

AO UniCredit Bank

Condensed Interim Consolidated
Financial Statements
for the Six-Month Period Ended 30 June 2017
(unaudited)

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AO UniCredit Bank

Statement of Management's Responsibilities for the Preparation and Approval of the Condensed Interim Consolidated Financial Statements for the Six-month period ended 30 June 2017

Management of AO UniCredit Bank is responsible for the preparation of the condensed interim consolidated financial statements that present fairly the financial position of AO UniCredit Bank and its subsidiary (collectively – the "Group") as at 30 June 2017, and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-month periods then ended and a summary of significant accounting policies and selected notes to the condensed interim consolidated financial statements (the "condensed interim consolidated financial statements") in compliance with International Accounting Standard ("IAS") 34 Interim Financial Reporting ("IAS 34").

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

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

Management is also responsible for:

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

The condensed interim consolidated financial statements for the six-month period ended 30 June 2017 were approved by the Board of Management of AO UniCredit Bank on 1 August 2017.



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

1 August 2017
Moscow



G. Chernysheva
Chief Accountant

REPORT ON REVIEW OF CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

To: the Shareholder and 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 at June 30, 2017 and the related condensed interim consolidated statements of comprehensive income, changes in equity and cash flows for the three and six-month periods then ended, and a summary of significant accounting policies and selected explanatory notes. Management is responsible for the preparation and fair presentation of this condensed interim consolidated financial statements in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim consolidated financial statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, Review of Interim Financial Information Performed by the Independent Auditor of the Entity. A review of condensed interim consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2017, and its consolidated financial performance and its consolidated cash flows for the three and six-month periods then ended in accordance with IAS 34 Interim Financial Reporting.


Sergei Nekiyudov
Engagement partner



3 August 2017



The Entity: AO UniCredit Bank

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

Primary State Registration Number: 1027739082106

Certificate of registration in the Unified State Register series 77 # 007773325 of 19.08.2002, issued by Moscow Interdistrict Inspectorate of the Russian Ministry of Taxation No.39.

Address:
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

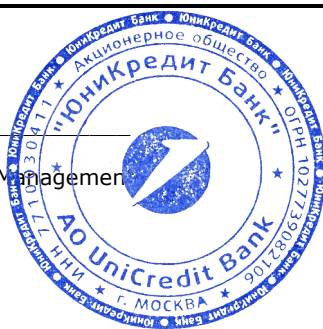
AO UniCredit Bank

Condensed Interim Consolidated Statement of Financial Position as at 30 June 2017 (in thousands of Russian Roubles)

	Notes	30 June 2017 (unaudited)	31 December 2016
ASSETS			
Cash and cash balances	5	40 332 789	58 588 565
Trading securities	6		
- held by the Group		5 039 224	1 154 603
- pledged under repurchase agreements		190 803	1 251 058
Amounts due from credit institutions	7	326 773 609	269 500 170
Derivative financial assets	8	41 290 189	41 257 596
Derivative financial assets designated for hedging	8	7 626 346	12 738 828
Changes in fair value of portfolio hedged items		3 231 288	1 695 189
Loans to customers	9	641 260 170	677 010 924
Investment securities	10		
- available-for-sale			
- held by the Group		43 796 405	40 921 909
- pledged under repurchase agreements		8 306 872	19 704 611
- held-to-maturity			
- held by the Group		30 418 074	30 704 604
- pledged under repurchase agreements		-	212 666
Fixed assets		5 137 146	5 207 034
Intangible assets		7 211 912	6 510 549
Current income tax assets		62 741	14 113
Other assets		5 991 842	5 777 354
TOTAL ASSETS		1 166 669 410	1 172 249 773
LIABILITIES			
Amounts due to credit institutions	12	69 898 916	152 108 660
Financial liabilities held for trading	7,9	4 772 760	4 344 152
Derivative financial liabilities	8	15 982 404	16 857 167
Derivative financial liabilities designated for hedging	8	11 903 493	12 338 707
Changes in fair value of portfolio hedged items		(85 630)	(146 303)
Amounts due to customers	13	847 944 988	779 101 902
Debt securities issued	14	6 505 940	6 507 846
Deferred income tax liabilities		6 813 821	7 573 053
Current income tax liabilities		464 357	1 624 170
Other liabilities		11 043 508	10 265 514
TOTAL LIABILITIES		975 244 557	990 574 868
EQUITY			
Share capital		41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		(651 451)	15 759
Revaluation reserve for available-for-sale securities		(233 956)	(559 841)
Retained earnings		150 085 173	139 993 900
TOTAL EQUITY		191 424 853	181 674 905
TOTAL LIABILITIES AND EQUITY		1 166 669 410	1 172 249 773


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

1 August 2017
Moscow




G. Chernysheva
Chief Accountant

The accompanying selected notes on pages 8 to 31 are an integral part of these condensed interim consolidated financial statements.

AO UniCredit Bank

Condensed Interim Consolidated Statement of Comprehensive Income for the Six-Month Period Ended 30 June 2017 (in thousands of Russian Roubles)

	Notes	Three-month period ended 30 June		Six-month period ended 30 June	
		2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Interest income and similar revenues		25 884 394	30 301 548	52 392 812	60 561 419
Interest expense and similar charges		(16 778 729)	(19 550 623)	(32 492 667)	(38 986 903)
Net interest income		9 105 665	10 750 925	19 900 145	21 574 516
Fee and commission income		2 506 518	2 555 634	4 747 420	4 872 863
Fee and commission expense		(739 952)	(970 341)	(1 366 643)	(1 998 595)
Net fee and commission income		1 766 566	1 585 293	3 380 777	2 874 268
Dividend income		2	4	2	4
Gains on financial assets and liabilities held for trading	16	958 750	1 950 467	1 255 292	2 771 236
Fair value adjustments in portfolio hedge accounting		132 454	(49 934)	13 632	(166 830)
Gains/(losses) on disposal of:					
- loans		7 112	-	156 385	6 212
- available-for-sale financial assets		106 348	(109)	669 221	85
				-	
OPERATING INCOME		12 076 897	14 236 646	25 375 454	27 059 491
Impairment on:					
- loans	9	(1 396 750)	(3 886 264)	(3 054 383)	(7 900 478)
- other financial transactions		(874 300)	-	(1 123 285)	-
NET INCOME FROM FINANCIAL ACTIVITIES		9 805 847	10 350 382	21 197 786	19 159 013
Personnel expenses		(2 183 824)	(2 174 467)	(4 387 686)	(4 267 847)
Other administrative expenses		(1 635 700)	(1 527 284)	(3 126 897)	(3 000 285)
Depreciation of fixed assets		(140 719)	(140 929)	(289 788)	(291 271)
Impairment of fixed assets		(67 444)	-	(67 444)	-
Amortization of intangible assets		(296 055)	(381 928)	(558 448)	(646 158)
Other provisions		10 055	(254 414)	30 059	(434 669)
Other operating income/(expenses)		43 686	(61 840)	(71 154)	(114 977)
Operating costs		(4 270 001)	(4 540 862)	(8 471 358)	(8 755 207)
(Losses)/gains on disposal of fixed assets		(1 885)	334	989	2 195
PROFIT BEFORE INCOME TAX EXPENSE		5 533 961	5 809 854	12 727 417	10 406 001
Income tax expense	11	(1 187 632)	(1 210 300)	(2 636 144)	(2 133 650)
PROFIT FOR THE PERIOD		4 346 329	4 599 554	10 091 273	8 272 351
OTHER COMPREHENSIVE INCOME/(LOSSES)					
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		(422 204)	(734 641)	(676 917)	(1 142 525)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the period		5 044	86 276	9 707	115 643
Revaluation reserve for available-for-sale securities, net of tax:					
- fair value changes		293 895	1 392 949	541 193	2 549 219
- reclassification adjustment relating to available-for-sale financial assets disposed of in the period		(117 099)	15 440	(215 308)	36 356
Other comprehensive (expenses)/income for the period, net of tax	11	(240 364)	760 024	(341 325)	1 558 693
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		4 105 965	5 359 578	9 749 948	9 831 044

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1 August 2017
Moscow

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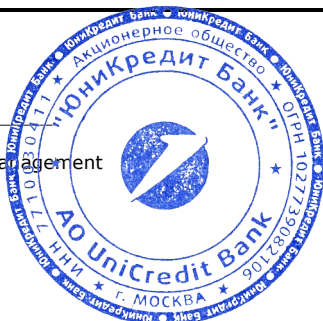
AO UniCredit Bank

Condensed Interim Consolidated Statement of Changes in Equity for the Six-Month Period Ended 30 June 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
1 January 2016	41 787 806	437 281	(765 540)	(2 902 933)	125 970 649	164 527 263
Total comprehensive income						
Profit for the period (unaudited)	-	-	-	-	8 272 351	8 272 351
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(1 026 882)	-	-	(1 026 882)
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	2 585 575	-	2 585 575
Total other comprehensive income (unaudited)	-	-	(1 026 882)	2 585 575	-	1 558 693
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (unaudited)	-	-	(1 026 882)	2 585 575	8 272 351	9 831 044
30 June 2016 (unaudited)	41 787 806	437 281	(1 792 422)	(317 358)	134 243 000	174 358 307
1 January 2017	41 787 806	437 281	15 759	(559 841)	139 993 900	181 674 905
Total comprehensive income						
Profit for the period (unaudited)	-	-	-	-	10 091 273	10 091 273
Other comprehensive income						
Change in cash flow hedge reserve, net of tax (unaudited)	-	-	(667 210)	-	-	(667 210)
Net change in revaluation reserve for available-for-sale securities, net of tax (unaudited)	-	-	-	325 885	-	325 885
Total other comprehensive income (unaudited)	-	-	(667 210)	325 885	-	(341 325)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD (unaudited)	-	-	(667 210)	325 885	10 091 273	9 749 948
30 June 2017 (unaudited)	41 787 806	437 281	(651 451)	(233 956)	150 085 173	191 424 853

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1 August 2017
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Condensed Interim Consolidated Statement of Cash Flows for the Six-Month Period Ended 30 June 2017 (expressed in thousands of Russian Roubles)

	Note	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Cash flows from operating activities before changes in operating assets and liabilities		15 900 656	18 126 890
Net cash (used in)/from operating activities before income tax		(21 430 541)	30 559 607
Corporate income tax paid		(4 518 485)	(363 704)
Net cash flows (used in)/from operating activities		(25 949 026)	30 195 903
Cash flows from investing activities			
Dividends received		2	4
Purchase of available-for-sale investment securities		(13 795 018)	(1 324 019)
Proceeds from redemption and sale of available-for-sale securities		22 568 789	6 169 885
Proceeds from sale of fixed and intangible assets		1 485	3 182
Purchase of fixed and intangible assets		(1 194 109)	(659 594)
Purchases of held to maturity securities		-	(15 080 619)
Net cash flows from/(used in) investing activities		7 581 149	(10 891 161)
Cash flows from financing activities			
Redemption of bonds issued		-	(10 394 227)
Net cash flows used in financing activities		-	(10 394 227)
Effect of exchange rates changes on cash and cash balances		112 101	(840 712)
Net (decrease)/increase in cash and cash balances		(18 255 776)	8 069 803
Cash and cash balances, beginning	5	58 588 565	22 730 813
Cash and cash balances, ending	5	40 332 789	30 800 616


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Acting Chairman of the Board of Management

1 August 2017
Moscow




G. Chernysheva
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The accompanying selected notes on pages 8 to 31 are an integral part
of these condensed interim consolidated financial statements.

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (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 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 issued by the Central Bank of Russia (hereinafter – the “CBR”) for banking operations for No. 1, as well as the license of the CBR for operations with precious metals for No. 1, both issued on 22 December 2014. The Bank also possesses licenses of the professional securities market participant for dealing, brokerage and depository activities issued by the Federal Securities Commission on 25 April 2003, as well as authorized to speak to the customs authorities as a guarantor. The Bank is a member of the state deposit insurance system in the Russian Federation.

As at 30 June 2017 the Group comprises the Bank, the leading operating entity of the Group, and OOO «UniCredit Leasing», a leasing company as its subsidiary. OOO «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 30 June 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 30 June 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 condensed interim consolidated financial statements have been prepared in accordance with International Accounting Standard 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 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 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 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 Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

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, 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 condensed interim consolidated 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 condensed interim consolidated financial statements as at period-end are as follows:

	30 June 2017	31 December 2016
RUB/1 US Dollar	59.0855	60.6569
RUB/1 Euro	67.4993	63.8111

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 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 2016.

Going concern. These condensed interim consolidated financial statements have been prepared on the going concern basis. The Group has no intention or need to reduce substantially its business operations.

The management and shareholder have the intention to further develop the business of the Group in the Russian Federation both in corporate and retail segments. The management believes that the going concern assumption is appropriate for the Group due to its sufficient capital adequacy ratio and based on historical experience that short term obligations will be refinanced in the normal course of business.

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

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.

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 2016.

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 date¹ - for annual periods beginning on or after
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> ²	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 ²

¹ 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.

² 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 Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 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:

	30 June 2017 (unaudited)	31 December 2016
Assets		
CIB	879 298 391	795 402 685
Retail banking	118 576 236	112 704 869
Leasing	19 905 000	17 240 438
Other	148 889 783	246 901 781
Total assets	1 166 669 410	1 172 249 773
Liabilities		
CIB	684 977 569	718 941 087
Retail banking	236 274 613	213 138 287
Leasing	16 505 377	14 095 700
Other	37 486 998	44 399 794
Total liabilities	975 244 557	990 574 868

Due to the reclassification of transactions designated for hedging from the segment “Other” to CIB at the end of 2016, the comparative information about the lines «Net interest income from external customers» and «Inter-segment (expense)/income» for the three and six months ended 30 June 2016 were presented according to the new classification.

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 June 2017 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	6 668 023	2 109 402	316 524	11 716	9 105 665
Inter-segment (expense)/income	(1 941 357)	119 923	-	1 821 434	-
Net interest income	4 726 666	2 229 325	316 524	1 833 150	9 105 665
Net fee and commission income/(expense) from external customers	801 562	965 965	(961)	-	1 766 566
Dividend income	-	-	-	2	2
Gains/(losses) on financial assets and liabilities held for trading from external customers	670 992	319 256	(228)	(31 270)	958 750
Fair value adjustments in portfolio hedge accounting	-	-	-	132 454	132 454
Gains on disposals of financial assets	111 779	1 681	-	-	113 460
Operating income	6 310 999	3 516 227	315 335	1 934 336	12 076 897
Impairment on loans and other financial transactions	(1 741 693)	(498 999)	(30 358)	-	(2 271 050)
Net income from financial activities	4 569 306	3 017 228	284 977	1 934 336	9 805 847
Operating costs including:	(1 578 586)	(2 424 847)	(89 755)	(176 813)	(4 270 001)
depreciation on fixed assets and amortization of intangible assets	(169 111)	(266 396)	(1 267)	-	(436 774)
impairment of fixed assets	(13 717)	(53 727)	-	-	(67 444)
Losses on disposal of fixed assets	-	-	-	(1 885)	(1 885)
Profit before income tax expense	2 990 720	592 381	195 222	1 755 638	5 533 961
Income tax expense					(1 187 632)
Profit for the period					4 346 329
Cash flow hedge reserve					(417 160)
Revaluation reserve for available-for-sale securities					176 796
Total comprehensive income					4 105 965

AO UniCredit Bank

Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the three-month period ended 30 June 2016 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	8 449 602	1 959 599	248 605	93 119	10 750 925
Inter-segment (expense)/income	(1 255 212)	428 454	-	826 758	-
Net interest income	7 194 390	2 388 053	248 605	919 877	10 750 925
Net fee and commission income from external customers	556 359	989 434	3 466	36 034	1 585 293
Dividend income	-	-	-	4	4
Gains on financial assets and liabilities held for trading from external customers	1 656 565	245 502	870	47 530	1 950 467
Fair value adjustments in portfolio hedge accounting	-	-	-	(49 934)	(49 934)
Losses on disposals of financial assets	(109)	-	-	-	(109)
Operating income	9 407 205	3 622 989	252 941	953 511	14 236 646
(Impairment)/recovery of impairment on loans and other financial transactions	(3 190 913)	(658 272)	(37 458)	379	(3 886 264)
Net income from financial activities	6 216 292	2 964 717	215 483	953 890	10 350 382
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(1 741 061)	(2 415 730)	(115 734)	(268 337)	(4 540 862)
impairment of fixed assets	(193 830)	(327 571)	(1 456)	-	(522 857)
Gains on disposal of fixed assets	-	-	-	334	334
Profit before income tax expense	4 475 231	548 987	99 749	685 887	5 809 854
Income tax expense					(1 210 300)
Profit for the period					4 599 554
Cash flow hedge reserve					(648 365)
Revaluation reserve for available-for-sale securities					1 408 389
Total comprehensive income					5 359 578

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the six-month period ended 30 June 2017 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income from external customers	14 799 398	4 384 434	592 134	124 179	19 900 145
Inter-segment (expense)/income	(3 272 397)	496 577	-	2 775 820	-
Net interest income	11 527 001	4 881 011	592 134	2 899 999	19 900 145
Net fee and commission income/(expense) from external customers	1 447 092	1 934 293	(608)	-	3 380 777
Dividend income	-	-	-	2	2
Gains/(losses) on financial assets and liabilities held for trading from external customers	660 622	601 915	(761)	(6 484)	1 255 292
Fair value adjustments in portfolio hedge accounting	-	-	-	13 632	13 632
Gains on disposals of financial assets	823 925	1 681	-	-	825 606
Operating income	14 458 640	7 418 900	590 765	2 907 149	25 375 454
Impairment on loans and other financial transactions	(3 070 854)	(1 050 799)	(56 015)	-	(4 177 668)
Net income from financial activities	11 387 786	6 368 101	534 750	2 907 149	21 197 786
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(3 069 639)	(4 765 215)	(180 854)	(455 650)	(8 471 358)
impairment of fixed assets	(325 748)	(519 921)	(2 567)	-	(848 236)
Gains on disposal of fixed assets	(13 717)	(53 727)	-	-	(67 444)
	-	-	-	989	989
Profit before income tax expense	8 318 147	1 602 886	353 896	2 452 488	12 727 417
Income tax expense					(2 636 144)
Profit for the period					10 091 273
Cash flow hedge reserve					(667 210)
Revaluation reserve for available-for-sale securities					325 885
Total comprehensive income					9 749 948

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

4. Operating segments (continued)

Segment information for the operating segments for the six-month period ended 30 June 2016 is set out below (unaudited):

	CIB	Retail banking	Leasing	Other	Total
Net interest income/(expense) from external customers	17 787 944	3 839 041	478 587	(531 056)	21 574 516
Inter-segment (expense)/income	(2 565 782)	1 078 873	-	1 486 909	-
Net interest income	15 222 162	4 917 914	478 587	955 853	21 574 516
Net fee and commission income from external customers	987 227	1 825 576	2 650	58 815	2 874 268
Dividend income	-	-	-	4	4
Gains on financial assets and liabilities held for trading from external customers	2 106 323	504 440	2 679	157 794	2 771 236
Fair value adjustments in portfolio hedge accounting	-	-	-	(166 830)	(166 830)
Gains on disposals of financial assets	6 297	-	-	-	6 297
Operating income	18 322 009	7 247 930	483 916	1 005 636	27 059 491
(Impairment)/recovery of impairment on loans and other financial transactions	(6 220 044)	(1 613 137)	(68 175)	878	(7 900 478)
Net income from financial activities	12 101 965	5 634 793	415 741	1 006 514	19 159 013
Operating costs including: depreciation on fixed assets and amortization of intangible assets	(3 294 486)	(4 751 206)	(203 128)	(506 387)	(8 755 207)
Gains on disposal of fixed assets	(332 893)	(601 817)	(2 719)	-	(937 429)
	-	-	-	2 195	2 195
Profit before income tax expense	8 807 479	883 587	212 613	502 322	10 406 001
Income tax expense					(2 133 650)
Profit for the period					8 272 351
Cash flow hedge reserve					(1 026 882)
Revaluation reserve for available-for-sale securities					2 585 575
Total comprehensive income					9 831 044

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

5. Cash and cash balances

Cash and cash balances comprise:

	30 June 2017 (unaudited)	31 December 2016
Cash on hand	9 745 549	12 507 671
Current accounts with the CBR	30 587 240	46 080 894
Cash and cash balances	40 332 789	58 588 565

Included in cash and cash balances as at 30 June 2017 is amount of RUB 2 451 354 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:

	30 June 2017 (unaudited)	31 December 2016
USD denominated		
Russian government eurobonds	1 241 627	1 006
RUB denominated		
Russian government bonds	3 723 921	2 086 987
Corporate and bank bonds	264 479	317 668
Trading securities	5 230 027	2 405 661

As at 30 June 2017 included in trading securities are Russian government bonds sold under repurchase agreements with credit institutions and customers in the amount of RUB 190 803 thousand (31 December 2016: RUB 1 251 058 thousand) (see Notes 12 and 13 for details).

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	30 June 2017 (unaudited)	31 December 2016
Current accounts with credit institutions	79 181 401	63 506 296
Time deposits	169 766 153	152 597 280
Reverse repurchase agreements with credit institutions	68 665 859	47 114 687
Obligatory reserve with the CBR	9 160 196	6 281 907
Amounts due from credit institutions	326 773 609	269 500 170

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 30 June 2017 there are four counterparties with balances that individually exceed 10% of the Group's equity. As at 30 June 2017 the aggregate amount of these balances is RUB 262 358 265 thousand (31 December 2016: four counterparties with aggregate amount of RUB 209 676 322 thousand).

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

7. Amounts due from credit institutions (continued)

As at 30 June 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 74 694 355 thousand (31 December 2016: Russian government bonds, corporate and bank bonds with total fair value of RUB 51 220 959 thousand). As at 30 June 2017 Russian government bonds with the total fair value of RUB 4 772 760 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 condensed interim consolidated statement of financial position.

8. Derivative financial instruments

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

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

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

	30 June 2017 (unaudited)			31 December 2016		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cross-currency interest rate swaps	230 111 157	32 666 261	9 806 821	153 530 305	32 134 361	9 703 950
Interest rate swaps and options	284 233 354	6 599 438	4 696 770	289 931 675	5 185 775	5 367 478
Foreign exchange forwards, options and swaps	101 916 022	2 024 490	1 478 813	63 876 941	3 937 460	1 785 739
Total derivative assets/liabilities		41 290 189	15 982 404		41 257 596	16 857 167

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

	30 June 2017 (unaudited)			31 December 2016		
	Notional principal	Fair value		Notional principal	Fair value	
		Asset	Liability		Asset	Liability
Cash flow hedge						
Interest rate swaps	309 817 168	516 499	1 325 831	175 505 135	641 415	442 417
Cross-currency interest rate swaps	101 946 611	5 170 925	3 771 184	122 032 005	9 786 243	3 589 904
Total cash flow hedge		5 687 424	5 097 015		10 427 658	4 032 321
Fair value hedge						
Interest rate swaps	439 006 969	1 938 922	6 806 478	552 263 450	2 311 170	8 306 386
Total fair value hedge		1 938 922	6 806 478		2 311 170	8 306 386
Total derivative financial assets/liabilities designated for hedging		7 626 346	11 903 493		12 738 828	12 338 707

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

9. Loans to customers

Loans to customers comprise:

	30 June 2017 (unaudited)	31 December 2016
Corporate customers	522 254 356	568 915 558
Retail customers, including SME	131 038 860	126 628 456
Lease receivables	17 923 346	15 639 280
Reverse repurchase agreements with companies	12 592 871	11 082 381
Gross loans to customers	683 809 433	722 265 675
Less: Allowance for loan impairment	(42 549 263)	(45 254 751)
Loans to customers	641 260 170	677 010 924

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

	Three-month period ended 30 June		Six-month period ended 30 June	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Allowance for loan impairment at the beginning of the period	42 225 978	36 436 090	45 254 751	33 448 792
Charge for the period	1 396 750	3 886 264	3 054 383	7 900 478
Loans sold or recovered through repossession of collateral during the period	(703 058)	-	(2 539 884)	(9 012)
Loans written-off during the period	(770 968)	(389 585)	(3 080 028)	(747 557)
Effect of exchange rate changes	400 561	(482 975)	(139 959)	(1 142 907)
Allowance for loan impairment at the end of the period	42 549 263	39 449 794	42 549 263	39 449 794

During the six-month period ended 30 June 2017, the Group sold under the cession agreement corporate and retail loans in the gross amount of RUB 3 779 557 thousand (the six-month period 2016: RUB 52 371 thousand). Part of these loans in the gross amount of RUB 2 358 925 thousand (the six-month period 2016: none) have been sold to a related party, the rest is sold to the third parties.

Write-off and sale of loans. The decision to write-off the loan is made by the authorized body of the Group. Loans are written-off after receiving all necessary documentation from the authorized state bodies, as well as under the conditions where further debt collection is not possible.

The decision to sell the loans is taken individually for each case, for both corporate and retail loans. The decision is taken by the authorized body of the Group based on the analysis of all possible alternative strategies for debt collection, the main criterion for the adoption of which is to minimize the losses of the Group's impaired assets.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

9. Loans to customers (continued)

The following table shows gross loans and related impairment as at 30 June 2017 (unaudited):

	Gross loans	Impairment	Net loans
Corporate customers			
Loans for which no indications of impairment have been identified on an individual basis, not past due	479 627 425	(1 934 924)	477 692 501
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	3 602 646	(37 336)	3 565 310
- Past due 31-90 days	37 649	(1 108)	36 541
Impaired loans			
- Not past due	6 489 357	(3 404 269)	3 085 088
- Past due less than 31 days	58 086	(11 617)	46 469
- Past due 31-90 days	1 216 756	(231 754)	985 002
- Past due 91-180 days	1 022 957	(488 618)	534 339
- Past due over 180 days	30 199 480	(23 721 515)	6 477 965
Total loans to corporate customers	522 254 356	(29 831 141)	492 423 215
Retail customers			
Standard loans, not past due	110 476 517	(606 862)	109 869 655
Standard loans, past due			
- Past due less than 31 days	2 598 070	(139 011)	2 459 059
- Past due 31-90 days	932 916	(165 193)	767 723
- Past due 91-180 days	200 440	(81 486)	118 954
- Past due over 180 days	19 544	(4 686)	14 858
Impaired loans			
- Not past due	149 949	(704)	149 245
- Past due less than 31 days	108 913	(6 240)	102 673
- Past due 31-90 days	115 036	(19 973)	95 063
- Past due 91-180 days	633 135	(288 402)	344 733
- Past due over 180 days	15 804 340	(11 150 067)	4 654 273
Total loans to retail customers	131 038 860	(12 462 624)	118 576 236
Lease receivables			
Loans for which no indications of impairment have been identified on an individual basis, not past due	17 028 892	(59 541)	16 969 351
Loans for which no specific impairment is identified on an individual basis, past due			
- Past due less than 31 days	226 973	(1 197)	225 776
- Past due 31-90 days	297 689	(1 350)	296 339
Impaired loans			
- Not past due	78 299	(24 599)	53 700
- Past due less than 31 days	27 496	(17 819)	9 677
- Past due 31-90 days	61 326	(24 240)	37 086
- Past due 91-180 days	134 703	(69 451)	65 252
- Past due over 180 days	67 968	(57 301)	10 667
Total lease receivables	17 923 346	(255 498)	17 667 848
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	12 592 871	-	12 592 871
Total loans to customers	683 809 433	(42 549 263)	641 260 170

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 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
Corporate customers			
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
Total loans to corporate customers	568 915 558	(31 118 351)	537 797 207
Retail customers			
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
Total loans to retail customers	126 628 456	(13 923 587)	112 704 869
Lease receivables			
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
Total lease receivables	15 639 280	(212 813)	15 426 467
Reverse repurchase agreements with companies			
Loans for which no indications of impairment have been identified on an individual basis, not past due	11 082 381	-	11 082 381
Total loans to customers	722 265 675	(45 254 751)	677 010 924

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

9. Loans to customers (continued)

As at 30 June 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 13 399 321 thousand (31 December 2016: Russian government bonds, corporate and bank bonds with total fair value of RUB 11 813 289 thousand).

As at 30 June 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 30 June 2017 the Group had RUB 175 902 819 thousand due from its ten largest borrowers (26% of gross loan portfolio) (31 December 2016: RUB 178 362 658 thousand or 25%). An allowance of RUB 112 630 thousand was recognized against these loans (31 December 2016: RUB 158 765 thousand).

As at 30 June 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 30 June 2017 the gross amount of these loans is RUB 97 862 725 thousand (31 December 2016: RUB 103 353 608 thousand).

Included in retail loans as at 30 June 2017 are mortgage loans with gross amount of RUB 2 235 355 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:

	30 June 2017 (unaudited)	31 December 2016
Debt and other fixed income investments available-for-sale		
USD denominated		
Russian government eurobonds	19 885 576	16 248 295
RUB denominated		
Russian government bonds	26 298 474	34 972 838
Corporate and bank bonds	5 799 575	9 285 735
Total debt and other fixed income investments available-for-sale	51 983 625	60 506 868
Equity investments available-for-sale		
RUB denominated		
Equity investments in financial institutions	116 945	116 945
EUR denominated		
Equity investments in financial institutions	2 707	2 707
Total equity investments available-for-sale	119 652	119 652
Total available-for-sale securities	52 103 277	60 626 520

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

10. Investment securities (continued)

As at 30 June 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 8 306 872 thousand (31 December 2016: RUB 19 704 611 thousand) (see Notes 12 and 13 for details).

As at 30 June 2017 and 31 December 2016, held-to-maturity securities comprise:

	30 June 2017 (unaudited)		31 December 2016	
	Nominal value	Carrying value	Nominal value	Carrying value
Russian government bonds, RUB denominated	15 000 000	15 876 282	15 000 000	15 935 005
Russian government eurobonds, USD denominated	13 802 373	14 541 792	14 169 452	14 982 265
Held-to-maturity securities	28 802 373	30 418 074	29 169 452	30 917 270

As at 30 June 2017 there were no held-to-maturity securities sold under repurchase agreements (31 December 2016: RUB 212 666 thousand sold under repurchase agreements with credit institutions).

As at 30 June 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 1 054 776 thousand (31 December 2016: RUB 1 058 015 thousand). As at 30 June 2017 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 30 June		Six-month period ended 30 June	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Current tax charge	1 740 022	1 111 785	3 310 044	1 303 526
Deferred tax charge – (reversal)/ origination of temporary differences	(552 390)	98 515	(673 900)	830 124
Income tax expense	1 187 632	1 210 300	2 636 144	2 133 650

Tax effect relating to components of other comprehensive income comprises:

	Three-month period ended 30 June 2017 unaudited			Three-month period ended 30 June 2016 unaudited		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(521 450)	104 290	(417 160)	(810 456)	162 091	(648 365)
Revaluation reserve for available-for-sale securities	220 995	(44 199)	176 796	1 760 486	(352 097)	1 408 389
Other comprehensive income	(300 455)	60 091	(240 364)	950 030	(190 006)	760 024

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

11. Taxation (continued)

	Six-month period ended 30 June 2017 (unaudited)			Six-month period ended 30 June 2016 (unaudited)		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	(834 013)	166 803	(667 210)	(1 283 602)	256 720	(1 026 882)
Revaluation reserve for available-for-sale securities	407 356	(81 471)	325 885	3 231 969	(646 394)	2 585 575
Other comprehensive income	(426 657)	85 332	(341 325)	1 948 367	(389 674)	1 558 693

12. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	30 June 2017 (unaudited)	31 December 2016
Current accounts	6 376 797	13 000 015
Time deposits and loans	28 086 761	90 394 448
Repurchase agreements with credit institutions (Notes 6 and 10)	7 021 141	19 536 126
Subordinated debt (Note 18)	28 414 217	29 178 071
Amounts due to credit institutions	69 898 916	152 108 660

As at 30 June 2017, the ten largest deposits, excluding subordinated debt, represented 76% of total amounts due to credit institutions (31 December 2016: 81%).

As at 30 June 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.

13. Amounts due to customers

The amounts due to customers include the following:

	30 June 2017 (unaudited)	31 December 2016
Current accounts	227 444 839	170 163 667
Time deposits	619 528 645	608 799 120
Repurchase agreements with customers (Notes 6 and 10)	971 504	139 115
Amounts due to customers	847 944 988	779 101 902

As at 30 June 2017, approximately 45% of total amounts due to customers were placed with the Group by its ten largest customers (31 December 2016: 51%).

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

13. Amounts due to customers (continued)

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

	30 June 2017 (unaudited)	31 December 2016
Corporate		
Current accounts	125 485 855	74 155 567
Time deposits	485 213 016	491 668 933
Repurchase agreements with customers (Notes 6 and 10)	971 504	139 115
Total corporate accounts	611 670 375	565 963 615
Retail		
Current accounts	101 958 984	96 008 100
Time deposits	134 315 629	117 130 187
Total retail accounts	236 274 613	213 138 287
Amounts due to customers	847 944 988	779 101 902

Included in retail time deposits are deposits of individuals in the amount of RUB 119 888 584 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 14 427 045 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 30 June 2017 (unaudited)	Carrying value at 31 December 2016
UniCredit Bank, 02-IP	23.09.2015	16.09.2020	RUB	12.35	4 135 360	4 136 680
UniCredit Bank, BO-10	26.11.2013	20.11.2018	RUB	9.20	2 323 061	2 323 635
UniCredit Bank, BO-22	12.08.2014	06.08.2019	RUB	9.00	46 699	46 710
UniCredit Bank, BO-21	23.05.2014	17.05.2019	RUB	9.00	817	818
UniCredit Bank, BO-11	26.11.2014	20.11.2019	RUB	9.10	3	3
Debt securities issued					6 505 940	6 507 846

As at 30 June 2017 mortgage-backed bonds (UniCredit Bank, 02-IP) with the carrying value of RUB 4 135 360 thousand (31 December 2016: RUB 4 136 680 thousand) are secured by a pool of mortgage loans with the carrying value of RUB 2 235 355 thousand (31 December 2016: RUB 2 178 317 thousand) and by cash in the amount of RUB 2 451 354 thousand (31 December 2016: RUB 2 050 000) (see Notes 5 and 9 for details).

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

15. Credit related commitments and contingencies

Credit related commitments and contingencies include the following:

	30 June 2017 (unaudited)	31 December 2016
Guarantees issued	132 068 923	119 536 553
Undrawn loan commitments	57 566 395	85 116 393
Undrawn commitments to issue documentary instruments	50 609 616	80 833 286
Letters of credit	36 796 149	34 295 027
Gross credit related commitments and contingencies	277 041 083	319 781 259
Provisions for credit related commitments and contingencies	(1 493 237)	(369 951)
Total credit related commitments and contingencies	275 547 846	319 411 308

As at 30 June 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, businesspersons 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:

	Three-month period ended 30 June		Six-month period ended 30 June	
	2017 (unaudited)	2016 (unaudited)	2017 (unaudited)	2016 (unaudited)
Net gains from trading securities	(122 063)	27 096	(207 114)	109 598
Net gains from foreign exchange, interest based derivatives and translation of other foreign currency assets and liabilities	1 080 813	1 923 371	1 462 406	2 661 638
Gains on financial assets and liabilities held for trading	958 750	1 950 467	1 255 292	2 771 236

17. Fair value 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.

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

	30 June 2017 (unaudited)		
	Level 1	Level 2	Total
Financial assets measured at fair value			
Trading securities			
- held by the Group	3 928 350	1 110 874	5 039 224
- pledged under repurchase agreements	59 915	130 888	190 803
Derivative financial assets	-	41 290 189	41 290 189
Derivative financial assets designated for hedging	-	7 626 346	7 626 346
Available-for-sale securities			
- held by the Group	37 877 180	5 799 573	43 676 753
- pledged under repurchase agreements	8 306 872	-	8 306 872
Total	50 172 317	55 957 870	106 130 187
Financial liabilities measured at fair value			
Financial liabilities held for trading	-	4 772 760	4 772 760
Derivative financial liabilities	-	15 982 404	15 982 404
Derivative financial liabilities designated for hedging	-	11 903 493	11 903 493
Total	-	32 658 657	32 658 657
31 December 2016			
	Level 1	Level 2	Total
Financial assets measured at fair value			
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
Total	51 222 140	65 686 813	116 908 953
Financial liabilities measured at fair value			
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
Total	221 162	33 318 864	33 540 026

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 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 six-month period ended 30 June 2017 the transfers from level 2 to level 1 amounted to RUB 2 548 987 thousand for trading securities. During the six-month period ended 30 June 2016 there were no transfers between level 1 and level 2 for trading securities.

During the six-month period ended 30 June 2017 and 2016 there were no transfers between level 1 and level 2 for 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.

	30 June 2017		31 December 2016	
	Carrying value (unaudited)	Fair value (unaudited)	Carrying value	Fair value
Financial assets				
Amounts due from credit institutions	326 773 609	328 585 156	269 500 170	267 787 810
Loans to customers	641 260 170	660 428 852	677 010 924	692 396 971
Investment securities held-to-maturity				
- held by the Group	30 418 074	31 521 833	30 704 604	31 241 702
- pledged under repurchased agreements	-	-	212 666	223 919
Financial liabilities				
Amounts due to credit institutions	69 898 916	85 533 690	152 108 660	172 195 958
Amounts due to customers	847 944 988	856 759 274	779 101 902	792 735 879
Debt securities issued	6 505 940	6 637 282	6 507 846	6 701 406

As at 30 June 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 30 June 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 six-month period ended 30 June 2016 are disclosed as transactions with other companies controlled by the UniCredit Group or related with UniCredit Group.

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

18. Related party disclosures (continued)

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

	30 June 2017 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2016	Weighted average interest rate, %
Amounts due from credit institutions				
- In EUR	168 745	0.0%	723 315	0.0%
- In USD	130 921 618	3.7%	129 316 571	3.7%
Derivative financial assets	3 299 280		2 553 939	
Derivative financial assets designated for hedging	4 434 234		9 806 496	
Other assets	190 032		9 600	
Amounts due to credit institutions				
Time deposits and loans				
- In Russian Roubles	-	-	4 541 116	8.9%
- In EUR	653 446	1.7%	559 879	1.7%
- In USD	28 414 217	11.4%	29 178 071	10.9%
Current accounts				
- In Russian Roubles	978 311	0.0%	29 758	0.0%
- In EUR	-	-	291 734	0.0%
Derivative financial liabilities	4 637 039		1 815 514	
Derivative financial liabilities designated for hedging	2 369 990		825 002	
Other liabilities	378 617		566 535	
Commitments and guarantees issued	4 761 114		3 655 456	
Commitments and guarantees received	38 120 602		54 328 186	

	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Interest income and similar revenues	8 714 057	6 920 704
Interest expense and similar charges	(2 887 748)	(2 321 394)
Fee and commission income	13 177	12 352
Fee and commission expense	(337 225)	(1 070 086)
(Losses)/gains on financial assets and liabilities held for trading	(4 937 203)	5 143 364
Fair value adjustments in portfolio hedge accounting	(342 530)	(18 267)
Recovery of personnel expenses	5 439	50 460
Other administrative expenses	(30 266)	(56 607)

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

	30 June 2017 (unaudited)	Weighted average interest rate, % (unaudited)	31 December 2016	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	10 732 137	10.9%	14 408 535	11.8%
- In EUR	53 491 630	0.0%	10 233 164	0.0%
- In USD	1 100 203	3.0%	920 582	3.2%
- In other currencies	1 573	0.0%	2 530	0.0%
Derivative financial assets	1 496 201		1 121 258	
Derivative financial assets designated for hedging	3 109 360		2 230 501	
Loans to customers				
- In Russian Roubles	1 487 117	5.8%	1 073 115	5.0%
Intangible assets	185 513		793 973	
Other assets	5 485		191 086	
Amounts due to credit institutions				
Time deposits and loans				
- In Russian Roubles	182 500	7.8%	4 993 013	9.6%
- In EUR	4 458 408	1.8%	4 851 600	1.3%
- In USD	4 186 230	2.4%	5 633 880	2.7%
Current accounts				
- In Russian Roubles	1 255 854	0.0%	2 677 374	0.0%
- In EUR	8 702	0.0%	8 039	0.0%
- In USD	42 539	0.0%	42 522	0.0%
- In other currencies	113	0.0%	399	0.0%
Derivative financial liabilities	3 589 880		7 623 102	
Derivative financial liabilities designated for hedging	2 692 718		3 889 376	
Amounts due to customers				
- In Russian Roubles	861 273	8.8%	338 307	9.0%
- In EUR	1	0.0%	148 513	0.0%
Other liabilities	267 638		1 318 124	
Commitments and guarantees issued	6 415 404		9 504 684	
Commitments and guarantees received	6 359 595		3 556 535	

	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Interest income and similar revenues	1 595 098	3 508 289
Interest expense and similar charges	(1 418 161)	(2 006 699)
Fee and commission income	113 383	46 155
Fee and commission expense	(84 938)	(32 466)
Gains on financial assets and liabilities held for trading	455 711	396 262
Fair value adjustments in portfolio hedge accounting	196 715	341 190
Other income	242	242
Personnel expenses	(10 228)	(29 236)
Other administrative expenses	(94 192)	(116 495)

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Selected Notes to Condensed Interim Consolidated Financial Statements for the Six-Month Period Ended 30 June 2017 (continued) (in thousands of Russian Roubles)

18. Related party disclosures (continued)

Balances and transactions with key management personnel are as follows:

	30 June 2017 (unaudited)	31 December 2016
Amounts due to customers	333 853	312 193
Other liabilities	48 649	43 531

	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
Interest expense	(7 055)	(7 246)
Personnel expenses, including:	(177 335)	(151 186)
short-term benefits	(109 399)	(98 742)
long-term benefits	(66 746)	(51 796)
post-employment benefits	(1 190)	(648)

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

	Six-month period ended 30 June 2017 (unaudited)	Six-month period ended 30 June 2016 (unaudited)
	UniCredit S.p.A.	UniCredit S.p.A.
Subordinated loans at the beginning of the period	29 178 071	51 091 697
Accrual of interest, net of interest paid	(8 168)	(26 319)
Effect of exchange rates changes	(755 686)	(5 845 259)
Subordinated loans at the end of the period	28 414 217	45 220 119

Проинформировано, пронумеровано и
скреплено печатью 34 страниц



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