239 121
Repurchase agreements with customers	-	9 857
Lease liabilities under IFRS 16	1 386 039	1 387 304
Amounts due to customers	1 058 959 969	861 626 647

As at 30 June 2020, approximately 41% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2019: 34%).

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

	30 June 2020 (unaudited)	31 December 2019
Corporate		
Current accounts	112 391 022	84 173 774
Time deposits	628 194 358	454 966 587
Repurchase agreements with customers	-	9 857
Total corporate accounts	740 585 380	539 150 218
Retail		
Current accounts	164 433 546	131 816 591
Time deposits	152 555 004	189 272 534
Total retail accounts	316 988 550	321 089 125
Amounts due to customers	1 057 573 930	860 239 343
Lease liabilities under IFRS 16	1 386 039	1 387 304
Total amounts due to customers	1 058 959 969	861 626 647

As at 30 June 2020 included in retail time deposits are deposits of individuals in the amount of RUB 140 026 924 thousand (31 December 2019: RUB 167 534 866 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. As at 30 June 2020 the remaining part of retail time deposits in the amount of RUB 12 528 080 thousand (31 December 2019: RUB 21 737 668 thousand) is represented by deposits placed by SME.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

15. Amounts due to customers (continued)

The analysis by the economic sector is presented in the table below:

	30 June 2020 (unaudited)	31 December 2019
Energy	276 362 829	148 400 758
Mining and metallurgy	105 891 978	45 832 153
Trade	93 254 920	102 627 855
Machinery construction	71 859 363	58 589 867
Telecommunications	44 919 792	30 858 971
Other manufacturing	38 284 854	26 920 194
Chemicals	29 199 585	19 316 315
Real estate and construction	26 618 048	38 968 514
Transportation	25 736 413	16 989 716
Russian regional authorities	20 635 231	49 322 772
Finance	17 840 014	15 753 466
Agriculture and food	6 785 300	3 975 246
Timber processing	3 501 262	3 361 377
Other	39 260 536	38 059 089
Total legal entities	800 150 125	598 976 293
Total individuals	257 423 805	261 263 050
Amounts due to customers	1 057 573 930	860 239 343

16. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 June 2020 (unaudited)	31 December 2019
Undrawn loan commitments	359 693 570	376 971 129
Undrawn commitments to issue documentary instruments	296 478 596	241 762 866
Guarantees issued	144 438 521	151 284 851
Letters of credit	46 654 957	51 852 069
Other commitments	7 495 251	-
Gross credit related commitments and contingencies	854 760 895	821 870 915
Provision for credit related commitments and contingencies according to IFRS 9	(2 700 493)	(2 493 278)
Provision for credit related commitments and contingencies according to IAS 37	(1 317 083)	(1 379 882)
Net credit related commitments and contingencies	850 743 319	817 997 755

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

A reconciliation of provision on credit related commitments and contingencies in accordance with IFRS 9 is as follows:

	Three-month period ended 30 June 2020 (unaudited)				Three-month period ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the period	2 015 292	396 149	170 459	2 581 900	2 605 081	103 704	54 490	2 763 275
Charge/(recovery) for the period	142 096	99 789	(123 292)	118 593	(346 587)	270 276	59 729	(16 582)
Balance as at the end of the period	2 157 388	495 938	47 167	2 700 493	2 258 494	373 980	114 219	2 746 693

	Six-month period ended 30 June 2020 (unaudited)				Six-month period ended 30 June 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the period	2 200 727	110 850	181 701	2 493 278	3 102 125	121 818	41 023	3 264 966
(Recovery)/charge for the period	(43 339)	385 088	(134 534)	207 215	(843 631)	252 162	73 196	(518 273)
Balance as at the end of the period	2 157 388	495 938	47 167	2 700 493	2 258 494	373 980	114 219	2 746 693

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Provisions at the beginning of the period	1 252 657	232 643	1 379 882	267 410
Charge/(recovery) for the period		64 426	(62 799)	51 700
Provisions at the end of the period	1 317 083	319 110	1 317 083	319 110

The following table shows gross commitments and contingencies and related expected loss under IFRS 9 by stages as of 30 June 2020 (unaudited):

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	706 394 386	58 317 458	73 005	764 784 849
Provisions for credit related commitments and contingencies	(2 157 388)	(495 938)	(47 167)	(2 700 493)
Net credit related commitments and contingencies	704 236 998	57 821 520	25 838	762 084 356

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

16. Credit related commitments and contingencies (continued)

The following table shows gross commercial guarantees given and related impairment under IAS 37 as of 30 June 2020 (unaudited):

	Performing exposure	Impaired exposure	Total
Gross commercial guarantees given	89 160 256	815 790	89 976 046
Provisions for commercial guarantees given	(589 323)	(727 760)	(1 317 083)
Net commercial guarantees given	88 570 933	88 030	88 658 963

The following table shows gross commitments and contingencies and related expected loss under IFRS 9 by stages as of 31 December 2019:

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	707 625 098	12 434 829	316 126	720 376 053
Provisions for credit related commitments and contingencies	(2 200 727)	(110 850)	(181 701)	(2 493 278)
Net credit related commitments and contingencies	705 424 371	12 323 979	134 425	717 882 775

The following table shows gross commercial guarantees given and related impairment under IAS 37 as of 31 December 2019:

	Performing exposure	Impaired exposure	Total
Gross commercial guarantees given	100 571 088	923 774	101 494 862
Provisions for commercial guarantees given	(608 514)	(771 368)	(1 379 882)
Net commercial guarantees given	99 962 574	152 406	100 114 980

17. Operating environment

Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory, and political environment.

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the prices of oil and gas on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies. Decrease of key rate by the Central Bank of Russia from 6.25% to 4.5% is one of the reason of decrease of net interest income in the first half of the 2020 year comparing to the first half of the 2019 year.

Starting from 2014, sanctions have been imposed in several packages by the U.S. and the E.U. on certain Russian officials, businessmen and companies. This led to reduced access of the Russian businesses to international capital markets.

17. Operating environment (continued)

The impact of further economic and political developments on future operations and financial position of the Group might be significant.

In addition to that, starting from early 2020 a new coronavirus disease (hereinafter – “COVID-19”) has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of

COVID-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. As the situation is rapidly evolving it may have a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the Group may face the increasingly broad effects of COVID-19 as a result of its negative impact on the global economy and major financial markets. The significance of the effect of COVID-19 on the Group’s business largely depends on the duration and the incidence of the pandemic effects on the world and Russian economy.

As indicated above, the changing economic situation, the spread of COVID-19 can significantly affect the Group’s operations and financial indicators, including the loan portfolio quality, liquidity and capital indicators.

In view of this situation, the Group modelled the potential impact of stress scenarios on the Group’s operations and financial performance. These stress scenarios take into account possible negative effect from the implementation of the above events. In 2020 the Group has updated its macroeconomic forecast to reflect expected credit losses by changing the credit risk of borrowers.

The Group conducted stress testing related to liquidity and capital adequacy. Even in stress situation Liquidity coverage ratio (N26) stays well above required trigger level. Additional measures could increase this metric even more:

- (a) Utilization of Counterbalance capacity in amount exceeding the restricted-use committed liquidity facility. Application of this measure alone is sufficient to return the liquidity ratio to the target corridor.
- (b) Additionally there are contingency measures envisaged in Contingency Funding Plan which includes, in particular, increase in Counterbalance capacity pool and disposal of syndicated loans.

Thus, the management of liquidity indicators demonstrate the sufficient buffer in stress situation.

In respect of Capital adequacy the Group has run stress scenarios including the Foreign exchange rate assuming additional devaluation of the RUB vs USD compared to the levels of March 2020 as well as scenarios of increased default rate for loan portfolio. The results of stress tests confirm stable financial position of the Group. Management of the Group believes that regulatory ratios will be above minimal regulatory requirements.

In 2020 the Group, taking into account its stable current financial position, decided not to use the softening in the calculation of regulatory ratios proposed and specified in a series of informational letters by the Central Bank of Russia.

Since March 2020, the Group started to receive applications from corporate clients, including small and medium-sized enterprises, and from individuals, for granting them credit holidays on previously issued loans in accordance with Russian legislation. As of 30 June 2020, the number of applications received is estimated as insignificant in relation to the total number of loans issued. All cases of granting credit holidays are marked as COVID-19, for each case the Group performs an analysis of credit recovery.

Thus, taking into account the stable financial position of the Group, it can be concluded that the current economic situation does not have significant impact on the Group’s financial ratios as of 30 June 2020.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

18. Gains on financial assets and liabilities held for trading and foreign currencies

Gains on financial assets and liabilities held for trading and foreign currencies comprise:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Net (losses)/gains from trading securities	(14 927)	33 078	20 120	22 333
Net gains/(losses) from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	315 922	(1 135 292)	(16 173)	(1 786 188)
Gains/(losses) on financial assets and liabilities held for trading and foreign currencies	300 995	(1 102 214)	3 947	(1 763 855)

19. Fair value of financial instruments

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

	30 June 2020 (unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Debt securities held for trading				
- held by the Group	976 172	1 093 380	-	2 069 552
Derivative financial assets	-	28 207 029	-	28 207 029
Derivative financial assets designated for hedging	-	21 909 616	-	21 909 616
Financial assets at fair value through other comprehensive income				
- held by the Group	22 381 105	24 760 138	-	47 141 243
Total	23 357 277	75 970 163	-	99 327 440
Financial liabilities measured at fair value				
Derivative financial liabilities	-	28 943 049	-	28 943 049
Derivative financial liabilities designated for hedging	-	36 250 687	-	36 250 687
Total	-	65 193 736	-	65 193 736

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

19. Fair value of financial instruments (continued)

	31 December 2019			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value				
Derivative financial assets	-	23 884 409	-	23 884 409
Derivative financial assets designated for hedging	-	9 873 372	-	9 873 372
Financial assets at fair value through other comprehensive income:				
- held by the Group	30 152 229	108 051 056	-	138 203 285
- pledged under repurchase agreements	678 732	-	-	678 732
Total	30 830 961	141 808 837	-	172 639 798
Financial liabilities at fair value				
Derivative financial liabilities	-	20 957 225	-	20 957 225
Derivative financial liabilities designated for hedging	-	15 377 471	-	15 377 471
Total	-	36 334 696	-	36 334 696

As at 30 June 2020 the table above does not include equity investments at fair value through other comprehensive income in amount of RUB 123 692 thousand (31 December 2019: RUB 123 692 thousand), which do not have a quoted market price in an active market.

During the six-month period ended 30 June 2020 there were no changes between fair value levels for trading securities (six-month period ended 30 June 2019: transfers from Level 2 to Level 1 amounted to RUB 146 757 thousand).

During the six-month periods ended 30 June 2020 and 30 June 2019 there were no changes between fair value levels for securities at fair value through other comprehensive income.

Except as detailed in the following table, the Group consider that the carrying amounts of financial assets and financial liabilities recognized in the condensed interim consolidated statement of financial position approximate their fair value.

	30 June 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	492 447 431	494 208 135	245 812 527	246 692 408
Loans to customers	728 404 890	746 216 896	733 770 527	734 299 930
Debt securities measured at amortised cost	30 320 599	30 804 450	-	-
Financial liabilities				
Amounts due to credit institutions	67 205 326	67 936 273	96 509 472	97 279 889
Amounts due to customers	1 058 959 969	1 078 996 029	861 626 647	872 989 818

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

19. Fair value of financial instruments (continued)

The following tables provide an analysis of financial instruments that are measured subsequent to initial recognition at amortized cost, grouped into Levels 1 to 3.

	30 June 2020 (unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets				
Amounts due from credit institutions	-	-	494 208 135	494 208 135
Loans to customers	-	-	746 216 896	746 216 896
Debt securities measured at amortised cost	5 759 250	25 045 200	-	30 804 450
Financial liabilities				
Amounts due to credit institutions	-	-	67 936 273	67 936 273
Amounts due to customers	-	-	1 078 996 029	1 078 996 029

	31 December 2019			Total
	Level 1	Level 2	Level 3	
Financial assets				
Amounts due from credit institutions	-	-	246 692 408	246 692 408
Loans to customers	-	-	734 299 930	734 299 930
Financial liabilities				
Amounts due to credit institutions	-	-	97 279 889	97 279 889
Amounts due to customers	-	-	872 989 818	872 989 818

20. Related party disclosures

As at 30 June 2020 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 the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

20. Related party disclosures (continued)

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

	30 June 2020 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	-	0.0%	649 707	6.5%
- In EUR	376 596	0.0%	460 795	0.0%
- In USD	190 381 352	0.3%	95 838 180	2.3%
Derivative financial assets	11 656 830		10 504 983	
Derivative financial assets designated for hedging	19 688 643		9 222 110	
Other assets	150 874		103 486	
Amounts due to credit institutions				
- In Russian Roubles	1 712 681	0.0%	129 183	0.0%
- In EUR	470 638	1.8%	448 711	1.8%
- In USD	505 620	3.5%	30 327 115	11.8%
Derivative financial liabilities	21 274 859		11 094 170	
Derivative financial liabilities designated for hedging	25 830 282		10 896 528	
Other liabilities	394 641		563 430	
Commitments and guarantees issued	13 204 158		10 885 422	
Commitments and guarantees received	12 796 425		10 972 433	

Commitments and guarantees issued contain commitments and guarantees, including those under which UniCredit S.p.A. is the beneficiary.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	4 277 789	6 907 814	8 931 111	13 751 874
Interest expense and similar charges	(2 884 929)	(4 049 921)	(6 772 927)	(8 137 384)
Fee and commission income	2 751	1 536	4 878	13 236
Fee and commission expense	(13 465)	(49 303)	(23 541)	(100 018)
Gains/(losses) on financial assets and liabilities held for trading and foreign currencies	13 487 239	6 943 393	(16 411 205)	18 751 709
Fair value adjustments in portfolio hedge accounting	(4 104 356)	158 758	(1 742 757)	(583 710)
Personnel expenses	(9 161)	(8 965)	(10 934)	(14 583)
Other administrative expenses	(29 301)	(12 992)	(49 392)	(33 530)

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

20. Related party disclosures (continued)

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

	30 June 2020 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	7 906 826	5.0%	649 714	6.5%
- In EUR	28 437 923	0.0%	11 665 800	0.0%
- In USD	4 713 942	0.0%	2 341 480	0.0%
- In other currencies	111 429	0.0%	153 918	0.0%
Derivative financial assets	49 239		1 518 492	
Derivative financial assets designated for hedging	1 514 658		651 020	
Loans to customers				
- In Russian Roubles	188 121	8.4%	705 797	5.8%
Intangible assets	17 371		125 428	
Other assets	178 868		165 993	
Amounts due to credit institutions				
- In Russian Roubles	3 896 946	0.7%	4 307 486	3.5%
- In EUR	3 378 615	2.2%	3 397 399	2.1%
- In USD	955 288	2.5%	1 699 138	3.0%
Derivative financial liabilities	2 352 892		3 007 703	
Derivative financial liabilities designated for hedging	3 972 604		1 606 352	
Amounts due to customers				
- In Russian Roubles	243 188	3.9%	695 312	4.0%
Other liabilities	386 665		279 833	
Commitments and guarantees issued	27 493 953		28 581 450	
Commitments and guarantees received	18 359 941		16 090 783	

Commitments and guarantees issued contain commitments and guarantees, including those under which other companies controlled by the UniCredit Group or related with UniCredit Group are the beneficiaries.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	(54 427)	(15 986)	(31 180)	92 360
Interest expense and similar charges	(251 300)	(234 498)	(505 018)	(699 896)
Fee and commission income	235 787	27 023	256 061	52 682
Fee and commission expense	(23 376)	(23 290)	(45 930)	(45 456)
Gains/(losses) on financial assets and liabilities held for trading and foreign currencies	4 354 669	2 189 322	(965 662)	652 936
Fair value adjustments in portfolio hedge accounting	147 801	243 229	(50 492)	605 336
Other income	121	124	242	247
Personnel expenses	(2 500)	(1 613)	(3 700)	(3 296)
Other administrative expenses	(72 397)	(65 323)	(144 896)	(131 692)

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

20. Related party disclosures (continued)

Balances and transactions with associate are as follows:

	30 June 2020 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	8 867 496	8.5%	11 251 984	8.2%
Derivative financial assets	-		58 196	
Amounts due to credit institutions				
- In Russian Roubles	32 645	0.0%	12 996	0.0%
- In EUR	16 634	0.0%	4 777	0.0%
- In USD	9 856	0.0%	1 843	0.0%
Derivative financial liabilities	684 831		341 546	
Investments in associate	8 938 678		8 202 044	
Commitments and guarantees issued	182 235		177 735	

Under the commitments and guarantees issued the associate is a beneficiary.

	Three-month period ended 30 June		Six-month period ended 30 June	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	425 646	583 092	851 626	1 176 394
Interest expense and similar charges	(215 741)	(229 267)	(429 703)	(395 397)
Fee and commission income	138	(6 649)	138	11 965
Losses on financial assets and liabilities held for trading and foreign currencies	(8 720)	(62 398)	(401 451)	(651 159)
Share of gains in associate	461 147	358 583	729 570	589 133

Balances and transactions with key management personnel are as follows:

	30 June 2020 (unaudited)	31 December 2019
Amounts due to customers	487 507	464 854
Accrued liabilities on remuneration	265 482	296 161
Other liabilities	71 725	90 142

	Six-month period ended 30 June 2020 (unaudited)	Six-month period ended 30 June 2019 (unaudited)
Interest expense	(5 251)	(8 862)
Personnel expenses, including:	(164 774)	(123 820)
short-term benefits	(105 515)	(113 374)
long-term benefits	(56 813)	(7 558)
post-employment benefits	(2 446)	(2 888)

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2020 (continued) (in thousands of Russian Rubles)

20. Related party disclosures (continued)

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

	Six-month period ended 30 June 2020 (unaudited) UniCredit S.p.A.	Six-month period ended 30 June 2019 (unaudited) UniCredit S.p.A.
Subordinated loans at the beginning of the period	29 780 408	33 517 157
Accrual of interest, net of interest paid	-	(87 832)
Effect of exchange rates changes	7 601 151	(3 075 356)
Redemption of subordinated debt	(37 381 559)	-
Subordinated loans at the end of the period	-	30 353 969
