

# **AO UniCredit Bank**

Consolidated Interim Condensed  
Financial Statements  
for the Three-Month Period Ended 31 March 2017  
(unaudited)

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# AO UniCredit Bank

## Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Interim Condensed Financial Statements for the Three-month period ended 31 March 2017

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Management of AO UniCredit Bank is responsible for the preparation of the consolidated interim condensed financial statements that present fairly the financial position of AO UniCredit Bank and its subsidiary (collectively – the "Group") as at 31 March 2017, and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three-month period then ended and a summary of significant accounting policies and selected notes to the consolidated interim condensed financial statements (the "consolidated interim condensed financial statements") in compliance with International Accounting Standard ("IAS") 34 Interim Financial Reporting.

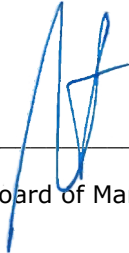
In preparing the consolidated interim condensed financial statements, management is responsible for:

- 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's consolidated financial position and financial performance; and
- Making an assessment of the Group's ability to continue as a going concern.

Management is also responsible for:

- Designing, implementing and maintaining an effective and sound system of internal controls, throughout the Group;
- Maintaining adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group, and which enable them to ensure that the consolidated interim condensed financial statements of the Group comply with IAS 34;
- Maintaining statutory accounting records in compliance with legislation and accounting standards of the Russian Federation;
- Taking such steps as are reasonably available to them to safeguard the assets of the Group; and
- Preventing and detecting fraud and other irregularities.

The consolidated interim condensed financial statements for the three-month period ended 31 March 2017 were approved by the Supervisory Board of AO UniCredit Bank on 5 May 2017 based on the decision of Board of Management of AO UniCredit Bank dated 2 May 2017.

  
**I. Glavchovski**  
Acting Chairman of the Board of Management

5 May 2017  
Moscow



  
**G. Chernyshova**  
Chief Accountant

## **REPORT ON REVIEW OF CONSOLIDATED INTERIM CONDENSED FINANCIAL STATEMENTS**

To: the Shareholder and Supervisory Board of AO UniCredit Bank

### **Introduction**

We have reviewed the accompanying consolidated interim condensed statement of financial position of AO UniCredit Bank and its subsidiary (the "Group") as of March 31, 2017 and the related consolidated interim condensed statements of comprehensive income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this consolidated interim condensed financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this consolidated interim condensed 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 interim condensed 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 interim condensed financial statements does not present fairly, in all material respects, the consolidated financial position of the Group as of March 31, 2017, and its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with IAS 34 Interim Financial Reporting.

Sergei Neklyudov  
Engagement partner

*Deloitte & Touche*

10 May 2017



Audited entity: AO UniCredit Bank

Licensed by the Central Bank of the Russian Federation on 22.12.2014, License #1.

Primary State Registration Number: 1027739082106

Certificate of registration in the Unified State Register series 77 # 007773325 of 19.08.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation # 39.

9, Prechistenskaya emb., Moscow, Russia 119034.

Audit Firm: ZAO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

Certificate of registration in the Unified State Register № 77 004840299 of 13.11.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation № 39.

Member of Self-regulated organization of auditors "Russian Union of auditors" (Association), ORNZ 11603080484

# AO UniCredit Bank

## Consolidated Interim Condensed Statement of Financial Position as at 31 March 2017 (in thousands of Russian Roubles)

	Notes	31 March 2017 (unaudited)	31 December 2016
<b>ASSETS</b>			
Cash and cash balances	5	56 552 443	58 588 565
Trading securities	6		
- held by the Group		696 693	1 154 603
- pledged under repurchase agreements		-	1 251 058
Amounts due from credit institutions	7	326 344 228	269 500 170
Derivative financial assets	8	39 018 760	41 257 596
Derivative financial assets designated for hedging	8	17 102 843	12 738 828
Changes in fair value of portfolio hedged items		2 237 565	1 695 189
Loans to customers	9	634 120 910	677 010 924
Investment securities	10		
- available-for-sale			
- held by the Group		31 238 445	40 921 909
- pledged under repurchase agreements		19 978 869	19 704 611
- held-to-maturity			
- held by the Group		15 938 246	30 704 604
- pledged under repurchase agreements		13 459 760	212 666
Fixed assets		5 124 310	5 207 034
Intangible assets		6 863 967	6 510 549
Current income tax assets		-	14 113
Other assets		6 299 542	5 777 354
<b>TOTAL ASSETS</b>		<b>1 174 976 581</b>	<b>1 172 249 773</b>
<b>LIABILITIES</b>			
Amounts due to credit institutions	12	87 384 675	152 108 660
Financial liabilities held for trading	7,9	4 046 821	4 344 152
Derivative financial liabilities	8	16 222 652	16 857 167
Derivative financial liabilities designated for hedging	8	12 271 637	12 338 707
Changes in fair value of portfolio hedged items		(451 890)	(146 303)
Amounts due to customers	13	842 527 905	779 101 902
Debt securities issued	14	6 434 571	6 507 846
Deferred income tax liabilities		7 426 303	7 573 053
Current income tax liabilities		408 473	1 624 170
Other liabilities		11 386 546	10 265 514
<b>TOTAL LIABILITIES</b>		<b>987 657 693</b>	<b>990 574 868</b>
<b>EQUITY</b>			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(234 291)	15 759
Revaluation reserve for available-for-sale securities		(410 752)	(559 841)
Retained earnings		145 738 844	139 993 900
<b>TOTAL EQUITY</b>		<b>187 318 888</b>	<b>181 674 905</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 174 976 581</b>	<b>1 172 249 773</b>

**I.Glavchovski**  
Acting Chairman of the Board of Management

5 May 2017  
Moscow



**G.Chernyshova**  
Chief Accountant

The accompanying selected notes on pages 8 to 29 are an integral part of these consolidated interim condensed financial statements.

# AO UniCredit Bank

## Consolidated Interim Condensed Statement of Comprehensive Income for the Three-Month Period Ended 31 March 2017 (in thousands of Russian Roubles)

	Notes	Three-month period ended 31 March	
		2017 (unaudited)	2016 (unaudited)
Interest income and similar revenues		26 508 418	30 259 871
Interest expense and similar charges		(15 713 938)	(19 436 280)
<b>Net interest income</b>		<b>10 794 480</b>	<b>10 823 591</b>
Fee and commission income		2 240 902	2 317 229
Fee and commission expense		(626 691)	(1 028 254)
<b>Net fee and commission income</b>		<b>1 614 211</b>	<b>1 288 975</b>
Gains on financial assets and liabilities held for trading	16	296 542	820 769
Fair value adjustments in portfolio hedge accounting		(118 822)	(116 896)
Gains on disposal of:			
- loans		149 273	6 212
- available-for-sale financial assets		562 873	194
<b>OPERATING INCOME</b>		<b>13 298 557</b>	<b>12 822 845</b>
Impairment on:			
- loans	9	(1 657 633)	(4 014 214)
- other financial transactions		(248 985)	-
<b>NET INCOME FROM FINANCIAL ACTIVITIES</b>		<b>11 391 939</b>	<b>8 808 631</b>
Personnel expenses		(2 203 862)	(2 093 380)
Other administrative expenses		(1 491 197)	(1 473 001)
Depreciation of fixed assets		(149 069)	(150 342)
Amortization of intangible assets		(262 393)	(264 230)
Other provisions		20 004	(180 255)
Other operating expenses		(114 840)	(53 137)
<b>Operating costs</b>		<b>(4 201 357)</b>	<b>(4 214 345)</b>
Gains on disposal of fixed assets		2 874	1 861
<b>PROFIT BEFORE INCOME TAX EXPENSE</b>		<b>7 193 456</b>	<b>4 596 147</b>
Income tax expense	11	(1 448 512)	(923 350)
<b>PROFIT FOR THE PERIOD</b>		<b>5 744 944</b>	<b>3 672 797</b>
<b>OTHER COMPREHENSIVE INCOME/(LOSSES)</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Cash flow hedge reserve – effective portion of changes in fair value, net of tax:			
- fair value changes		(254 713)	(407 884)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		4 663	29 367
Revaluation reserve for available-for-sale securities, net of tax:			
- fair value changes		247 298	1 156 270
- reclassification adjustment relating to available-for-sale financial assets disposed of in the period		(98 209)	20 916
<b>Other comprehensive income for the period, net of tax</b>	11	<b>(100 961)</b>	<b>798 669</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>5 643 983</b>	<b>4 471 466</b>

**I.Glavchovski**  
Acting Chairman of the Board of Management

5 May 2017  
Moscow




**G.Chernyshova**  
Chief Accountant

The accompanying selected notes on pages 8 to 29 are an integral part of these consolidated interim condensed financial statements.

# AO UniCredit Bank

## Consolidated Interim Condensed Statement of Changes in Equity for the Three-Month Period Ended 31 March 2017 (expressed in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve	Revaluation reserve for available-for-sale securities	Retained earnings	Total equity
<b>1 January 2016</b>	<b>41 787 806</b>	<b>437 281</b>	<b>(765 540)</b>	<b>(2 902 933)</b>	<b>125 970 649</b>	<b>164 527 263</b>
<b>Total comprehensive income</b>						
Profit for the period (unaudited)	-	-	-	-	3 672 797	3 672 797
<b>Other comprehensive income</b>						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(378 517)	-	-	(378 517)
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	1 177 186	-	1 177 186
<b>Total other comprehensive income (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(378 517)</b>	<b>1 177 186</b>	<b>-</b>	<b>798 669</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(378 517)</b>	<b>1 177 186</b>	<b>3 672 797</b>	<b>4 471 466</b>
<b>31 March 2016 (unaudited)</b>	<b>41 787 806</b>	<b>437 281</b>	<b>(1 144 057)</b>	<b>(1 725 747)</b>	<b>129 643 446</b>	<b>168 998 729</b>
<b>1 January 2017</b>	<b>41 787 806</b>	<b>437 281</b>	<b>15 759</b>	<b>(559 841)</b>	<b>139 993 900</b>	<b>181 674 905</b>
<b>Total comprehensive income</b>						
Profit for the period (unaudited)	-	-	-	-	5 744 944	5 744 944
<b>Other comprehensive income</b>						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(250 050)	-	-	(250 050)
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	149 089	-	149 089
<b>Total other comprehensive income (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(250 050)</b>	<b>149 089</b>	<b>-</b>	<b>(100 961)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (unaudited)</b>	<b>-</b>	<b>-</b>	<b>(250 050)</b>	<b>149 089</b>	<b>5 744 944</b>	<b>5 643 983</b>
<b>31 March 2017 (unaudited)</b>	<b>41 787 806</b>	<b>437 281</b>	<b>(234 291)</b>	<b>(410 752)</b>	<b>145 738 844</b>	<b>187 318 888</b>

  
**I. Glavchovski**  
Acting Chairman of the Board of Management

5 May 2017  
Moscow



  
**G. Chernyshova**  
Chief Accountant

The accompanying selected notes on pages 8 to 29 are an integral part of these consolidated interim condensed financial statements.



# AO UniCredit Bank

## Consolidated Interim Condensed Statement of Cash Flows for the Three-Month Period Ended 31 March 2017 (expressed in thousands of Russian Roubles)

	Note	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>		<b>4 938 389</b>	<b>10 536 784</b>
<b>Net cash (used in)/from operating activities before income tax</b>		<b>(7 343 341)</b>	<b>18 583 482</b>
Corporate income tax paid		(2 771 606)	(192 464)
<b>Net cash flows (used in)/from operating activities</b>		<b>(10 114 947)</b>	<b>18 391 018</b>
<b>Cash flows from investing activities</b>			
Purchase of available-for-sale investment securities		(7 724 767)	-
Proceeds from redemption and sale of available-for-sale securities		16 778 330	4 421 317
Proceeds from sale of fixed and intangible assets		2 874	1 861
Purchase of fixed and intangible assets		(668 848)	(649 140)
<b>Net cash flows from investing activities</b>		<b>8 387 589</b>	<b>3 774 038</b>
<b>Cash flows from financing activities</b>			
Redemption of bonds issued		-	(10 205 218)
<b>Net cash flows used in financing activities</b>		<b>-</b>	<b>(10 205 218)</b>
Effect of exchange rates changes on cash and cash balances		(308 764)	(457 487)
<b>Net (decrease)/increase in cash and cash balances</b>		<b>(2 036 122)</b>	<b>11 502 351</b>
<b>Cash and cash balances, beginning</b>	<b>5</b>	<b>58 588 565</b>	<b>22 730 813</b>
<b>Cash and cash balances, ending</b>	<b>5</b>	<b>56 552 443</b>	<b>34 233 164</b>

**I. Glavchovski**  
Acting Chairman of the Board of Management

5 May 2017  
Moscow



**G. Chernyshova**  
Chief Accountant

The accompanying selected notes on pages 8 to 29 are an integral part  
of these consolidated interim condensed financial statements.

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (in thousands of Russian Roubles)

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### 1. Principal activities

These consolidated interim condensed financial statements include the financial statements of AO UniCredit Bank (hereinafter – the “Bank”) and its subsidiary. AO UniCredit Bank and its subsidiary 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 of the Central Bank of Russia (hereinafter – the “CBR”) for banking operations as well as the license of the CBR for operations with precious metals, both issued on 22 December 2014 for No. 1. The Bank also possesses licences of the professional securities market participant for dealing, brokerage and depository activities issued by the Federal Securities Commission on 25 April 2003, as well as authorized to speak to the customs authorities as a guarantor. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 31 March 2017 the Group comprises the Bank, the leading operating entity of the Group, and LLC UniCredit Leasing Company, a leasing company as its subsidiary. LLC UniCredit Leasing owns 100% of the shares in ZAO Locat Leasing Russia. Both companies operate in the financial leasing industry on the local market.

As at 31 March 2017 and 31 December 2016 the Bank had 13 branches and 11 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus.

The Bank’s registered legal address is 9, Prechistenskaya Embankment, Moscow, Russian Federation, 119034.

As at 31 March 2017 the sole shareholder of the Group is UniCredit S.p.A.

The primary activities of the Group are deposit taking, lending, providing payments and settlement services, transactions with foreign currencies and securities and providing finance leases.

The Group operates in industries where significant seasonal or cyclical variations in operating income are not experienced during the financial year. However, since the results of the Group’s operations closely relate to and depend on changing market conditions, the results of the Group’s operations for the interim period are not necessarily indicative of the results for the year ending 31 December 2017.

### 2. Basis of preparation

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

The consolidated interim condensed 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 2016 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 2016 prepared in accordance with IFRS. The management believes that the disclosures in these interim condensed 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 2016 prepared in accordance with IFRS. In the opinion of the management, these financial statements reflect all adjustments necessary to present fairly the Group’s financial position, results of operations, statements of changes in shareholders’ equity and cash flows for the interim reporting periods.

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

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### 2. Basis of preparation (continued)

**Basis of measurement.** These consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments held for trading, available-for-sale assets and derivative financial instruments are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

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

	<b>31 March 2017</b>	<b>31 December 2016</b>
RUB/1 US Dollar	56.3779	60.6569
RUB/1 Euro	60.5950	63.8111

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**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 expense. 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 recognised 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 consolidated interim condensed 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 2016.

**Going concern.** These consolidated interim condensed 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 shareholders 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 Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

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### 3. Significant accounting policies

**Interim measurement period.** Income tax expense is recognized in these consolidated interim condensed financial statements based on the management's best estimate of the weighted average effective annual income tax rate expected for the full financial year. Costs that incur unevenly during the financial year are anticipated or deferred in the interim report only if it would also be appropriate to anticipate or defer such costs at the end of the financial year.

The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2016.

The Group has not applied the following new and revised IFRSs that have been issued but are not yet effective:

<b>New or amended standard or interpretation</b>	<b>Effective date<sup>1</sup> - for annual periods beginning on or after</b>
IFRS 9 <i>Financial Instruments</i>	1 January 2018
IFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
IFRS 16 <i>Leases</i>	1 January 2019
IFRIC 22 <i>Foreign Currency Transactions and Advance Consideration</i> <sup>2</sup>	1 January 2018
Amendments to IFRS 2 – <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to IFRS 10 and IAS 28 – <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Date to be determined by the IASB <sup>2</sup>

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<sup>1</sup> Early adoption is permitted for all new or amended standards and interpretations. IFRS 16 can be early adopted if IFRS 15 *Revenue from Contracts with Customers* has also been applied.

<sup>2</sup> The amendment was initially issued in September 2014 with the effective date on 1 January 2016. In December 2015 the IASB deferred the effective date of the amendments indefinitely until the research project on the equity method has been concluded.

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 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.

The information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated interim condensed 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:

	<b>31 March 2017 (unaudited)</b>	<b>31 December 2016</b>
<b>Assets</b>		
CIB	894 884 930	795 402 685
Retail banking	113 996 526	112 704 869
Leasing	17 378 454	17 240 438
Other	148 716 671	246 901 781
<b>Total assets</b>	<b>1 174 976 581</b>	<b>1 172 249 773</b>
<b>Liabilities</b>		
CIB	723 415 908	718 941 087
Retail banking	209 317 457	213 138 287
Leasing	14 112 342	14 095 700
Other	40 811 986	44 399 794
<b>Total liabilities</b>	<b>987 657 693</b>	<b>990 574 868</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 31 March 2017 is set out below (unaudited):

	<b>CIB</b>	<b>Retail banking</b>	<b>Leasing</b>	<b>Other</b>	<b>Total</b>
Net interest income from external customers	8 131 375	2 275 032	275 610	112 463	10 794 480
Inter-segment (expense)/income	(1 331 040)	376 654	-	954 386	-
<b>Net interest income</b>	<b>6 800 335</b>	<b>2 651 686</b>	<b>275 610</b>	<b>1 066 849</b>	<b>10 794 480</b>
Net fee and commission income from external customers	645 530	968 328	353	-	1 614 211
(Losses)/gains on financial assets and liabilities held for trading from external customers	(10 370)	282 659	(533)	24 786	296 542
Fair value adjustments in portfolio hedge accounting	-	-	-	(118 822)	(118 822)
Gains on disposals of financial assets	712 146	-	-	-	712 146
<b>Operating income</b>	<b>8 147 641</b>	<b>3 902 673</b>	<b>275 430</b>	<b>972 813</b>	<b>13 298 557</b>
Impairment on loans and other financial transactions	(1 329 161)	(551 800)	(25 657)	-	(1 906 618)
<b>Net income from financial activities</b>	<b>6 818 480</b>	<b>3 350 873</b>	<b>249 773</b>	<b>972 813</b>	<b>11 391 939</b>
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 491 053)	(2 340 368)	(91 099)	(278 837)	(4 201 357)
Gains on disposal of fixed assets	(156 637)	(253 525)	(1 300)	-	(411 462)
	-	-	-	2 874	2 874
<b>Profit before income tax expense</b>	<b>5 327 427</b>	<b>1 010 505</b>	<b>158 674</b>	<b>696 850</b>	<b>7 193 456</b>
Income tax expense					(1 448 512)
<b>Profit for the period</b>					<b>5 744 944</b>
Cash flow hedge reserve					(250 050)
Revaluation reserve for available-for-sale securities					149 089
<b>Total comprehensive income</b>					<b>5 643 983</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 31 March 2016 is set out below (unaudited):

	<b>CIB</b>	<b>Retail banking</b>	<b>Leasing</b>	<b>Other</b>	<b>Total</b>
Net interest income from external customers	7 964 113	1 879 442	229 982	750 054	10 823 591
Inter-segment income/(expense)	63 659	650 419	-	(714 078)	-
<b>Net interest income</b>	<b>8 027 772</b>	<b>2 529 861</b>	<b>229 982</b>	<b>35 976</b>	<b>10 823 591</b>
Net fee and commission income/(expense) from external customers	430 868	836 142	(816)	22 781	1 288 975
Gains on financial assets and liabilities held for trading from external customers	449 758	258 938	1 809	110 264	820 769
Fair value adjustments in portfolio hedge accounting	-	-	-	(116 896)	(116 896)
Gains on disposals of financial assets	6 406	-	-	-	6 406
<b>Operating income</b>	<b>8 914 804</b>	<b>3 624 941</b>	<b>230 975</b>	<b>52 125</b>	<b>12 822 845</b>
(Impairment)/recovery of impairment on loans and other financial transactions	(3 029 131)	(954 865)	(30 717)	499	(4 014 214)
<b>Net income from financial activities</b>	<b>5 885 673</b>	<b>2 670 076</b>	<b>200 258</b>	<b>52 624</b>	<b>8 808 631</b>
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 553 425)	(2 335 476)	(87 394)	(238 050)	(4 214 345)
Gains on disposal of fixed assets	(139 063)	(274 246)	(1 263)	-	(414 572)
	-	-	-	1 861	1 861
<b>Profit/(loss) before income tax expense</b>	<b>4 332 248</b>	<b>334 600</b>	<b>112 864</b>	<b>(183 565)</b>	<b>4 596 147</b>
Income tax expense					(923 350)
<b>Profit for the period</b>					<b>3 672 797</b>
Cash flow hedge reserve					(378 517)
Revaluation reserve for available-for-sale securities					1 177 186
<b>Total comprehensive income</b>					<b>4 471 466</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 5. Cash and cash balances

Cash and cash balances comprise:

	31 March 2017 (unaudited)	31 December 2016
Cash on hand	10 216 717	12 507 671
Current accounts with the CBR	46 335 726	46 080 894
<b>Cash and cash balances</b>	<b>56 552 443</b>	<b>58 588 565</b>

Included in cash and cash balances as at 31 March 2017 is amount of RUB 2 450 000 thousand (31 December 2016: RUB 2 050 000 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2015 (see Note 14 for details).

### 6. Trading securities

Trading securities comprise:

	31 March 2017 (unaudited)	31 December 2016
<b>USD denominated</b>		
Russian government eurobonds	59 857	1 006
<b>RUB denominated</b>		
Russian government bonds	-	2 086 987
Corporate and bank bonds	636 836	317 668
<b>Trading securities</b>	<b>696 693</b>	<b>2 405 661</b>

### 7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 March 2017 (unaudited)	31 December 2016
Current accounts with credit institutions	60 380 281	63 506 296
Time deposits	201 454 481	152 597 280
Reverse repurchase agreements with credit institutions	54 734 915	47 114 687
Obligatory reserve with the CBR	9 774 551	6 281 907
<b>Amounts due from credit institutions</b>	<b>326 344 228</b>	<b>269 500 170</b>

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.

As at 31 March 2017 there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 31 March 2017 the aggregate amount of these balances is RUB 275 334 430 thousand (31 December 2016: four counterparties with aggregate amount of RUB 209 676 322 thousand).



# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 7. Amounts due from credit institutions (continued)

As at 31 March 2017 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 60 725 002 thousand (31 December 2016: Russian government bonds, corporate and bank bonds with total fair value of RUB 51 220 959 thousand). As at 31 March 2017 Russian government bonds with the total fair value of RUB 4 046 821 thousand (31 December 2016: 4 121 288 thousand) were sold out of collateral pledged under reverse repurchase agreements with banks and disclosed as financial liabilities held for trading in the consolidated interim condensed statement of financial position. As at 31 March 2017 securities in the amount of RUB 518 742 (31 December 2016: none) were repurchased under repurchase agreements with credit institutions (see Note 12 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

### 8. Derivative financial instruments

The Group enters into derivative financial instruments principally for trading and hedging purposes. The tables below show the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of a derivative's underlying asset or notional amount to which reference rate or index is applied and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the end of reporting period and are indicative of neither the market risk nor the credit risk.

The Group values the derivative financial instruments using widely accepted valuation techniques which are based on market interest rates and forward currency rates. Significant changes in these variables could cause the fair value of the derivatives to change materially.

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

	31 March 2017 (unaudited)			31 December 2016		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	171 588 002	30 933 506	10 114 267	153 530 305	32 134 361	9 703 950
Interest rate swaps and options	272 205 416	5 670 345	5 091 403	289 931 675	5 185 775	5 367 478
Foreign exchange forwards, options and swaps	66 167 291	2 414 909	1 016 982	63 876 941	3 937 460	1 785 739
<b>Total derivative assets/liabilities</b>		<b>39 018 760</b>	<b>16 222 652</b>		<b>41 257 596</b>	<b>16 857 167</b>

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

	31 March 2017 (unaudited)			31 December 2016		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
<b>Cash flow hedge</b>						
Interest rate swaps	280 551 959	504 553	1 100 811	175 505 135	641 415	442 417
Cross-currency interest rate swaps	121 219 047	14 681 560	2 325 466	122 032 005	9 786 243	3 589 904
<b>Total cash flow hedge</b>		<b>15 186 113</b>	<b>3 426 277</b>		<b>10 427 658</b>	<b>4 032 321</b>
<b>Fair value hedge</b>						
Interest rate swaps	471 706 984	1 916 730	8 845 360	552 263 450	2 311 170	8 306 386
<b>Total fair value hedge</b>		<b>1 916 730</b>	<b>8 845 360</b>		<b>2 311 170</b>	<b>8 306 386</b>
<b>Total derivative financial assets/liabilities designated for hedging</b>		<b>17 102 843</b>	<b>12 271 637</b>		<b>12 738 828</b>	<b>12 338 707</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 9. Loans to customers

Loans to customers comprise:

	<b>31 March 2017 (unaudited)</b>	<b>31 December 2016</b>
Corporate customers	519 914 586	568 915 558
Retail customers, including SME	126 546 185	126 628 456
Lease receivables	15 801 387	15 639 280
Reverse repurchase agreements with companies	14 084 730	11 082 381
<b>Gross loans to customers</b>	<b>676 346 888</b>	<b>722 265 675</b>
Less: Allowance for loan impairment	(42 225 978)	(45 254 751)
<b>Loans to customers</b>	<b>634 120 910</b>	<b>677 010 924</b>

A reconciliation of the allowance for loan impairment is as follows:

	<b>Three-month period ended 31 March</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
<b>Allowance for loan impairment at the beginning of the period</b>	<b>45 254 751</b>	<b>33 448 792</b>
Charge for the period	1 657 633	4 014 214
Loans sold or recovered through repossession of collateral during the period	(1 836 826)	(9 012)
Loans written-off during the period	(2 309 060)	(357 972)
Effect of exchange rate changes	(540 520)	(659 932)
<b>Allowance for loan impairment at the end of the period</b>	<b>42 225 978</b>	<b>36 436 090</b>

**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.

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 9. Loans to customers (continued)

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.

The following table shows gross loans and related impairment as at 31 March 2017 (unaudited):

	Gross loans	Impairment	Net loans
<b>Corporate customers</b>			
Loans for which no indications of impairment have been identified on an individual basis, not past due	479 489 241	(2 418 948)	477 070 293
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	1 600 773	-	1 600 773
- Past due 31-90 days	77 085	(1 162)	75 923
Impaired loans			
- Not past due	6 755 307	(3 150 160)	3 605 147
- Past due less than 31 days	280 239	(56 660)	223 579
- Past due 31-90 days	476 762	(24 321)	452 441
- Past due 91-180 days	5 092 631	(3 596 954)	1 495 677
- Past due over 180 days	26 142 548	(20 194 782)	5 947 766
<b>Total loans to corporate customers</b>	<b>519 914 586</b>	<b>(29 442 987)</b>	<b>490 471 599</b>
<b>Retail customers</b>			
Standard loans, not past due	106 133 671	(579 607)	105 554 064
Standard loans, past due			
- Past due less than 31 days	2 369 510	(97 497)	2 272 013
- Past due 31-90 days	910 745	(156 893)	753 852
- Past due 91-180 days	209 055	(90 905)	118 150
- Past due over 180 days	43 345	(14 013)	29 332
Impaired loans			
- Not past due	130 584	(1 020)	129 564
- Past due less than 31 days	62 803	(3 661)	59 142
- Past due 31-90 days	139 079	(24 719)	114 360
- Past due 91-180 days	683 511	(299 292)	384 219
- Past due over 180 days	15 863 882	(11 282 052)	4 581 830
<b>Total loans to retail customers</b>	<b>126 546 185</b>	<b>(12 549 659)</b>	<b>113 996 526</b>
<b>Lease receivables</b>			
Loans for which no indications of impairment have been identified on an individual basis, not past due	14 762 508	(52 994)	14 709 514
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	483 169	(2 865)	480 304
- Past due 31-90 days	70 097	(959)	69 138
Impaired loans			
- Not past due	28 596	(12 931)	15 665
- Past due less than 31 days	20 000	(11 848)	8 152
- Past due 31-90 days	180 385	(52 089)	128 296
- Past due 91-180 days	187 538	(69 939)	117 599
- Past due over 180 days	69 094	(29 707)	39 387
<b>Total lease receivables</b>	<b>15 801 387</b>	<b>(233 332)</b>	<b>15 568 055</b>
<b>Reverse repurchase agreements with companies</b>			
Loans for which no indications of impairment have been identified on an individual basis, not past due	14 084 730	-	14 084 730
<b>Total loans to customers</b>	<b>676 346 888</b>	<b>(42 225 978)</b>	<b>634 120 910</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 9. Loans to customers (continued)

The following table shows gross loans and related impairment as at 31 December 2016:

	Gross loans	Impairment	Net loans
<b>Corporate customers</b>			
Loans for which no indications of impairment have been identified on an individual basis, not past due	524 723 492	(2 776 029)	521 947 463
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	1 810 846	(18 099)	1 792 747
- Past due 31-90 days	80 814	(1 977)	78 837
Impaired loans			
- Not past due	7 284 766	(3 118 533)	4 166 233
- Past due less than 31 days	376 244	(137 373)	238 871
- Past due 31-90 days	5 284 198	(3 079 368)	2 204 830
- Past due 91-180 days	1 232 930	(764 893)	468 037
- Past due over 180 days	28 122 268	(21 222 079)	6 900 189
<b>Total loans to corporate customers</b>	<b>568 915 558</b>	<b>(31 118 351)</b>	<b>537 797 207</b>
<b>Retail customers</b>			
Standard loans, not past due	105 185 541	(556 411)	104 629 130
Standard loans, past due			
- Past due less than 31 days	2 174 386	(113 278)	2 061 108
- Past due 31-90 days	826 285	(155 658)	670 627
- Past due 91-180 days	220 223	(89 094)	131 129
- Past due over 180 days	32 589	(6 837)	25 752
Impaired loans			
- Not past due	113 737	(965)	112 772
- Past due less than 31 days	54 908	(3 380)	51 528
- Past due 31-90 days	111 549	(18 907)	92 642
- Past due 91-180 days	663 787	(279 869)	383 918
- Past due over 180 days	17 245 451	(12 699 188)	4 546 263
<b>Total loans to retail customers</b>	<b>126 628 456</b>	<b>(13 923 587)</b>	<b>112 704 869</b>
<b>Lease receivables</b>			
Loans for which no indications of impairment have been identified on an individual basis, not past due	14 916 921	(55 287)	14 861 634
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	112 494	(832)	111 662
- Past due 31-90 days	195 957	(2 563)	193 394
Impaired loans			
- Not past due	33 358	(9 442)	23 916
- Past due less than 31 days	77 223	(15 335)	61 888
- Past due 31-90 days	124 451	(33 431)	91 020
- Past due 91-180 days	146 577	(71 730)	74 847
- Past due over 180 days	32 299	(24 193)	8 106
<b>Total lease receivables</b>	<b>15 639 280</b>	<b>(212 813)</b>	<b>15 426 467</b>
<b>Reverse repurchase agreements with companies</b>			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 082 381	-	11 082 381
<b>Total loans to customers</b>	<b>722 265 675</b>	<b>(45 254 751)</b>	<b>677 010 924</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 9. Loans to customers (continued)

As at 31 March 2017 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 15 251 108 thousand (31 December 2016: Russian government bonds, corporate and bank bonds with total fair value of RUB 11 813 289 thousand).

As at 31 March 2017 there were no bonds sold out of collateral pledged under reverse repurchase agreements with customers and disclosed as financial liabilities held for trading in the consolidated statement of financial position (31 December 2016: Russian government bonds with the total fair value of RUB 222 864 thousand).

As at 31 March 2017 the Group had RUB 161 717 298 thousand due from its ten largest borrowers (24% of gross loan portfolio) (31 December 2016: RUB 178 362 658 thousand or 25%). An allowance of RUB 162 299 thousand was recognized against these loans (31 December 2016: RUB 158 765 thousand).

As at 31 March 2017 the Group had three borrowers or groups of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2016: three borrowers or groups of borrowers). As at 31 March 2017 the gross amount of these loans is RUB 91 270 164 thousand (31 December 2016: RUB 103 353 608 thousand).

Included in retail loans as at 31 March 2017 are mortgage loans with gross amount of RUB 2 470 212 thousand (31 December 2016: RUB 2 178 317 thousand) pledged as collateral for mortgage-backed bonds issued by the Group in September 2015 (see Note 14 for details).

### 10. Investment securities

Available-for-sale investment securities comprise:

	<b>31 March 2017 (unaudited)</b>	<b>31 December 2016</b>
<b>Debt and other fixed income investments available-for-sale</b>		
<b>USD denominated</b>		
Russian government eurobonds	15 985 250	16 248 295
<b>RUB denominated</b>		
Russian government bonds	28 902 320	34 972 838
Corporate and bank bonds	6 210 092	9 285 735
<b>Total debt and other fixed income investments available-for-sale</b>	<b>51 097 662</b>	<b>60 506 868</b>
<b>Equity investments available-for-sale</b>		
<b>RUB denominated</b>		
Equity investments in financial institutions	116 945	116 945
<b>EUR denominated</b>		
Equity investments in financial institutions	2 707	2 707
<b>Total equity investments available-for-sale</b>	<b>119 652</b>	<b>119 652</b>
<b>Total available-for-sale securities</b>	<b>51 217 314</b>	<b>60 626 520</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 10. Investment securities (continued)

As at 31 March 2017 included in Russian government bonds available-for-sale are securities sold under repurchase agreements with credit institutions and customers in the amount of RUB 19 978 869 thousand (31 December 2016: RUB 19 704 611 thousand) (see Notes 12 and 13 for details).

As at 31 March 2017 and 31 December 2016, held-to-maturity securities comprise:

	31 March 2017 (unaudited)		31 December 2016	
	Nominal value	Carrying value	Nominal value	Carrying value
Russian government bonds, RUB denominated	15 000 000	15 471 946	15 000 000	15 935 005
Russian government eurobonds, USD denominated	13 169 877	13 926 060	14 169 452	14 982 265
<b>Held-to-maturity securities</b>	<b>28 169 877</b>	<b>29 398 006</b>	<b>29 169 452</b>	<b>30 917 270</b>

As at 31 March 2017 included in held-to-maturity Russian government bonds are securities sold under repurchase agreements with customers in the amount of RUB 13 459 760 thousand (31 December 2016: RUB 212 666 thousand under repurchase agreements with credit institutions) (see Notes 12 and 13 for details).

As at 31 March 2017 included in held-to-maturity securities are Russian government bonds blocked as collateral in order to receive "overnight" loans from the CBR in the amount of RUB 1 026 981 thousand (31 December 2016: RUB 1 058 015 thousand). As at 31 March 2016 and 31 December 2016 the Group has no "overnight" loans due to the CBR.

### 11. Taxation

The corporate income tax expense comprises:

	Three-month period ended 31 March	
	2017 (unaudited)	2016 (unaudited)
Current tax charge	1 570 022	191 741
Deferred tax charge – (reversal)/origination of temporary differences	(121 510)	731 609
<b>Income tax expense</b>	<b>1 448 512</b>	<b>923 350</b>

Tax effect relating to components of other comprehensive income comprises:

	Three-month period ended 31 March 2017 (unaudited)			Three-month period ended 31 March 2016 (unaudited)		
	Amount before tax	Tax expense	Amount net-of- tax	Amount before tax	Tax expense	Amount net-of- tax
Cash flow hedge reserve	(312 563)	62 513	(250 050)	(473 146)	94 629	(378 517)
Revaluation reserve for available-for-sale securities	186 361	(37 272)	149 089	1 471 483	(294 297)	1 177 186
<b>Other comprehensive income</b>	<b>(126 202)</b>	<b>25 241</b>	<b>(100 961)</b>	<b>998 337</b>	<b>(199 668)</b>	<b>798 669</b>

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 March 2017 (unaudited)	31 December 2016
Current accounts	5 769 418	13 000 015
Time deposits and loans	42 260 050	90 394 448
Repurchase agreements with credit institutions (Note 10)	12 235 483	19 536 126
Subordinated debt (Note 18)	27 119 724	29 178 071
<b>Amounts due to credit institutions</b>	<b>87 384 675</b>	<b>152 108 660</b>

As at 31 March 2017, the ten largest deposits, excluding subordinated debt, represented 76% of total amounts due to credit institutions (31 December 2016: 81%).

As at 31 March 2017, the Group had no counterparties with the balances that exceed 10% of equity (31 December 2016: one counterparty). As at 31 December 2016, the aggregate amount of these balances was RUB 26 532 542 thousand.

As at 31 March 2017 included in repurchase agreements with credit institutions are agreements in the amount of RUB 465 021 thousand (31 December 2016: none) which are secured by Russian government bonds with fair value of RUB 518 742 thousand obtained under reverse repurchase agreements with credit institutions (see Note 7 for details).

### 13. Amounts due to customers

The amounts due to customers include the following:

	31 March 2017 (unaudited)	31 December 2016
Current accounts	164 862 655	170 163 667
Time deposits	657 165 250	608 799 120
Repurchase agreements with customers (Note 10)	20 500 000	139 115
<b>Amounts due to customers</b>	<b>842 527 905</b>	<b>779 101 902</b>

As at 31 March 2017, approximately 48% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2016: 51%).

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 13. Amounts due to customers (continued)

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

	31 March 2017 (unaudited)	31 December 2016
<b>Corporate</b>		
Current accounts	71 536 388	74 155 567
Time deposits	541 174 060	491 668 933
Repurchase agreements with customers (Note 10)	20 500 000	139 115
<b>Total corporate accounts</b>	<b>633 210 448</b>	<b>565 963 615</b>
<b>Retail</b>		
Current accounts	93 326 267	96 008 100
Time deposits	115 991 190	117 130 187
<b>Total retail accounts</b>	<b>209 317 457</b>	<b>213 138 287</b>
<b>Amounts due to customers</b>	<b>842 527 905</b>	<b>779 101 902</b>

Included in retail time deposits are deposits of individuals in the amount of 101 708 451 RUB thousand (31 December 2016: RUB 100 940 451 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. Group's experience shows that majority of the time deposits of individuals mature according to contractual terms and can be treated as stable customer base. The remaining part of retail time deposits in the amount of RUB 14 282 739 thousand (31 December 2016: RUB 16 189 736 thousand) is represented by deposits placed by SME.

### 14. Debt securities issued

Debt securities issued consists of the following:

Issue	Date of issue	Maturity date	Currency	Coupon rate, %	Carrying value at 31 March 2017 (unaudited)	Carrying value at 31 December 2016
UniCredit Bank, 02-IP	23.09.2015	16.09.2020	RUB	12.35	4 012 200	4 136 680
UniCredit Bank, BO-10	26.11.2013	20.11.2018	RUB	9.20	2 375 846	2 323 635
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUB	9.00	45 686	46 710
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUB	9.00	836	818
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUB	9.10	3	3
<b>Debt securities issued</b>					<b>6 434 571</b>	<b>6 507 846</b>

As at 31 March 2017 mortgage-backed bonds (UniCredit Bank, 02-IP) with the carrying value of RUB 4 012 200 thousand (31 December 2016: RUB 4 136 680 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 2 470 212 thousand (31 December 2016: RUB 2 178 317 thousand) and by cash in the amount of RUB 2 450 000 thousand (31 December 2016: RUB 2 050 000) (see Notes 5 and 9 for details).



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## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 15. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	<b>31 March 2017 (unaudited)</b>	<b>31 December 2016</b>
Guarantees issued	113 635 716	119 536 553
Undrawn loan commitments	97 990 047	85 116 393
Undrawn commitments to issue documentary instruments	52 881 116	80 833 286
Letters of credit	34 094 750	34 295 027
<b>Gross credit related commitments and contingencies</b>	<b>298 601 629</b>	<b>319 781 259</b>
Provisions for credit related commitments and contingencies	(618 936)	(369 951)
<b>Total credit related commitments and contingencies</b>	<b>297 982 693</b>	<b>319 411 308</b>

As at 31 March 2017 and 31 December 2016 undrawn loan commitments and undrawn commitments to issue documentary instruments are of revocable nature for which the Group does not undertake any substantial liability.

**Operating environment.** Emerging markets such as Russia are subject to different risks than more developed markets, including economic, political and social, and legal and legislative risks. Laws and regulations affecting businesses in Russia continue to change rapidly, tax and regulatory frameworks are subject to varying interpretations. The future economic direction of Russia is heavily influenced by the fiscal and monetary policies adopted by the government, together with developments in the legal, regulatory and political environment. Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the price of oil and gas on the world market.

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.

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

### 16. Gains on financial assets and liabilities held for trading

Gains on financial assets and liabilities held for trading comprise:

	<b>Three-month period ended 31 March</b>	
	<b>2017 (unaudited)</b>	<b>2016 (unaudited)</b>
Net (losses)/gains from trading securities	(85 051)	82 502
Net gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	381 593	738 267
<b>Gains on financial assets and liabilities held for trading</b>	<b>296 542</b>	<b>820 769</b>

## 17. Fair values of financial instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- Unquoted equities and debt securities classified as available-for-sale are valued using models that use both observable and unobservable data. The non-observable inputs to the models include assumptions regarding the future financial performance of the investee, its risk profile, and economic assumptions regarding the industry and geographical jurisdiction in which the investee operates.
- As there is no active secondary market in Russia for loans and advances to banks and customers, deposits due to banks and customers, promissory notes issued, subordinated debt, other borrowing funds and other financial assets and liabilities, there is no reliable market value available for these portfolios. In order to present fair value for these financial instruments a separate recalculation procedure is performed by a special routine which uses cash flows of each individual deal as a basis. The cash flows are multiplied with the respective discount factor per time bucket, currency and risk product (asset or liability).

In accordance with the Group methodology discount factors include:

- for assets: risk free rate + expected loss + unexpected loss;
- for liabilities: risk free rate + own credit spread (liquidity spreads).
- For financial assets and liabilities that have a short-term maturity (less than 3 months), it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits and savings accounts without a maturity.
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.
- The fair value valuation of derivative instruments is based on discounted cash flow analysis and performed using the management's best estimates and applicable interest rates. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 17. Fair values of financial instruments (continued)

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.

	31 March 2017 (unaudited)		
	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>			
Trading securities			
- held by the Group	59 857	636 836	696 693
Derivative financial assets	-	39 018 760	39 018 760
Derivative financial assets designated for hedging	-	17 102 843	17 102 843
Available-for-sale securities			
- held by the Group	24 908 701	6 210 092	31 118 793
- pledged under repurchase agreements	19 978 869	-	19 978 869
<b>Total</b>	<b>44 947 427</b>	<b>62 968 531</b>	<b>107 915 958</b>

<b>Financial liabilities measured at fair value</b>			
Financial liabilities held for trading	-	4 046 821	4 046 821
Derivative financial liabilities	-	16 222 652	16 222 652
Derivative financial liabilities designated for hedging	-	12 271 637	12 271 637
<b>Total</b>	<b>-</b>	<b>32 541 110</b>	<b>32 541 110</b>

	31 December 2016		
	Level 1	Level 2	Total
<b>Financial assets measured at fair value</b>			
Trading securities			
- held by the Group	1 006	1 153 597	1 154 603
- pledged under repurchase agreements	-	1 251 058	1 251 058
Derivative financial assets	-	41 257 596	41 257 596
Derivative financial assets designated for hedging	-	12 738 828	12 738 828
Available-for-sale securities			
- held by the Group	31 516 523	9 285 734	40 802 257
- pledged under repurchase agreements	19 704 611	-	19 704 611
<b>Total</b>	<b>51 222 140</b>	<b>65 686 813</b>	<b>116 908 953</b>

<b>Financial liabilities measured at fair value</b>			
Financial liabilities held for trading	221 162	4 122 990	4 344 152
Derivative financial liabilities	-	16 857 167	16 857 167
Derivative financial liabilities designated for hedging	-	12 338 707	12 338 707
<b>Total</b>	<b>221 162</b>	<b>33 318 864</b>	<b>33 540 026</b>

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## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 17. Fair values of financial instruments (continued)

The table above does not include available-for-sale equity investments of RUB 119 652 thousand (31 December 2016: RUB 119 652 thousand), which do not have a quoted market price in an active market and whose fair value cannot be reliably measured due to absence of the market for such instruments. Currently the Group does not intend to dispose of these investments.

During the three-month period ended 31 March 2017 and 2016 there were no transfers between level 1 and level 2 for trading and available-for-sale securities.

Except as detailed in the following table, the Group considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated interim condensed statement of financial position approximate their fair value. For the purpose of calculation fair value of financial instruments the Group applies ratios calculating by UniCredit Bank Austria AG.

	31 March 2017		31 December 2016	
	Carrying value (unaudited)	Fair value (unaudited)	Carrying value	Fair value
<b>Financial assets</b>				
Amounts due from credit institutions	326 344 228	324 067 145	269 500 170	267 787 810
Loans to customers	634 120 910	648 335 452	677 010 924	692 396 971
Investment securities held-to-maturity				
- held by the Group	15 938 246	16 340 397	30 704 604	31 241 702
- pledged under repurchased agreements	13 459 760	14 003 191	212 666	223 919
<b>Financial liabilities</b>				
Amounts due to credit institutions	87 384 675	105 912 049	152 108 660	172 195 958
Amounts due to customers	842 527 905	857 356 349	779 101 902	792 735 879
Debt securities issued	6 434 571	6 568 898	6 507 846	6 701 406

As at 31 March 2017 there were no changes in fair value levels hierarchy for financial assets and financial liabilities that are measures subsequently to initial recognition at amortised cost in comparison with 31 December 2016.

### 18. Related party disclosures

As at 31 March 2017 the sole shareholder of the Group is the UniCredit S.p.A. UniCredit S.p.A. issues publicly available financial statements.

In accordance with IAS 24 *Related Party Disclosures*, parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. Related parties may enter into transactions which unrelated parties might not, and transactions between related parties may not be conducted on the same terms, conditions and amounts as transactions between unrelated parties.

As at 1 October 2016 the reorganization of UniCredit Group Division responsible for the Central and Eastern Europe has been successfully completed. Under this reorganization the immediate parent of the Group has changed from UniCredit Bank Austria AG to UniCredit S.p.A. As a result, the immediate parent of the Group has changed to UniCredit S.p.A. with legal validity from 1 October 2016 and accounting effects retroactive from 1 January 2016. Thus, the relevant transactions with UniCredit Bank Austria AG for the three-month period ended 31 March 2016 are disclosed as transactions with other companies controlled by the UniCredit Group or related with UniCredit Group.

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 18. Related party disclosures (continued)

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

	31 March 2017 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2016	Weighted average interest rate, %
Amounts due from credit institutions				
- In EUR	59 076	0.0%	723 315	0.0%
- In USD	188 529 794	2.9%	129 316 571	3.7%
Derivative financial assets	4 953 060		2 553 939	
Derivative financial assets designated for hedging	14 382 995		9 806 496	
Other assets	186 663		9 600	
Amounts due to credit institutions				
Time deposits and loans				
- In Russian Roubles	100 000	9.5%	4 541 116	8.9%
- In EUR	13 598	1.7%	559 879	1.7%
- In USD	27 119 724	11.2%	29 178 071	10.9%
Current accounts				
- In Russian Roubles	846 512	0.0%	29 758	0.0%
- In EUR	599 230	0.0%	291 734	0.0%
Derivative financial liabilities	2 682 472		1 815 514	
Derivative financial liabilities designated for hedging	1 565 381		825 002	
Other liabilities	409 009		566 535	
Commitments and guarantees issued	5 363 723		3 655 456	
Commitments and guarantees received	33 111 400		54 328 186	
			<b>Three-month period ended 31 March 2017 (unaudited)</b>	<b>Three-month period ended 31 March 2016 (unaudited)</b>
Interest income and similar revenues			4 197 067	3 102 613
Interest expense and similar charges			(1 275 264)	(1 171 925)
Fee and commission income			6 250	6 030
Fee and commission expense			(167 117)	(565 691)
Gains on financial assets and liabilities held for trading			1 312 507	4 337 924
Fair value adjustments in portfolio hedge accounting			(271 241)	(1 893)
Recovery of personnel expenses			1 512	15 634
Other administrative expenses			(16 689)	(33 988)

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 18. Related party disclosures (continued)

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

	31 March 2017 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2016	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	8 752 397	11.6%	14 408 535	11.8%
- In EUR	27 971 519	0.0%	10 233 164	0.0%
- In USD	936 405	2.9%	920 582	3.2%
- In other currencies	2 649	0.0%	2 530	0.0%
Derivative financial assets	1 417 466		1 121 258	
Derivative financial assets designated for hedging	2 432 103		2 230 501	
Loans to customers				
- In Russian Roubles	1 370 993	5.8%	1 073 115	5.0%
Intangible assets	147 994		793 973	
Other assets	2 000		191 086	
Amounts due to credit institutions				
Time deposits and loans				
- In Russian Roubles	312 700	8.3%	4 993 013	9,6%
- In EUR	4 037 165	1.7%	4 851 600	1,3%
- In USD	3 653 049	2.7%	5 633 880	2,7%
Repurchase agreements				
- In Russian Roubles	491 474	8.0%	-	-
Current accounts				
- In Russian Roubles	816 317	0.0%	2 677 374	0.0%
- In EUR	355 428	0.0%	8 039	0.0%
- In USD	117 931	0.0%	42 522	0.0%
- In other currencies	104	0.0%	399	0.0%
Derivative financial liabilities	6 311 274		7 623 102	
Derivative financial liabilities designated for hedging	2 787 189		3 889 376	
Amounts due to customers				
- In Russian Roubles	737 142	7.9%	338 307	9.0%
- In EUR	4	0.0%	148 513	0.0%
Other liabilities	218 722		1 318 124	
Commitments and guarantees issued	6 550 355		9 504 684	
Commitments and guarantees received	4 978 443		3 556 535	

	Three-month period ended 31 March 2017 (unaudited)	Three-month period ended 31 March 2016 (unaudited)
Interest income and similar revenues	864 900	1 695 726
Interest expense and similar charges	(726 350)	(1 134 110)
Fee and commission income	67 994	27 852
Fee and commission expense	(44 486)	(22 440)
Gains on financial assets and liabilities held for trading	643 444	694 345
Fair value adjustments in portfolio hedge accounting	(15 258)	(17 224)
Other income	121	121
Personnel expenses	(5 551)	(15 306)
Other administrative expenses	(70 309)	(60 586)

# AO UniCredit Bank

## Selected Notes to Consolidated Interim Condensed Financial Statements for the Three-Month Period Ended 31 March 2017 (continued) (in thousands of Russian Roubles)

### 18. Related party disclosures (continued)

Balances and transactions with key management personnel are as follows:

	<b>31 March 2017 (unaudited)</b>	<b>31 December 2016</b>
Amounts due to customers	293 736	312 193
Other liabilities	45 748	43 531

	<b>Three-month period ended 31 March 2017 (unaudited)</b>	<b>Three-month period ended 31 March 2016 (unaudited)</b>
Interest expense	(3 406)	(3 760)
Personnel expenses, including:	(75 859)	(39 786)
short-term benefits	(41 454)	(32 865)
long-term benefits	(33 827)	(6 623)
post-employment benefits	(578)	(298)

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

	<b>Three-month period ended 31 March 2017 (unaudited)</b>	<b>Three-month period ended 31 March 2016 (unaudited)</b>
	<b>UniCredit S.p.A.</b>	<b>UniCredit S.p.A.</b>
Subordinated loans at the beginning of the period	29 178 071	51 091 697
Accrual of interest, net of interest paid	(576)	(92 399)
Effect of exchange rates changes	(2 057 771)	(3 168 516)
<b>Subordinated loans at the end of the period</b>	<b>27 119 724</b>	<b>47 830 782</b>

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