

AO UniCredit Bank

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

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

Condensed interim consolidated statement of financial position	3
Condensed interim consolidated statement of comprehensive income	4
Condensed interim consolidated statement of changes in equity.....	5
Condensed interim consolidated statement of cash flows.....	6

Selected notes to the condensed interim consolidated financial statements

1. Principal activities	7
2. Basis of preparation.....	7
3. Significant accounting policies	9
4. Operating segments	10
5. Cash and cash balances	15
6. Trading securities.....	15
7. Amounts due from credit institutions.....	15
8. Derivative financial instruments	17
9. Loans to customers	18
10. Financial assets at fair value through other comprehensive income.....	26
11. Debt securities measured at amortized costs.....	27
12. Investments in associate	27
13. Taxation	28
14. Amounts due to credit institutions	29
15. Amounts due to customers	30
16. Credit related commitments and contingencies	31
17. Operating environment	33
18. Gains on financial assets and liabilities held for trading and foreign currencies	35
19. Fair value of financial instruments	35
20. Related party disclosures.....	37

AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and nine-month periods then ended and a summary of significant accounting policies and selected notes to the condensed interim consolidated financial statements (the "condensed interim consolidated financial statements") in compliance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34").

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

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

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the 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 three and nine-month periods ended 30 September 2020 were approved by the Board of Management of AO UniCredit Bank on 3 November 2020.



K. Zhukov-Emelyanov
Chairman of the Board of Management

3 November 2020
Moscow



V. Starovoytov
Deputy Chief Accountant

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholder and the Supervisory Board of AO UniCredit Bank

Introduction


We have reviewed the accompanying condensed interim consolidated statement of financial position of AO UniCredit Bank and its subsidiary (the "Group") as of 30 September 2020, the related condensed interim consolidated statement of comprehensive income for three and nine months then ended, condensed interim consolidated statement of changes in equity and cash flows for the nine months then ended, and selected explanatory notes. Management is responsible for the preparation and presentation of these consolidated condensed interim financial statements in accordance with International Accounting Standard ("IAS") 34, *Interim Financial Reporting*. Our responsibility is to express a conclusion on these consolidated condensed interim financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of consolidated condensed interim 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 consolidated condensed interim financial statements are not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.


Zdanevych Anna Mikhaylovna
Engagement partner

5 November 2020



The Entity: AO UniCredit Bank

Audit Firm: AO "Deloitte & Touche CIS"

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

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

Primary State Registration Number: 1027739082106

Primary State Registration Number: 1027700425444

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.

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.

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

Member of Self-regulatory organization of auditors Association "Sodruzhestvo", ORN 12006020384.

AO UniCredit Bank

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

	Notes	30 September 2020 (unaudited)	31 December 2019
ASSETS			
Cash and cash balances	5	33 939 546	24 268 658
Debt securities held for trading	6	1 755 874	-
Derivative financial assets	8	39 283 703	23 884 409
Derivative financial assets designated for hedging	8	21 616 015	9 873 372
Changes in fair value of portfolio hedged items		13 450 083	6 559 846
Financial assets at amortized cost			
- Debt securities	11	44 236 466	-
- Amounts due from credit institutions	7	402 151 418	245 812 527
- Loans to customers	9	684 248 878	733 770 527
Financial assets at fair value through other comprehensive income	10		
- held by the Group		47 008 505	138 326 977
- pledged under repurchase agreements		-	678 732
Investments in associate	12	9 603 362	8 202 044
Fixed assets		11 874 517	12 358 165
Intangible assets		7 901 704	8 538 523
Deferred income tax assets		4 289 796	609 346
Current income tax assets		139 095	103 747
Other assets		9 271 374	13 461 888
TOTAL ASSETS		1 330 770 336	1 226 448 761
LIABILITIES			
Amounts due to credit institutions	14	22 161 908	96 509 472
Amounts due to customers	15	987 961 065	861 626 647
Derivative financial liabilities	8	41 655 539	20 957 225
Derivative financial liabilities designated for hedging	8	39 069 308	15 377 471
Changes in fair value of portfolio hedged items		8 387 228	3 742 597
Current income tax liabilities		131 665	9 996
Other liabilities		17 764 462	14 996 738
TOTAL LIABILITIES		1 117 131 175	1 013 220 146
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		331 310	(381 731)
Revaluation reserve for financial assets at fair value through other comprehensive income		1 147 908	2 000 726
Foreign currency translation reserve		202 320	(71 830)
Fixed assets revaluation		4 167 244	4 294 938
Retained earnings		165 565 292	165 161 425
TOTAL EQUITY		213 639 161	213 228 615
TOTAL LIABILITIES AND EQUITY		1 330 770 336	1 226 448 761


K. Zhukov-Emelyanov
Chairman of the Board of Management

3 November 2020
Moscow




V. Starovoytov
Deputy Chief Accountant

The accompanying selected notes on pages 8 to 41 are an integral part of these condensed interim consolidated financial statements.

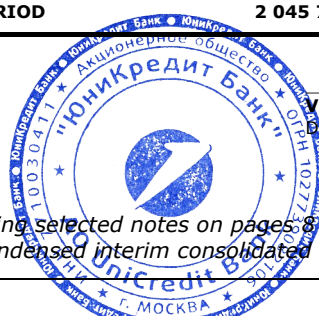
AO UniCredit Bank

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

	Notes	Three-month period ended 30 September		Nine-month period ended 30 September	
		2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues		21 006 215	28 701 409	70 550 121	88 538 249
Interest expense and similar charges		(10 698 920)	(18 803 324)	(40 949 760)	(57 673 686)
Net interest income		10 307 295	9 898 085	29 600 361	30 864 563
Fee and commission income		1 941 349	2 928 980	6 962 188	8 776 656
Fee and commission expense		(494 882)	(669 619)	(1 651 704)	(2 131 974)
Net fee and commission income		1 446 467	2 259 361	5 310 484	6 644 682
Dividend income		23 291	18 755	23 293	18 757
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies	18	(762 154)	528 460	(758 207)	(1 235 395)
Fair value adjustments in portfolio hedge accounting		22 528	(22 111)	8 624	(28 145)
Gains on disposal of:					
- financial assets at amortized cost		218 008	178 747	1 370 431	285 447
- financial assets at fair value through other comprehensive income		-	910 445	2 386 107	1 390 516
OPERATING INCOME		11 255 435	13 771 742	37 941 093	37 940 425
(Impairment)/recovery of impairment on:					
- financial assets at fair value through other comprehensive income		4 026	(16 400)	(20 296)	(118 419)
- financial assets at amortized costs	7,9,11	(3 591 163)	(744 084)	(12 379 057)	(6 618 746)
- other financial transactions	16	(416 387)	(1 929 363)	(560 803)	(1 462 790)
NET INCOME FROM FINANCIAL ACTIVITIES		7 251 911	11 081 895	24 980 937	29 740 470
Personnel expenses		(2 444 464)	(2 506 212)	(7 688 190)	(7 540 477)
Other administrative expenses		(1 530 145)	(1 670 584)	(5 384 952)	(4 812 312)
Depreciation of fixed assets		(249 808)	(190 164)	(781 387)	(510 914)
Depreciation of rights-of-use		(137 481)	(165 312)	(415 570)	(488 748)
Impairment of fixed assets		(888)	(9 670)	(15 728)	(24 885)
Amortization of intangible assets		(504 627)	(363 194)	(1 420 728)	(1 325 443)
Other provisions		(26 153)	(27 062)	51 730	360 646
Other operating expenses		(2 885)	(5 969)	(100 841)	(18 804)
Operating costs		(4 896 451)	(4 938 167)	(15 755 666)	(14 360 937)
Share of gains of associate	12	387 457	396 058	1 117 027	985 191
Gain on fixed assets measured at fair value		-	-	231	-
Gains on disposal of fixed assets		465	1 174	1 833	1 494
PROFIT BEFORE INCOME TAX EXPENSE		2 743 382	6 540 960	10 344 362	16 366 218
Income tax expense	13	(479 541)	(1 252 259)	(1 929 322)	(3 163 134)
PROFIT FOR THE PERIOD		2 263 841	5 288 701	8 415 040	13 203 084
OTHER COMPREHENSIVE INCOME/(LOSS)					
Items that will not be reclassified subsequently to profit or loss:					
Fixed assets revaluation reserve		(36 612)	-	(127 694)	-
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		(16 164)	(224 975)	601 970	(837 179)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		102 634	757	111 071	15 914
Revaluation reserve for financial assets at fair value through other comprehensive income, net of tax:					
- fair value changes		(562 583)	(468 432)	760 470	1 717 156
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the period and changes in impairment		21 331	660 404	(1 613 288)	870 982
Foreign currency translation reserve		273 261	9 307	274 150	51 980
Other comprehensive (loss)/income for the period, net of tax	13	(218 133)	(22 939)	6 679	1 818 853
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		2 045 708	5 265 762	8 421 719	15 021 937

K. Zhukov-Emelyanov
Chairman of the Board of Management

3 November 2020
Moscow



V. Starovoytov
Deputy Chief Accountant

The accompanying selected notes on pages 8 to 41 are an integral part of these condensed interim consolidated financial statements.

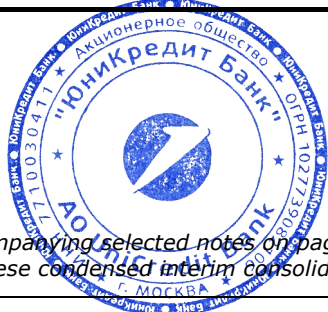
AO UniCredit Bank

Condensed Interim Consolidated Statement of Changes in Equity for the Nine-Month Period Ended 30 September 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)	-	-	-	-	-	-	13 203 084	13 203 084
Other comprehensive income								
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(821 265)	-	-	-	-	(821 265)
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	2 588 138	-	-	-	2 588 138
Change in foreign currency translation reserve (unaudited)	-	-	-	-	51 980	-	-	51 980
Total other comprehensive (loss)/income (unaudited)	-	-	(821 265)	2 588 138	51 980	-	-	1 818 853
TOTAL COMPREHENSIVE (LOSS)/ INCOME FOR THE PERIOD (unaudited)	-	-	(821 265)	2 588 138	51 980	-	13 203 084	15 021 937
Transactions with owner, directly recorded in equity								
Dividends paid on ordinary shares	-	-	-	-	-	-	(8 121 323)	(8 121 323)
Total transactions with owner	-	-	-	-	-	-	(8 121 323)	(8 121 323)
30 September 2019 (unaudited)	41 787 806	437 281	(674 376)	495 619	(46 855)	-	160 663 443	202 662 918
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)	-	-	-	-	-	-	8 415 040	8 415 040
Other comprehensive income								
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	713 041	-	-	-	-	713 041
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (unaudited)	-	-	-	(852 818)	-	-	-	(852 818)
Change in foreign currency translation reserve (unaudited)	-	-	-	-	274 150	-	-	274 150
Fixed assets revaluation reserve, net of tax (unaudited)	-	-	-	-	-	(17 544)	-	(17 544)
Transfer of revaluation reserve upon depreciation (unaudited)	-	-	-	-	-	(110 150)	-	(110 150)
Total other comprehensive income/(loss) (unaudited)	-	-	713 041	(852 818)	274 150	(127 694)	-	6 679
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD (unaudited)	-	-	713 041	(852 818)	274 150	(127 694)	8 415 040	8 421 719
Transfer of revaluation reserve upon depreciation (unaudited)	-	-	-	-	-	-	110 150	110 150
Transactions with owner, directly recorded in equity								
Dividends paid on ordinary shares	-	-	-	-	-	-	(8 121 323)	(8 121 323)
Total transactions with owner	-	-	-	-	-	-	(8 121 323)	(8 121 323)
30 September 2020 (unaudited)	41 787 806	437 281	331 310	1 147 908	202 320	4 167 244	165 565 292	213 639 161


K. Zhukov-Emelyanov
Chairman of the Board of Management

3 November 2020
Moscow




V. Starovoytov
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AO UniCredit Bank


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

	Note	Nine-month period ended 30 September 2020 (unaudited)	Nine-month period ended 30 September 2019 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		28 167 785	20 140 146
Net cash from operating activities before income tax		8 435 238	98 104 766
Corporate income tax paid		(5 488 036)	(4 454 083)
Net cash flows from operating activities		2 947 202	93 650 683
Cash flows from investing activities			
Dividends received		23 293	18 757
Purchase of financial assets at fair value through other comprehensive income		(118 895 347)	(399 432 844)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		212 629 155	316 209 360
Purchase of financial assets at amortized cost - debt securities		(43 464 758)	-
Proceeds from sale of fixed and intangible assets		5 011	21 948
Purchase of fixed and intangible assets		(1 239 099)	(2 224 589)
Net cash flows from/(used in) investing activities		49 058 255	(85 407 368)
Cash flows from financing activities			
Dividends paid on ordinary shares		(8 121 323)	(8 121 323)
Redemption of subordinated debt	20	(37 381 559)	-
Cash outflow for lease liabilities		(395 490)	(442 052)
Redemption of bonds issued		-	(45 917)
Net cash flows used in financing activities		(45 898 372)	(8 609 292)
Effect of exchange rates changes on cash and cash balances		3 563 803	(526 634)
Net increase/(decrease) in cash and cash balances		9 670 888	(892 611)
Cash and cash balances, beginning of the period	5	24 268 658	15 538 848
Cash and cash balances, ending of the period	5	33 939 546	14 646 237


K. Zhukov-Emelyanov
Chairman of the Board of Management

3 November 2020
Moscow




V. Starovoytov
Deputy Chief Accountant

The accompanying selected notes on pages 8 to 41 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 Nine-Month Period Ended 30 September 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 September 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 September 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 Nine-Month Period Ended 30 September 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.

Foreign currencies. For the purpose of these condensed interim consolidated financial statements, the results and financial position of each group company are expressed in Russian Rubles (hereinafter – “RUB”) which is the functional currency of the Bank, and the presentation currency for these condensed interim consolidated financial statements. Amounts in Russian Rubles are rounded to the nearest thousand.

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

	30 September 2020	31 December 2019
RUB/US Dollar	79.6845	61.9057
RUB/Euro	93.0237	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 Nine-Month Period Ended 30 September 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
Amendments to IFRS 3 <i>Business combinations</i>	1 January 2022
Amendments to IAS 16 <i>Property and equipment</i>	1 January 2022
Amendments to IAS 37 <i>Provisions, contingent liabilities and contingent assets</i>	1 January 2022
Amendments to (within the project for the formation of Annual Improvements to IFRS 2018-2020 cycles) IFRS 9 <i>Financial Instruments</i>	1 January 2022

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 Nine-Month Period Ended 30 September 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 September 2020 (unaudited)	31 December 2019
Assets		
CIB	1 071 845 811	917 766 045
Retail banking	157 922 293	181 838 590
Leasing	33 359 046	33 771 082
Other	67 643 186	93 073 044
Total assets	1 330 770 336	1 226 448 761
Liabilities		
CIB	765 560 423	650 286 432
Retail banking	337 167 877	321 221 666
Leasing	1 906 778	1 867 789
Other	12 496 097	39 844 259
Total liabilities	1 117 131 175	1 013 220 146

AO UniCredit Bank

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

4. Operating segments (continued)

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

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	6 571 801	3 281 028	472 816	(18 350)	10 307 295
Inter-segment (expense)/income	(1 480 545)	(237 602)	-	1 718 147	-
Net interest income	5 091 256	3 043 426	472 816	1 699 797	10 307 295
Net fee and commission income from external customers	897 801	544 127	4 539	-	1 446 467
Dividend income	-	-	-	23 291	23 291
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies from external customers	(826 060)	150 656	39	(86 789)	(762 154)
Fair value adjustments in portfolio hedge accounting	-	-	-	22 528	22 528
Gains on disposals of financial assets	218 008	-	-	-	218 008
Operating income	5 381 005	3 738 209	477 394	1 658 827	11 255 435
Impairment on loans and other financial transactions	(3 073 715)	(861 262)	(68 547)	-	(4 003 524)
Net income from financial activities	2 307 290	2 876 947	408 847	1 658 827	7 251 911
Operating costs including: depreciation on fixed assets and right-of-use-assets and amortization of intangible assets	(1 831 254)	(2 978 753)	(100 294)	13 850	(4 896 451)
impairment of fixed assets	(273 165)	(617 471)	(1 280)	-	(891 916)
Gain on disposal of fixed assets	-	(888)	-	-	(888)
Share of gains in associate	-	-	-	465	465
	-	-	-	387 457	387 457
Profit/(loss) before income tax expense	476 036	(101 806)	308 553	2 060 599	2 743 382
Income tax expense					(479 541)
Profit for the period					2 263 841
Cash flow hedge reserve					86 470
Revaluation reserve for financial assets at fair value through other comprehensive income					(541 252)
Fixed assets revaluation reserve					(36 612)
Foreign currency translation reserve					273 261
Total comprehensive income for the period					2 045 708

AO UniCredit Bank

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

4. Operating segments (continued)

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

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

AO UniCredit Bank

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

4. Operating segments (continued)

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

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	19 027 659	10 110 625	1 440 125	(978 048)	29 600 361
Inter-segment (expense)/income	(4 272 498)	(814 229)	-	5 086 727	-
Net interest income	14 755 161	9 296 396	1 440 125	4 108 679	29 600 361
Net fee and commission income from external customers	2 789 980	2 505 567	14 937	-	5 310 484
Dividend income	-	-	-	23 293	23 293
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies from external customers	(1 162 589)	542 637	(1 264)	(136 991)	(758 207)
Fair value adjustments in portfolio hedge accounting	-	-	-	8 624	8 624
Gains on disposals of financial assets	3 728 527	28 011	-	-	3 756 538
Operating income	20 111 079	12 372 611	1 453 798	4 003 605	37 941 093
Impairment on loans and other financial transactions	(7 548 020)	(5 005 469)	(406 667)	-	(12 960 156)
Net income from financial activities	12 563 059	7 367 142	1 047 131	4 003 605	24 980 937
Operating costs including: depreciation on fixed assets and rights of use and amortization of intangible assets	(5 319 976)	(9 144 102)	(381 388)	(910 200)	(15 755 666)
impairment of fixed assets	(772 045)	(1 841 424)	(4 216)	-	(2 617 685)
Gains on disposal of fixed assets	(896)	(14 832)	-	-	(15 728)
Gain on fixed assets measured at fair value	-	-	-	1 833	1 833
Share of gains in associate	-	-	-	231	231
	-	-	-	1 117 027	1 117 027
Profit/(loss) before income tax expense	7 243 083	(1 776 960)	665 743	4 212 496	10 344 362
Income tax expense					(1 929 322)
Profit for the period					8 415 040
Cash flow hedge reserve					713 041
Revaluation reserve for financial assets at fair value through other comprehensive income					(852 818)
Fixed assets revaluation reserve					(127 694)
Foreign currency translation reserve					274 150
Total comprehensive income for the period					8 421 719

AO UniCredit Bank

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

4. Operating segments (continued)

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

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

AO UniCredit Bank

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

5. Cash and cash balances

Cash and cash balances comprise:

	30 September 2020 (unaudited)	31 December 2019
Cash on hand	16 142 639	10 973 214
Current accounts with the CBR	17 796 907	13 295 444
Cash and cash balances	33 939 546	24 268 658

6. Trading securities

Trading securities comprise:

	30 September 2020 (unaudited)	31 December 2019
RUB denominated		
Russian government bonds	1 755 874	-
Trading securities	1 755 874	-

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 September 2020 (unaudited)	31 December 2019
Current accounts with credit institutions	104 573 300	46 028 899
Time deposits	59 670 695	140 059 986
Reverse repurchase agreements with credit institutions	226 533 385	47 973 174
Obligatory reserve with the CBR	11 714 398	11 957 146
Gross amounts due from credit institutions	402 491 778	246 019 205
Less: Impairment loss allowance	(340 360)	(206 678)
Amounts due from credit institutions	402 151 418	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 Nine-Month Period Ended 30 September 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 September 2020 (unaudited)			Three-month period ended 30 September 2019 (unaudited)		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Impairment loss allowance at the beginning of the period	479 296	162	479 458	424 026	8 025	432 051
Recovery for the period	(163 765)	(162)	(163 927)	(24 661)	(807)	(25 468)
Effect of exchange rate changes	24 829	-	24 829	(1 274)	(219)	(1 493)
Impairment loss allowance at the end of the period	340 360	-	340 360	398 091	6 999	405 090

	Nine-month period ended 30 September 2020 (unaudited)			Nine-month period ended 30 September 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/(recovery) for the period	110 848	-	110 848	(17 821)	7 320	(10 501)
Effect of exchange rate changes	22 834	-	22 834	(3 877)	(355)	(4 232)
Impairment loss allowance at the end of the period	340 360	-	340 360	398 091	6 999	405 090

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

	30 September 2020 (unaudited)			31 December 2019		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross loans	402 491 778	-	402 491 778	246 019 205	-	246 019 205
Impairment	(340 360)	-	(340 360)	(206 678)	-	(206 678)
Total amounts due from credit institutions	402 151 418	-	402 151 418	245 812 527	-	245 812 527

As at 30 September 2020 there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 30 September 2020, the aggregate amount of these balances is RUB 320 804 761 thousand (31 December 2019: two counterparties with aggregate amount of RUB 153 934 130 thousand). As at 30 September 2020, an allowance of RUB 282 121 thousand was recognized against these loans (31 December 2019: RUB 94 952 thousand).

As at 30 September 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 247 520 142 thousand (31 December 2019: RUB 52 797 460 thousand).

As at 30 September 2020 there were no securities (31 December 2019: RUB 336 421 thousand) repurchased under repurchase agreements with credit institutions (see Note 14 for details).

As at 30 September 2020 approximately 88% (31 December 2019: 85%) of amounts due from credit institutions were placed with banks rated not lower than "BBB-".

As at 30 September 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 Nine-Month Period Ended 30 September 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 September 2020 (unaudited)			31 December 2019		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	319 338 524	20 522 054	(22 917 174)	245 993 056	11 294 188	(9 589 482)
Interest rate swaps and options	370 197 384	12 854 061	(12 726 065)	323 171 704	9 022 310	(7 395 456)
Foreign exchange forwards, options and swaps	188 638 728	5 907 588	(6 012 300)	193 016 771	3 567 911	(3 972 287)
Total derivative assets/(liabilities)		39 283 703	(41 655 539)		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 September 2020 (unaudited)			31 December 2019		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	235 716 220	7 826 947	(7 428 500)	308 390 052	2 214 494	(2 034 270)
Cross-currency interest rate swaps	113 329 220	1 059 539	(10 496 315)	102 626 167	1 715 392	(1 988 260)
Total cash flow hedge		8 886 486	(17 924 815)		3 929 886	(4 022 530)
Fair value hedge						
Interest rate swaps	821 563 144	12 729 529	(21 144 493)	698 733 214	5 943 486	(11 354 941)
Total fair value hedge		12 729 529	(21 144 493)		5 943 486	(11 354 941)
Total derivative financial assets/(liabilities) designated for hedging		21 616 015	(39 069 308)		9 873 372	(15 377 471)

AO UniCredit Bank

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

9. Loans to customers

Loans to customers comprise:

	30 September 2020 (unaudited)	31 December 2019
Corporate customers	521 259 552	543 100 726
Retail customers, including SME	177 036 083	197 027 967
Lease receivables	31 818 769	30 025 485
Reverse repurchase agreements with companies	7 627 355	7 736 381
Gross loans to customers	737 741 759	777 890 559
Less: Impairment loss allowance	(53 492 881)	(44 120 032)
Loans to customers	684 248 878	733 770 527

A reconciliation of the impairment loss allowance is as follows:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Impairment loss allowance at the beginning of the period	48 841 699	58 245 139	44 120 032	60 736 838
Charge for the period	3 744 922	769 552	12 232 803	6 629 247
Assets sold or recovered through repossession of collateral during the period	(669 206)	(3 295 408)	(5 984 169)	(4 009 053)
Assets written-off during the period	(779 990)	(2 678 816)	(1 225 474)	(10 237 032)
Effect of contractual accrued interest	647 643	593 173	1 611 954	1 943 201
Effect of exchange rate changes	1 707 813	155 448	2 737 735	(1 274 113)
Impairment loss allowance at the end of the period	53 492 881	53 789 088	53 492 881	53 789 088

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

	Three-month period ended 30 September 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	6 831 901	7 823 257	34 186 541	48 841 699
Transfer to stage 1	206 098	(206 098)	-	-
Transfer to stage 2	(447 850)	448 868	(1 018)	-
Transfer to stage 3	-	(782 798)	782 798	-
(Recovery)/charge for the period	(375 429)	(828 221)	4 948 572	3 744 922
Loans sold or recovered through repossession of collateral during the period	-	-	(669 206)	(669 206)
Loans written-off during the period	-	-	(779 990)	(779 990)
Effect of contractual accrued interest	-	-	647 643	647 643
Effect of exchange rate changes	314 609	233 152	1 160 052	1 707 813
Impairment loss allowance at the end of the period	6 529 329	6 688 160	40 275 392	53 492 881

AO UniCredit Bank

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

9. Loans to customers (continued)

	Three-month period ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 252 137	3 058 827	47 934 175	58 245 139
Transfer to stage 1	169 498	(169 498)	-	-
Transfer to stage 2	(49 434)	49 434	-	-
Transfer to stage 3	-	(164 666)	164 666	-
(Recovery)/charge for the period	(696 820)	(108 340)	1 574 712	769 552
Loans sold or recovered through repossession of collateral during the period	(1 161)	-	(3 294 247)	(3 295 408)
Loans written-off during the period	-	-	(2 678 816)	(2 678 816)
Effect of contractual accrued interest	-	-	593 173	593 173
Effect of exchange rate changes	17 361	-	138 087	155 448
Impairment loss allowance at the end of the period	6 691 581	2 665 757	44 431 750	53 789 088
	Nine-month period ended 30 September 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
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	528 993	(528 993)	-	-
Transfer to stage 2	(786 500)	852 979	(66 479)	-
Transfer to stage 3	-	(2 152 413)	2 152 413	-
(Recovery)/charge for the period	(39 837)	5 055 990	7 216 650	12 232 803
Loans sold or recovered through repossession of collateral during the period	(17 755)	-	(5 966 414)	(5 984 169)
Loans written-off during the period	-	-	(1 225 474)	(1 225 474)
Effect of contractual accrued interest	-	-	1 611 954	1 611 954
Effect of exchange rate changes	500 420	171 576	2 065 739	2 737 735
Impairment loss allowance at the end of the period	6 529 329	6 688 160	40 275 392	53 492 881
	Nine-month period ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Impairment loss allowance at the beginning of the period	7 599 346	2 843 461	50 294 031	60 736 838
Transfer to stage 1	452 286	(452 286)	-	-
Transfer to stage 2	(555 247)	622 193	(66 946)	-
Transfer to stage 3	-	(1 147 552)	1 147 552	-
(Recovery)/charge for the period	(602 874)	850 731	6 381 390	6 629 247
Loans sold or recovered through repossession of collateral during the period	(6 754)	-	(4 002 299)	(4 009 053)
Loans written-off during the period	-	-	(10 237 032)	(10 237 032)
Effect of contractual accrued interest	-	-	1 943 201	1 943 201
Effect of exchange rate changes	(195 176)	(50 790)	(1 028 147)	(1 274 113)
Impairment loss allowance at the end of the period	6 691 581	2 665 757	44 431 750	53 789 088

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020 per stages:

	Three-month period ended 30 September 2020 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers at the beginning of the period	650 440 127	83 013 086	43 793 376	777 246 589
New loans to customers originated	59 147 513	-	-	59 147 513
Transfer to stage 1	11 041 029	(11 041 029)	-	-
Transfer to stage 2	(12 907 801)	12 908 996	(1 195)	-
Transfer to stage 3	-	(11 773 524)	11 773 524	-
Loans to customers that have been derecognized	(117 435 286)	(17 318 998)	(1 231 021)	(135 985 305)
Assets sold or recovered through repossession of collateral during the period	-	-	(799 079)	(799 079)
Assets written-off during the period	-	-	(779 990)	(779 990)
Effect of exchange rate changes	33 551 244	3 784 825	1 575 962	38 912 031
Gross loans to customers at the end of the period	623 836 826	59 573 356	54 331 577	737 741 759

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

	Three-month period ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers at the beginning of the period	751 067 640	14 960 123	63 483 688	829 511 451
New loans to customers originated	106 418 630	-	-	106 418 630
Transfer to stage 1	1 536 993	(1 536 993)	-	-
Transfer to stage 2	(3 449 169)	3 474 868	(25 699)	-
Transfer to stage 3	-	(1 407 707)	1 407 707	-
Loans to customers that have been derecognised	(85 773 204)	(709 155)	(990 464)	(87 472 823)
Assets sold or recovered through repossession of collateral during the period	(939 960)	-	(3 405 784)	(4 345 744)
Assets written-off during the period	-	-	(2 678 816)	(2 678 816)
Effect of exchange rate changes	4 895 641	73 038	221 288	5 189 967
Gross loans to customers at the end of the period	773 756 571	14 854 174	58 011 920	846 622 665

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020 per stages:

	Nine-month period ended 30 September 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	206 317 987	-	-	206 317 987
Transfer to stage 1	2 861 906	(2 861 906)	-	-
Transfer to stage 2	(66 613 912)	66 697 029	(83 117)	-
Transfer to stage 3	-	(19 260 894)	19 260 894	-
Loans to customers that have been derecognised	(287 134 640)	(9 278 811)	(3 295 391)	(299 708 842)
Assets sold or recovered through repossession of collateral during the period	(4 504 845)	-	(6 584 703)	(11 089 548)
Assets written-off during the period	-	-	(1 225 474)	(1 225 474)
Effect of exchange rate changes	56 268 486	6 495 975	2 792 616	65 557 077
Gross loans to customers at the end of the period	623 836 826	59 573 356	54 331 577	737 741 759

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

	Nine-month period ended 30 September 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	304 523 837	-	-	304 523 837
Transfer to stage 1	3 518 053	(3 518 053)	-	-
Transfer to stage 2	(19 061 767)	19 155 032	(93 265)	-
Transfer to stage 3	-	(8 941 436)	8 941 436	-
Loans to customers that have been derecognised	(319 352 987)	(14 656 380)	(4 053 322)	(338 062 689)
Assets sold or recovered through repossession of collateral during the period	(1 068 533)	-	(4 159 439)	(5 227 972)
Assets written-off during the period	-	-	(10 237 032)	(10 237 032)
Effect of exchange rate changes	(25 748 675)	(1 053 022)	(1 459 325)	(28 261 022)
Gross loans to customers at the end of the period	773 756 571	14 854 174	58 011 920	846 622 665

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 Nine-Month Period Ended 30 September 2020 (continued) (in thousands of Russian Rubles)

9. Loans to customers (continued)

During the first three quarters of 2020 the gain from sale of loans to customers from Stage 1 is equal to RUB 42 479 thousand, loans from Stage 3 – RUB 1 327 952 thousand (first three quarters of 2019: RUB 6 605 thousand and RUB 278 842 thousand, respectively).

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

	Gross loans	Impairment	Net loans
Corporate customers			
- Not past due	492 762 850	(12 496 807)	480 266 043
- Past due less than 31 days	4 178 331	(2 273 466)	1 904 865
- Past due 31-90 days	2 692 972	(952 520)	1 740 452
- Past due 91-180 days	2 561 531	(1 030 522)	1 531 009
- Past due over 180 days	19 063 868	(16 160 796)	2 903 072
Total loans to corporate customers	521 259 552	(32 914 111)	488 345 441
Retail customers and SME			
- Not past due	155 560 852	(3 268 575)	152 292 277
- Past due less than 31 days	2 819 864	(654 795)	2 165 069
- Past due 31-90 days	1 587 734	(843 810)	743 924
- Past due 91-180 days	2 840 611	(2 101 534)	739 077
- Past due over 180 days	14 227 022	(12 489 172)	1 737 850
Total loans to retail customers and SME	177 036 083	(19 357 886)	157 678 197
Lease receivables			
- Not past due	30 682 564	(777 983)	29 904 581
- Past due less than 31 days	544 001	(41 536)	502 465
- Past due 31-90 days	326 054	(85 411)	240 643
- Past due 91-180 days	122 257	(29 382)	92 875
- Past due over 180 days	143 893	(137 993)	5 900
Total lease receivables	31 818 769	(1 072 305)	30 746 464
Reverse repurchase agreements with companies			
- Not past due	7 627 355	(148 579)	7 478 776
Total loans to customers	737 741 759	(53 492 881)	684 248 878

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 Nine-Month Period Ended 30 September 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 September 2020 (unaudited):

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	442 352 712	43 329 364	35 577 476	521 259 552
Impairment	(4 727 132)	(3 489 034)	(24 697 945)	(32 914 111)
Net loans to corporate customers	437 625 580	39 840 330	10 879 531	488 345 441
Retail customers and SME				
Gross loans	146 330 459	12 934 087	17 771 537	177 036 083
Impairment	(1 331 965)	(2 839 038)	(15 186 883)	(19 357 886)
Net loans to retail customers and SME	144 998 494	10 095 049	2 584 654	157 678 197
Lease receivables				
Gross lease receivables	27 526 300	3 309 905	982 564	31 818 769
Impairment	(321 653)	(360 088)	(390 564)	(1 072 305)
Net lease receivables	27 204 647	2 949 817	592 000	30 746 464
Reverse repurchase agreements with companies				
Gross loans	7 627 355	-	-	7 627 355
Impairment	(148 579)	-	-	(148 579)
Net reverse repurchase agreements with companies	7 478 776	-	-	7 478 776
Total loans to customers	617 307 497	52 885 196	14 056 185	684 248 878

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 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 8 103 647 thousand (31 December 2019: RUB 8 622 814 thousand).

As at 30 September 2020 the Group had RUB 201 325 480 thousand due from its ten largest borrowers (27% of gross loan portfolio) (31 December 2019: RUB 166 589 729 thousand or 21%). An allowance of RUB 773 255 thousand was recognized against these loans (31 December 2019: RUB 280 329 thousand).

As at 30 September 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 September 2020 the gross amount of these loans is RUB 143 156 365 thousand (31 December 2019: RUB 84 312 172 thousand). An allowance of RUB 607 557 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 Nine-Month Period Ended 30 September 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 September 2020 (unaudited)	31 December 2019
Debt and other fixed income investments		
RUB denominated		
Central bank bonds	-	95 542 835
Russian government bonds	34 474 173	30 830 961
Corporate and bank bonds	12 410 640	12 508 221
Total debt and other fixed income investments measured at fair value through other comprehensive income	46 884 813	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	47 008 505	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 September 2020 (unaudited)			31 December 2019		
	Stage 1	Stage 2	Total	Stage 1	Stage 2	Total
Gross debt and other fixed income investments	46 937 098	-	46 937 098	138 977 231	-	138 977 231
Impairment	(52 285)	-	(52 285)	(95 214)	-	(95 214)
Total debt and other fixed income investments	46 884 813	-	46 884 813	138 882 017	-	138 882 017

As at 30 September 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 Nine-Month Period Ended 30 September 2020 (continued) (in thousands of Russian Rubles)

11. Debt securities measured at amortized costs

In the first three quarters of 2020 the Group acquired Russian Government bonds in the total nominal amount of RUB 42 100 000 thousand into the portfolio of debt securities measured at amortised cost. Weighted average interest rate is equal to 5.88%, maturities are 25 March 2026, 6 October 2027 and 10 April 2030.

Debt securities measured at amortised cost comprise:

	30 September 2020 (unaudited)	31 December 2019
RUB denominated		
Russian government bonds	44 271 872	-
Less: allowance for impairment losses for securities measured at amortised cost	(35 406)	-
Total debt securities measured at amortised cost	44 236 466	-

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 September 2020 (unaudited)	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 September 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 September 2020 (unaudited)	31 December 2019
Total assets	105 174 285	107 191 578
Total liabilities	81 783 968	87 304 557
Equity	23 390 317	19 887 021
Net profit	2 792 568	3 157 636

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

	30 September 2020 (unaudited)	31 December 2019
Net assets of BARN B.V.	23 390 317	19 887 021
Proportion of the Group's ownership interest in BARN B.V.	9 356 127	7 954 809
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	9 603 362	8 202 044

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 for the period	985 191
Share of post-acquisition other comprehensive income of associate for the period	51 346
Carrying amount of the Group's interest in BARN B.V. as at 30 September 2019 (unaudited)	7 948 674
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 for the period	1 117 027
Share of post-acquisition other comprehensive income of associate for the period	284 291
Carrying amount of the Group's interest in BARN B.V. as at 30 September 2020 (unaudited)	9 603 362

13. Taxation

The corporate income tax expense comprises:

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Current tax charge	1 466 924	1 644 996	5 574 357	4 353 987
Deferred tax charge – reversal of temporary differences	(987 383)	(392 737)	(3 645 035)	(1 190 853)
Income tax expense	479 541	1 252 259	1 929 322	3 163 134

Recognition of deferred tax assets as at 30 September 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 three quarters of 2020 year in IFRS reporting also is treated as the base for deferred tax assets recognition as at 30 September 2020.

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

	Three-month period ended 30 September 2020 (unaudited)			Three-month period ended 30 September 2019 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	108 087	(21 617)	86 470	(280 181)	55 963	(224 218)
Revaluation reserve for financial assets at fair value through other comprehensive income	(677 556)	136 304	(541 252)	239 965	(47 993)	191 972
Foreign currency translation reserve	273 261	-	273 261	9 307	-	9 307
Fixed assets revaluation reserve	(45 765)	9 153	(36 612)	-	-	-
Other comprehensive (loss)/income	(341 973)	123 840	(218 133)	(30 909)	7 970	(22 939)

AO UniCredit Bank

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

13. Taxation (continued)

	Nine-month period ended 30 September 2020 (unaudited)			Nine-month period ended 30 September 2019 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	891 301	(178 260)	713 041	(1 026 422)	205 157	(821 265)
Revaluation reserve for financial assets at fair value through other comprehensive income	(1 068 559)	215 741	(852 818)	3 235 173	(647 035)	2 588 138
Foreign currency translation reserve	274 150	-	274 150	51 980	-	51 980
Fixed assets revaluation reserve	(159 618)	31 924	(127 694)	-	-	-
Other comprehensive (loss)/income	(62 726)	69 405	6 679	2 260 731	(441 878)	1 818 853

14. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 September 2020 (unaudited)	31 December 2019
Current accounts	12 974 837	7 316 851
Time deposits and loans	9 187 071	58 494 241
Repurchase agreements with credit institutions (Note 10)	-	917 972
Subordinated debt	-	29 780 408
Amounts due to credit institutions	22 161 908	96 509 472

As at 30 September 2020 ten largest deposits represented 77% of total amounts due to credit institutions (31 December 2019: 83% excluding subordinated debt).

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

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

As at 30 September 2020 there are no repurchase agreements with credit institutions (31 December 2019: RUB 302 919 thousand) which are secured by bonds obtained under reverse repurchase agreements with credit institutions (31 December 2019: RUB 336 421 thousand) (see Note 7 for details).

AO UniCredit Bank

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

15. Amounts due to customers

The amounts due to customers include the following:

	30 September 2020 (unaudited)	31 December 2019
Current accounts	324 511 772	215 990 365
Time deposits	662 137 845	644 239 121
Repurchase agreements with customers	-	9 857
Lease liabilities under IFRS 16	1 311 448	1 387 304
Amounts due to customers	987 961 065	861 626 647

As at 30 September 2020, 32% 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 September 2020 (unaudited)	31 December 2019
Corporate		
Current accounts	139 830 181	84 173 774
Time deposits	509 754 861	454 966 587
Repurchase agreements with customers	-	9 857
Total corporate accounts	649 585 042	539 150 218
Retail		
Current accounts	184 681 591	131 816 591
Time deposits	152 382 984	189 272 534
Total retail accounts	337 064 575	321 089 125
Amounts due to customers	986 649 617	860 239 343
Lease liabilities under IFRS 16	1 311 448	1 387 304
Total amounts due to customers	987 961 065	861 626 647

As at 30 September 2020 included in retail time deposits are deposits of individuals in the amount of RUB 137 721 154 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 September 2020 the remaining part of retail time deposits in the amount of RUB 14 661 830 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 Nine-Month Period Ended 30 September 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 September 2020 (unaudited)	31 December 2019
Energy	163 100 995	148 400 758
Trade	126 588 390	102 627 855
Mining and metallurgy	100 101 021	45 832 153
Machinery construction	78 302 946	58 589 867
Other manufacturing	42 205 245	26 920 194
Telecommunications	37 147 771	30 858 971
Real estate and construction	34 292 019	38 968 514
Transportation	29 713 330	16 989 716
Chemicals	25 628 011	19 316 315
Finance	17 545 006	15 753 466
Agriculture and food	7 426 352	3 975 246
Russian regional authorities	5 428 585	49 322 772
Timber processing	3 431 054	3 361 377
Other	47 690 087	38 059 089
Total legal entities	718 600 812	598 976 293
Total individuals	268 048 805	261 263 050
Amounts due to customers	986 649 617	860 239 343

16. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 September 2020 (unaudited)	31 December 2019
Undrawn loan commitments	391 072 646	376 971 129
Undrawn commitments to issue documentary instruments	332 041 534	241 762 866
Guarantees issued	163 493 352	151 284 851
Letters of credit	50 721 230	51 852 069
Gross credit related commitments and contingencies	937 328 762	821 870 915
Provision for credit related commitments and contingencies according to IFRS 9	(3 162 072)	(2 493 278)
Provision for credit related commitments and contingencies according to IAS 37	(1 271 891)	(1 379 882)
Net credit related commitments and contingencies	932 894 799	817 997 755

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020 (unaudited)				Three-month period ended 30 September 2019 (unaudited)			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Balance as at the beginning of the period	2 157 388	495 938	47 167	2 700 493	2 258 494	373 980	114 219	2 746 693
Charge/(recovery) for the period	297 503	151 657	12 419	461 579	649 881	(294 421)	32 504	387 964
Balance as at the end of the period	2 454 891	647 595	59 586	3 162 072	2 908 375	79 559	146 723	3 134 657

	Nine-month period ended 30 September 2020 (unaudited)				Nine-month period ended 30 September 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
Charge/(recovery) for the period	254 164	536 745	(122 115)	668 794	(193 750)	(42 259)	105 700	(130 309)
Balance as at the end of the period	2 454 891	647 595	59 586	3 162 072	2 908 375	79 559	146 723	3 134 657

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Provisions at the beginning of the period	1 317 083	319 110	1 379 882	267 410
(Recovery)/charge for the period	(45 192)	1 541 399	(107 991)	1 593 099
Provisions at the end of the period	1 271 891	1 860 509	1 271 891	1 860 509

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

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	781 571 917	56 946 999	77 202	838 596 118
Provisions for credit related commitments and contingencies	(2 454 891)	(647 595)	(59 586)	(3 162 072)
Net credit related commitments and contingencies	779 117 026	56 299 404	17 616	835 434 046

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020 (unaudited):

	Performing exposure	Impaired exposure	Total
Gross commercial guarantees given	97 937 697	794 947	98 732 644
Provisions for commercial guarantees given	(538 425)	(733 466)	(1 271 891)
Net commercial guarantees given	97 399 272	61 481	97 460 753

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 4.25% is one of the reason of decrease of net interest income in the first three quarters of the 2020 year comparing to the first three quarters 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 September 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 September 2020.

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Net (losses)/gains from trading securities	(16 824)	23 247	3 296	45 580
Net (losses)/gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	(745 330)	505 213	(761 503)	(1 280 975)
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies	(762 154)	528 460	(758 207)	(1 235 395)

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 September 2020 (unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets measured at fair value				
Debt securities held for trading				
- held by the Group	1 202 431	553 443	-	1 755 874
Derivative financial assets	-	39 283 703	-	39 283 703
Derivative financial assets designated for hedging	-	21 616 015	-	21 616 015
Financial assets at fair value through other comprehensive income				
- held by the Group	22 133 036	24 751 777	-	46 884 813
Total	23 335 467	86 204 938	-	109 540 405
Financial liabilities measured at fair value				
Derivative financial liabilities	-	41 655 539	-	41 655 539
Derivative financial liabilities designated for hedging	-	39 069 308	-	39 069 308
Total	-	80 724 847	-	80 724 847

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 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 nine-month period ended 30 September 2020 there were no changes between fair value levels for trading securities (nine-month period ended 30 September 2019: transfers from Level 2 to Level 1 amounted to RUB 102 217 thousand).

During the nine-month periods ended 30 September 2020 there were no changes between fair value levels for securities at fair value through other comprehensive income (nine-month period ended 30 September 2019: transfers from Level 2 to Level 1 amounted to RUB 8 155 633 thousand).

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 September 2020 (unaudited)		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Amounts due from credit institutions	402 151 418	405 715 990	245 812 527	246 692 408
Loans to customers	684 248 878	699 369 602	733 770 527	734 299 930
Debt securities measured at amortised cost	44 236 466	43 813 632	-	-
Financial liabilities				
Amounts due to credit institutions	22 161 908	22 434 399	96 509 472	97 279 889
Amounts due to customers	987 961 065	992 041 710	861 626 647	872 989 818

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020 (unaudited)			Total
	Level 1	Level 2	Level 3	
Financial assets				
Amounts due from credit institutions	-	-	405 715 990	405 715 990
Loans to customers	-	-	699 369 602	699 369 602
Debt securities measured at amortised cost	9 231 732	34 581 900	-	43 813 632
Financial liabilities				
Amounts due to credit institutions	-	-	22 434 399	22 434 399
Amounts due to customers	-	-	992 041 710	992 041 710

	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 September 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 Nine-Month Period Ended 30 September 2020 (continued) (in thousands of Russian Rubles)

20. Related party disclosures (continued)

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

	30 September 2020 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	-	-	649 707	6.5%
- In EUR	398 516	0.0%	460 795	0.0%
- In USD	69 332 935	0.1%	95 838 180	2.3%
Derivative financial assets	11 459 535		10 504 983	
Derivative financial assets designated for hedging	19 036 853		9 222 110	
Other assets	94 290		103 486	
Amounts due to credit institutions				
- In Russian Roubles	1 849 074	0.0%	129 183	0.0%
- In EUR	496 279	1.8%	448 711	1.8%
- In USD	361 892	3.3%	30 327 115	11.8%
Derivative financial liabilities	31 164 321		11 094 170	
Derivative financial liabilities designated for hedging	29 053 879		10 896 528	
Other liabilities	915 186		563 430	
Commitments and guarantees issued	15 579 062		10 885 422	
Commitments and guarantees received	13 235 848		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 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	2 149 267	5 408 130	11 080 378	19 160 004
Interest expense and similar charges	(1 413 188)	(3 996 160)	(8 186 115)	(12 133 544)
Fee and commission income	2 453	4 057	7 331	17 293
Fee and commission expense	(8 098)	(10 511)	(31 639)	(110 529)
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies	(15 014 427)	(4 793 422)	(31 425 632)	13 958 287
Fair value adjustments in portfolio hedge accounting	612 470	(941 726)	(1 130 287)	(1 525 436)
Personnel expenses	(14 207)	(4 863)	(25 141)	(19 446)
Other administrative expenses	(29 168)	(17 981)	(78 560)	(51 511)

AO UniCredit Bank

Selected Notes to the Condensed Interim Consolidated Financial Statements for the Nine-Month Period Ended 30 September 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 September 2020 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Rubles	-	-	649 714	6.5%
- In EUR	19 709 575	0.0%	11 665 800	0.0%
- In USD	5 966 660	0.0%	2 341 480	0.0%
- In other currencies	10 142	0.0%	153 918	0.0%
Derivative financial assets	61 306		1 518 492	
Derivative financial assets designated for hedging	1 374 345		651 020	
Loans to customers				
- In Russian Rubles	152 757	8.8%	705 797	5.8%
Intangible assets	53 965		125 428	
Other assets	266 554		165 993	
Amounts due to credit institutions				
- In Russian Rubles	1 772 301	2.8%	4 307 486	3.5%
- In EUR	3 251 244	2.3%	3 397 399	2.1%
- In USD	401 913	1.9%	1 699 138	3.0%
Derivative financial liabilities	4 088 201		3 007 703	
Derivative financial liabilities designated for hedging	3 878 791		1 606 352	
Amounts due to customers				
- In Russian Rubles	1 125 425	3.7%	695 312	4.0%
Other liabilities	517 045		279 833	
Commitments and guarantees issued	29 738 154		28 581 450	
Commitments and guarantees received	19 995 018		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 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	223 795	449 733	192 615	542 093
Interest expense and similar charges	(597 383)	(629 935)	(1 102 401)	(1 329 831)
Fee and commission income	39 505	29 053	295 566	81 735
Fee and commission expense	(29 934)	(32 328)	(75 864)	(77 784)
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies	(1 461 835)	(463 746)	(2 427 497)	189 190
Fair value adjustments in portfolio hedge accounting	(50 753)	32 346	(101 245)	637 682
Other income	122	117	364	364
Personnel expenses	(1 300)	(1 184)	(5 000)	(4 480)
Other administrative expenses	(72 325)	(63 140)	(217 221)	(194 832)

AO UniCredit Bank

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

20. Related party disclosures (continued)

Balances and transactions with associate are as follows:

	30 September 2020 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Rubles	9 991 266	8.3%	11 251 984	8.2%
Derivative financial assets	-		58 196	
Financial assets at fair value through other comprehensive income	786 289	7.7%	795 401	7.7%
Amounts due to credit institutions				
- In Russian Rubles	30 371	0.0%	12 996	0.0%
- In EUR	29 223	0.0%	4 777	0.0%
- In USD	8 784	0.0%	1 843	0.0%
Derivative financial liabilities	1 186 830		341 546	
Investments in associate	9 603 362		8 202 044	
Commitments and guarantees issued	217 390		177 735	

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

	Three-month period ended 30 September		Nine-month period ended 30 September	
	2020 (unaudited)	2019 (unaudited)	2020 (unaudited)	2019 (unaudited)
Interest income and similar revenues	358 190	323 363	1 209 816	1 499 757
Interest expense and similar charges	(217 905)	(108 210)	(647 608)	(503 607)
Fee and commission income	81	54	219	12 019
Losses on financial assets and liabilities held for trading and foreign currencies	(350 145)	(80 673)	(751 596)	(731 832)
Share of gains in associate	387 457	396 058	1 117 027	985 191

Balances and transactions with key management personnel are as follows:

	30 September 2020 (unaudited)	31 December 2019
Amounts due to customers	333 108	464 854
Other liabilities:	386 532	386 303
accrued liabilities on remuneration	329 832	296 161
other liabilities	56 700	90 142
	Nine-month period ended 30 September 2020 (unaudited)	Nine-month period ended 30 September 2019 (unaudited)
Interest expense	(6 868)	(13 486)
Personnel expenses, including:	(188 757)	(199 953)
short-term benefits	(140 791)	(160 344)
long-term benefits	(44 428)	(35 630)
post-employment benefits	(3 538)	(3 979)

AO UniCredit Bank

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

20. Related party disclosures (continued)

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

	Nine-month period ended 30 September 2020 (unaudited) UniCredit S.p.A.	Nine-month period ended 30 September 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	-	(108 745)
Effect of exchange rates changes	7 601 151	(2 430 950)
Redemption of subordinated debt	(37 381 559)	-
Subordinated loans at the end of the period	-	30 977 462



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Зданевич А.

