Do the right thing!

2020

Annual Report

Banking that matters. | UniCredit Bank

Do the right thing!
For the Real Economy

We quickly took decisive actions to support the backbone of the real economy in Europe: small and medium sized enterprises.

AWARDED ‘WORLD'S BEST BANK FOR SMES’

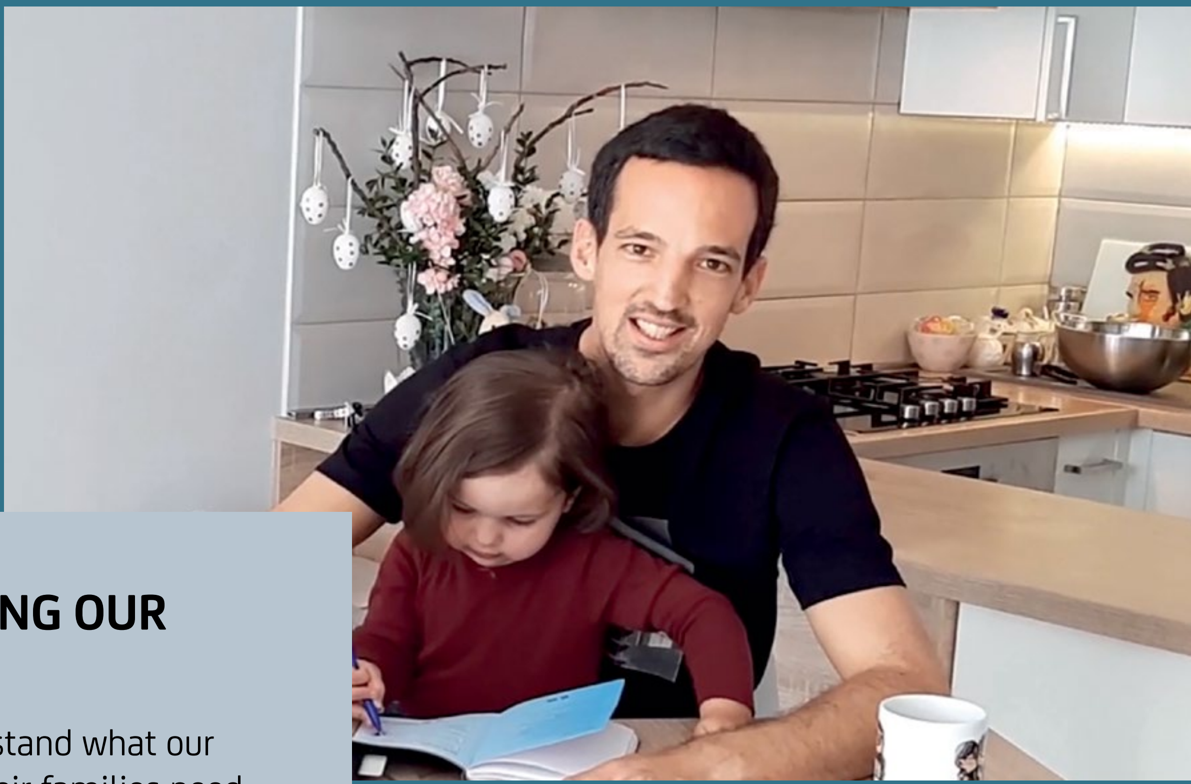
In October, UniCredit was awarded ‘Best Bank for SMEs’ by Global Finance magazine in its World’s Best Global Banks Awards. This was based on our performance over the past year, based on criteria including reputation and management excellence.

Financial Highlights

	2020	2019	change 2020-2019
ASSETS AT THE END OF THE YEAR, RUB million			
Total assets, including	**1 281 932**	**1 226 449**	**4.5%**
Loans to customers	646 036	733 771	-12.0%
Securities	115 946	139 006	-16.6%
LIABILITIES AT THE END OF THE YEAR, RUB million			
Total liabilities, including	**1 067 413**	**1 013 220**	**5.3%**
Amounts due to customers	945 130	861 627	9.7%
Amounts due to credit institutions	29 103	96 509	-69.8%
Total Equity	**214 519**	**213 229**	**0.6%**
CAPITAL (CB RF), RUB million			
Total capital	**206 860**	**223 749**	**-7.5%**
CAPITAL (BASEL II AND BASEL III) AT THE END OF THE YEAR, RUB million			
Total capital	**202 393**	**220 164**	**-8.1%**
PROFIT FOR THE YEAR, RUB million			
Net interest income	39 441	41 074	-4.0%
Non-interest income	9 345	10 330	-9.5%
Operating income	**48 786**	**51 404**	**-5.1%**
Allowance for expected credit losses	-16 606	-10 798	53.8%
Net income from financial activities	**32 180**	**40 606**	**-20.7%**
Operating costs	-22 620	-19 815	14.2%
Share of gains of associate	1 392	1 263	10.2%
Losses on fixed assets measured at fair value	-11	0	-
Gains on disposal of fixed assets	2	5	-56.5%
Profit before income tax expense	**10 944**	**22 059**	**-50.4%**
Income tax expense	-1 990	-4 358	-54.3%
Total profit for the year	**8 954**	**17 701**	**-49.4%**
KEY PERFORMANCE INDICATORS			
Return on average equity (ROE)	4.2%	8.7%	
Return on average assets (ROA)	0.7%	1.4%	
Total capital ratio (Basel II and Basel III)	23.5%	20.0%	
Central Bank of Russia N1 capital adequacy ratio	18.8%	18.1%	
Cost/income ratio	46.4%	38.5%	
STAFF			
FTE	3 843	4 085	-5.9%
GEOGRAPHY			
Branches in Moscow	32	38	-16%
Regional branches	49	52	-6%
RepOffices	9	10	-10%
Offices in CIS	1	1	0%
Total Number of Offices	**91**	**101**	**-10%**

Do the right thing!
For our Colleagues

Throughout 2020, we focused on protecting our people: we provided them with millions of PPE items and fast IT upgrades, rolling out new laptops and remote access to around 80,000 UniCredit employees, to make sure they could work safely and effectively.



PROTECTING OUR PEOPLE

To best understand what our people and their families need to face the Covid-19 crisis, UniCredit created a Family Board: the 20-person team meets regularly to define solutions and recommendations in terms of flexibility, wellbeing and other support (i.e. homeschooling/ homework).

Contents

"I am very proud of everything that we have achieved at UniCredit, over the past few years, especially in 2020."

Chief Executive Officer's message

Jean Pierre Mustier
CHIEF EXECUTIVE OFFICER
UNICREDIT S.P.A.

Dear Shareholders,

The year 2020 was a big shock for all of us. We faced new challenges with the benefit of a strong balance sheet, thanks to all the great work done by our teams. We were able to assist and support our clients and team members, while protecting them.

The needs of our clients changed even faster, so we accelerated the transformation of the Group already planned for in Team 23. All transformation requires courage and 2020 has been a year where our team members have shown extraordinary commitment. In UniCredit, we celebrated our branch heroes, who supported our customers throughout the lockdowns. We continue to collect their stories and those of other teams, across the Group, to discover how we have been, and are still, facing these unprecedented times. The health and safety of our team members and clients has always been and will remain our top priority.

Outside the Group, we also supported heroes in the medical sectors by supporting medical innovation, such as the CURA pod prototype, as well as offering zero interest rate loans and donating millions to hospitals and the healthcare services in several of our countries.

UniCredit in 2020: Do the right thing!

I am very proud of everything that we have achieved at UniCredit, over the past few years, especially in 2020. Thanks to our strong position, and our people, we were able to be part of the solution during a very challenging year.

Throughout the health emergency, we remained open for business and continued to serve customers in all our countries, while keeping them and our people safe. We did this by accelerating the switch to digital and remote banking. We made decisions quickly, based on data, to protect colleagues and clients. We rolled out new laptops and VPN access to give around 80,000 UniCredit employees the possibility of working remotely. We unlocked potential by giving our people the opportunity to work safely and effectively, while making sure they could continue to contribute.

While all this began as a response to the health crisis, the ongoing situation led to pronounced changes in our clients' mindset, behaviours and needs, as well as developments in our own. The Covid-19 pandemic created a need and an opportunity to accelerate our transformation.

We are now investing to make sure that these improvements are long-lasting. For example, we are rolling out training to help our people lead remote teams and manage hybrid working. We will also continue to support our employees with a new welfare and wellness offer: work-life balance will be increasingly important in the future.

At the same time, human interactions will remain key to our Group culture. Our strong working relationships are one of the reasons why UniCredit has been able to work remotely so effectively over the past few months. The workplace will continue to be an important element of our lives, and while things will certainly be different, the change may be less extreme than some might think.

In 2020, we made important contributions to our communities and the real economy. These include our Social Impact Banking, which started in Italy in 2017 and has since been extended to 10 other Group countries. As at the end of 2020, we had disbursed well over €225 million to support nearly 4,400 projects and microenterprises that make a social impact. We remain on track to meet our goal of providing €1 billion of social impact financing by 2023.

We also responded to the health and economic emergency with a wide range of volunteering initiatives and donations, including millions of euros donated by UniCredit employees and customers and the UniCredit Foundation. You can read about some of these activities later in this report and on our website.

All this was possible thanks to our corporate culture, which is based on two values, Ethics and Respect, and our commitment to always **Do the Right Thing!** This guiding principle governs our interactions with all our stakeholders.

Ethics & Respect

Do the right thing!

In 2020, we continued to lead most international peers on governance, such as pay practices and board structure. We are the only bank in Italy with an EE+ rating from Standard Ethics, recognised as a European excellence in terms of sustainability.

This is all thanks to our concrete ESG actions, such as the launch of our new coal policy, that commits UniCredit to ending all coal financing by 2028. We also ranked number one globally for sustainability-linked loans by Bloomberg* and were awarded Best Social Impact Bank in Europe by Capital Finance International. UniCredit will soon be launching other new initiatives, in line with our ESG strategy.

With our management leading by example, we will continue to build a sustainable future, where environmental, social and governance factors are essential for long-term growth. At UniCredit, sustainability is part of our DNA. We say what we do and do what we say, and we always favour long-term sustainable outcomes over short-term solutions. We will continue to support our clients, communities, partners and the industry at large, in becoming increasingly sustainable.

*as at 3Q 2020.

One Bank One UniCredit

Team 23: focused on our customers

Our strategy remains **“One Bank, One UniCredit”** and our mission is unchanged: UniCredit is a simple successful pan-European commercial bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to our extensive and growing client franchise. We will continue to build on our existing competitive advantages.

In 2020, we continued to focus on the four strategic pillars we introduced to investors at our Capital Markets Day in 2019.

- Grow and strengthen client franchise
- Transform and maximise productivity
- Disciplined risk management & controls
- Capital and balance sheet management

As mentioned earlier, the Covid-19 pandemic accelerated the change in our clients’ behaviours. We responded to this by speeding up our own digital transformation, so that we can continue to support their evolving needs. UniCredit is a multi-channel bank and we have made good progress in the areas of mobile banking, call centres, internet banking and paperless branches. Our goal is to transition towards a true omni-channel approach that will provide all UniCredit clients with the same customer experience, whichever channels they prefer to use.

We maintained a very strong capital level at all times, continuing our disciplined management of the business to sustain our liquidity levels, focused on high asset quality. It is this strength and discipline – together with the successful completion of our **Transform 2019** strategy – that allowed us to keep supporting our clients and communities when they needed us most.

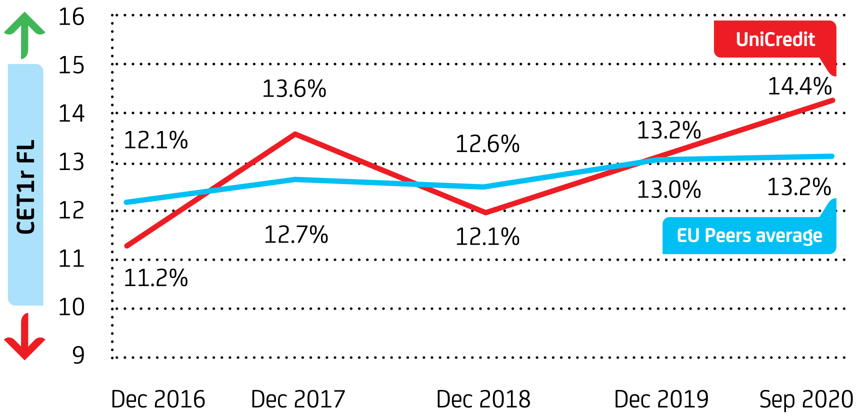
In 2020, we delivered an underlying net profit of €1.3bn, successfully navigating an extraordinary year from a position of strength. We delivered lower costs and provisions, with a stated cost of risk well within guidance, at 105bps. Our Non Core rundown is fully on track and we confirm the strength of our balance sheet, with very strong capital and liquidity positions. All this would not have been possible without your unwavering support and the steadfast commitment of UniCredit colleagues.

Looking to the future

As the world adjusts to the changes brought about and accelerated by the Covid-19 pandemic, there is a clear need for companies investing in a long-term vision that is shared with all their stakeholders. This includes the financial services industry: banks will continue to play a very important role in ensuring that local companies have access to adequate funding.

CET1r FL evolution

Common Equity Tier 1 ratio Fully Loaded evolution*



European Debt and Trade Finance Powerhouse

- **Most active player in EUR Bonds** since 2012 (no. 1 by number of deals)
- **No. 2 in EMEA** Bonds in EUR (by no of deals) in 2020 (no.1 in ITA, no. 1 in GER, no. 2 in AUT)
- **No. 1 Bookrunner EMEA** Corporate Loans in EUR (by no. of deals)
- **No. 4 Lead Bank Combined EMEA** Green and ESG-linked Loans and Bonds in EUR
- **In ECM:**
  - No. 1 all ECM transactions in Germany by no. of deals
  - No. 2 Equity-linked transactions in Italy

- **The Banker's Transaction Banking Awards 2020** – Best Bank for Supply Chain Finance
- **Euromoney Cash Management 2020 Survey** – Best Service Provider in Austria, Germany and Market Leader in Austria, Italy
- **Euromoney Trade Finance 2020 Survey** – Market Leader in Austria, Italy and Best Service in All Services in Western Europe, Austria, Italy
- **Global Finance's 2021 Treasury & Cash Management Awards** including CEE:
  - Best Bank for Liquidity Management in Central & Eastern Europe
  - Best Treasury & Cash Management Bank in Germany and Italy

*Source: Market Presentations and Reports. Peers' sample: Intesa Sanpaolo, Santander, BBVA, Deutsche Bank, Commerzbank, Société Générale, Credit Agricole SA, BNP Paribas, Erste, Raiffeisen, ING. Data: Year End figures; 2020 figures as of September 2020. Stated Common Equity Tier 1 ratio Fully Loaded where disclosed (for ING CET1r Transitional available only; Intesa San Paolo discloses Pro-forma CET1r FL, at 15.2% as of Sep20, at 14% excluding the mitigation of the impact of the FTA of IFRS9).

UniCredit has shown the importance of pan-European banks, combining strong global products and local excellence. Our long-term focus is on being One Bank. The Group will continue to leverage on technology to accelerate the digital and remote banking transformation, while focusing on sustainability: continuing to look beyond purely economic profit to consider social impact banking initiatives and other community support.

This is the last time that I will address you as the UniCredit CEO. I am very happy that Andrea Orcel is joining the Group as my successor. He will be supported by a fantastic team, loyal clients and supportive shareholders. My warmest regards go to all my outstanding colleagues, who have worked relentlessly to transform the bank. I am immensely proud of everything that we have achieved together.

UniCredit is a very strong bank and all our stakeholders can count on us. We will continue to **"Do the Right Thing!"** to support our clients, communities and our team members, in order to create value for our shareholders.

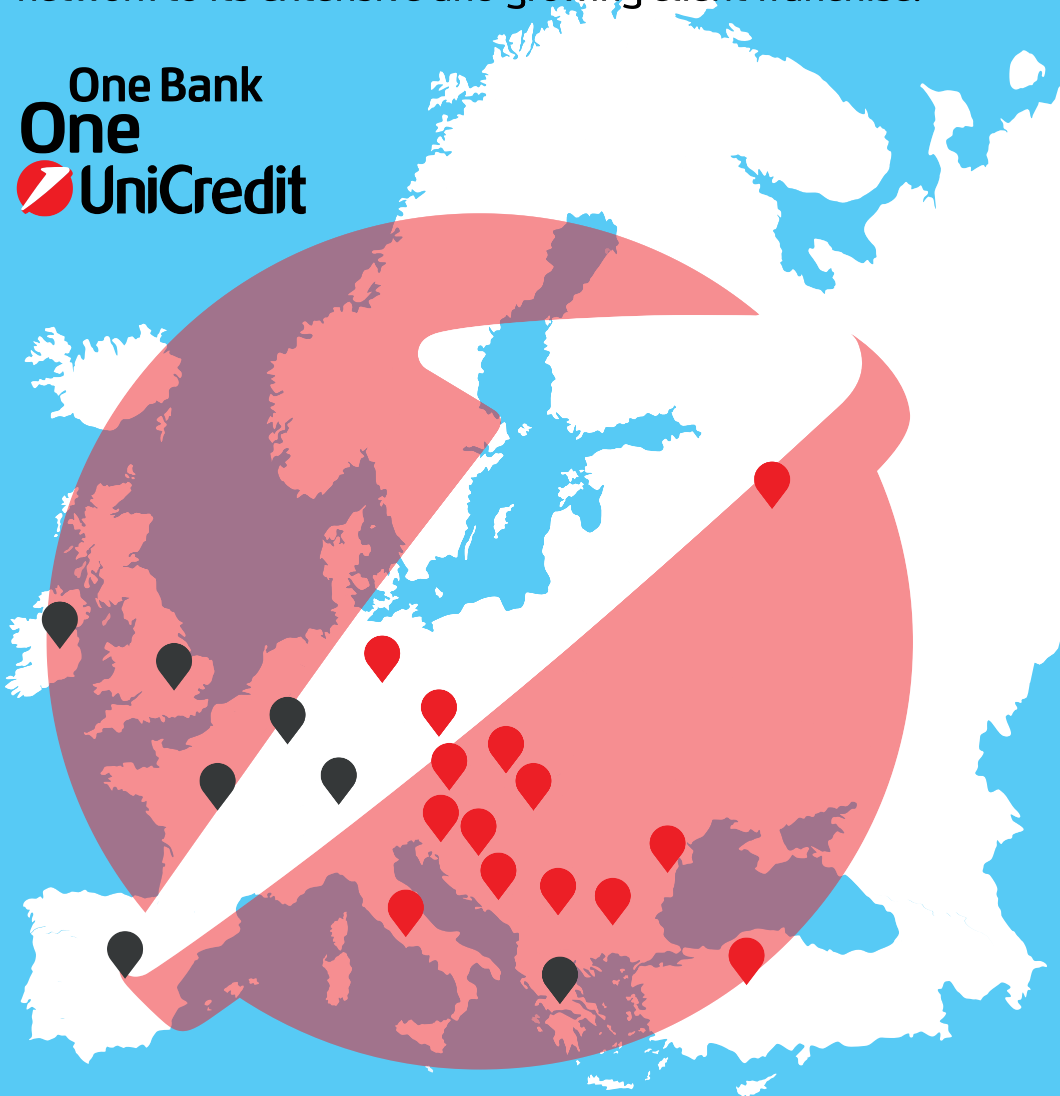
Thank you!

Jean Pierre Mustier
Chief Executive Officer UniCredit S.p.A.

At a glance

UniCredit is a simple successful Pan-European Commercial Bank, with a fully plugged in CIB, delivering a unique Western, Central and Eastern European network to its extensive and growing client franchise.

One Bank
One UniCredit



Commercial banks

International branches and representative

LARGE INTERNATIONAL PRESENCE WITH 13 CORE MARKETS AND 16 COUNTRIES WORLDWIDE

Austria
Bosnia and Herzegovina
Bulgaria
Croatia
Czech Republic
Germany
Hungary
Italy
Romania
Russia
Serbia
Slovakia
Slovenia

What we do
We meet real client needs with real solutions which harness synergies between our businesses: CIB, Commercial Banking and Wealth Management.

How we do it
By focusing on banking that matters, we offer local and international expertise, providing unparalleled access to market leading products and services in our core markets.

Our values

Ethics & Respect	Do the right thing!

Ethics and respect: these two values unite us and define our Group culture – how we make decisions and how we act on them. Do the right thing! is a simple, guiding principle to help us live these values every day, everywhere.

Strong global products and local excellence: well-diversified revenues

Our financial highlights

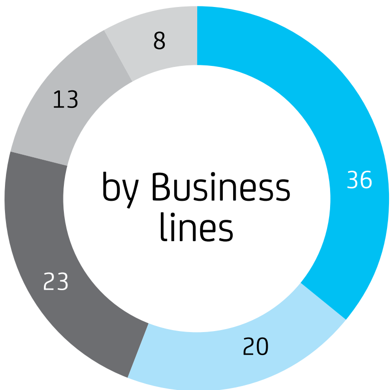
SHAREHOLDERS' EQUITY

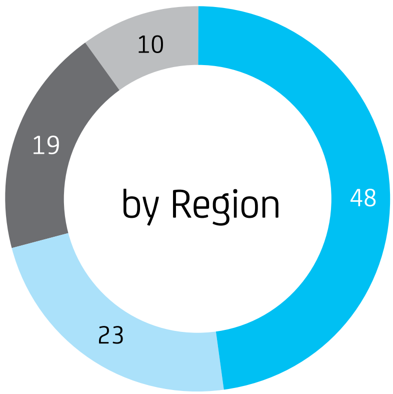
€59,507m

UNDERLYING NET PROFIT

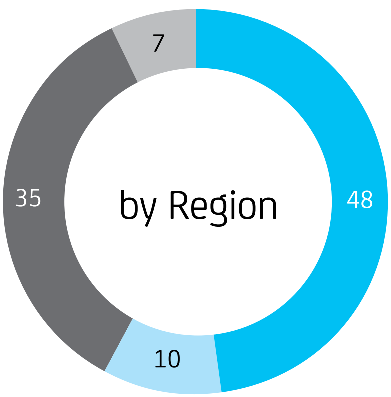
€2,785m

Revenues[1] (%)

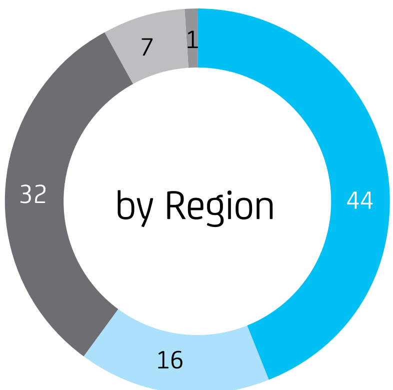




Customers[1] (%)

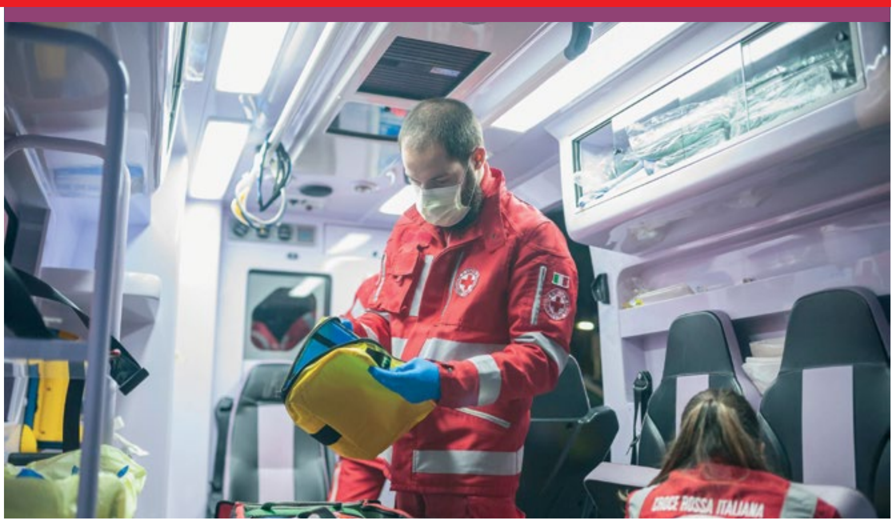


Employees[1] (%)*



1. Data as at December 31, 2020.
* FTE "Full Time Equivalent"= number of employees counted for the rate of presence.

Do the right thing!



€500,000 FOR THE RED CROSS

During the Covid-19 pandemic, UniCredit made donations to the Red Cross in Italy, Bosnia & Herzegovina, and Croatia.

"Your generous contribution will help, through our work, the entire Italian population forced to face this moment of emergency linked to the spread of the new Coronavirus. Thanks to your donation, the Italian Red Cross continues to expand, investing in services, resources and training for volunteers and operators to be alongside those who need it most".

Francesco Rocca
President of the Italian Red Cross

SUPPORTING MEDICAL INNOVATION

UniCredit provided €250,000 to build the first CURA Pod prototype, an intensive care unit made from a shipping container. The first unit was transported to Turin where it was used to treat Covid-19 patients.

MAKING AN IMPACT ACROSS EUROPE

UniCredit Social Impact Banking has now disbursed €225.1 million of impact financing and microcredit loans. New projects in 2020 included the launch of a dedicated offer in Italy to support female entrepreneurship and profit and non-profit businesses with a focus on women and the family, and financing for new facilities to support young people with disabilities in Germany.

SUPPORTING SOCIAL ENTREPRENEURSHIP

By partnering with **Finance 4 Social Change**, UniCredit's Social Impact Banking initiative is supporting social entrepreneurship as a driver of sustainable development in eight different UniCredit countries, including: Austria, Bulgaria, Croatia, Germany, Hungary, Romania, Serbia and Slovakia.

MILLIONS DONATED TO EUROPEAN HOSPITALS

Thanks to donations from UniCredit employees and the UniCredit Foundation, €1.2 million was raised to help hospitals in Italy. On top of this, UniCredit and its local banks donated more than €2.5 million to hospitals and healthcare services in Bulgaria, Czech Republic, Italy, Serbia and Slovakia.

For our Communities

Thanks to UniCredit's strong position, we were able to support communities in all of our countries. Formal initiatives such as UniCredit's Social Impact Banking and the UniCredit Foundation were supplemented by a wide range of volunteering activities and donations, including millions of euros donated by UniCredit employees and customers.

SUPPORTING ARTISTS AND LIVE MUSIC

UniCredit's smart phone bank, buddybank, launched **Niente Di Strano**, a series of six music concerts to support the Italian music industry. The live-streamed events attacted over 3 million YouTube views.

€1m

DONATED TO 11 SOCIAL AND CULTURAL ORGANISATIONS IN GERMANY

SHARING INSIGHTS

In 2020, UniCredit launched several success initiatives to support clients. These include **STARTUP ACADEMY**, a managerial programme for 60 Italian startups, a series of events focused on the ESG aspects of corporate financing attended by over 1,100 clients from Italy, Germany, Austria and the CEE, and **ITALY TECH DAY 2020**, an annual event to showcase Italian innovation and support the startup industry.

SUPPORTING ECOMMERCE

UniCredit partnered with Google to develop **UniCredit Easy ECommerce** to help Italian companies access digital markets and boost their B2C e-commerce. Only 30% of Italian companies have an e-commerce website and just 10% currently sell online, creating a huge digital opportunity.

For our Clients

2020 was a challenging year for clients of all sizes. From billion euro funding programmes for multinational companies to mentoring new start-up businesses, UniCredit was committed to being part of the solution.

€10 MILLION OF NEW FINANCING FOR A 100-YEAR OLD PASTA MAKER

The loan was used to meet the working capital needs of Gragnano-based Pastificio Di Martino. It was also the first large loan issued in under Italy's guaranteed loans programme.

“Thanks to this deal, we can better absorb the shock to our production chain from the spread of Covid-19, meet our working capital needs and ensure the continuity of operations and the supply of our products”.

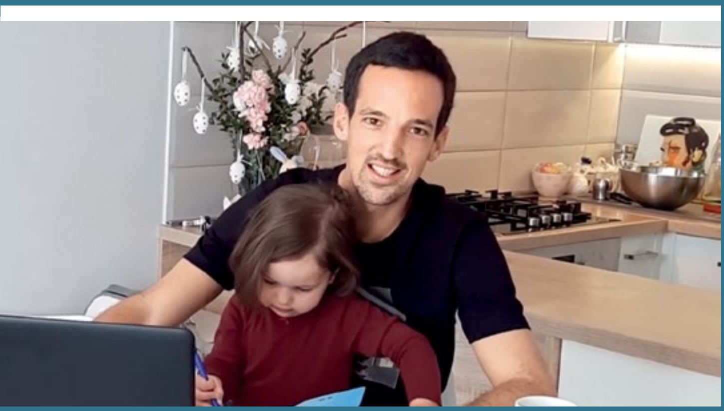
Giuseppe Di Martino
Owner of Pastificio Di Martino

ACCESSING CAPITAL MARKETS

UniCredit continued to help clients access capital markets including those of the Republic of Austria, the Free State of Bavaria, the German State of North Rhine Westphalia and the European Investment Bank. UniCredit also supported the Italian Ministry of Finance with record breaking BTP issuance to help the country fund it's pandemic response and was joint bookrunner on a €17 billion social bond for the EU.

STAYING ON TRACK WITH €600 MILLION

UniCredit supported Italy's state-owned railways operator - Ferrovie dello Stato - by raising €600 million of new funding. This included a €200 million ESG loan to fund new electric trains and upgrade on-board safety systems.



BEING THERE FOR FAMILIES

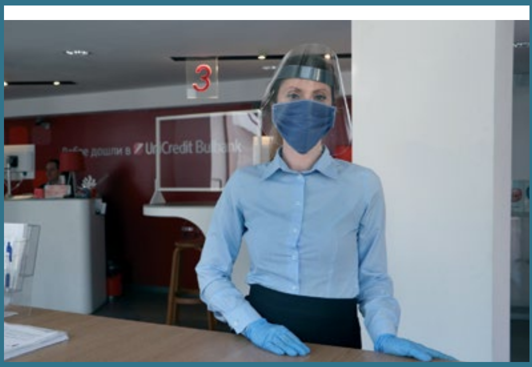
To ensure the bank understood individual and family needs stemming from the Covid-19 crisis and identify possible solutions, UniCredit formed a new Family Board. The 20 person team meets regularly and has made a series of recommendations, on flexibilities, psycho-physical wellbeing, homeschool/homework support.

NEW WAYS OF WORKING

In October, UniCredit and the UniCredit European Works Council signed a joint declaration on remote work. This will allow the Group to extend the opportunities offered by technological advancements and enable new ways of working to support a better work-life balance and greater efficiency.

For our Colleagues

Throughout 2020, we made decisions quickly to protect our colleagues. We distributed millions of items of PPE to our branches and offices, and with fast IT upgrades, we rolled out new laptops and remote access to around 80,000 UniCredit employees, allowing them to work safely and effectively.



SUPPORTING OUR BRANCH HEROES

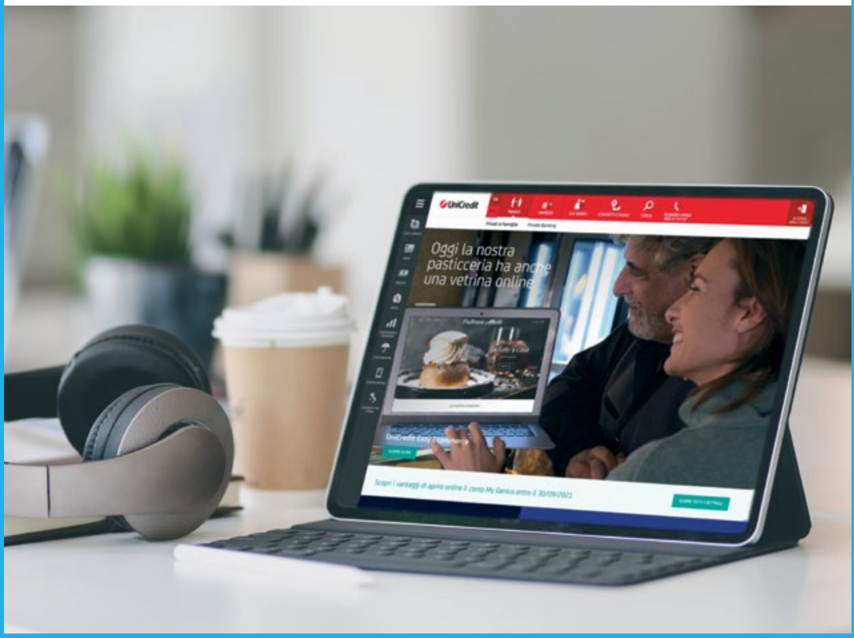
Thanks to our branch heroes, UniCredit remained open for business and continued to serve customers in all our countries, while keeping clients and our people safe. During the lockdown, UniCredit's CEO and other members of the Executive Management Committee made hundreds of video calls to branch colleagues across Italy, Austria, Germany and the CEE to recognise their extraordinary efforts.

TURNING IDEAS INTO ACTION

UniCredit's Millennial Board – comprised entirely of employees aged 22-32 – continued to implement some of the 1,200 ideas and suggestions made by their UniCredit colleagues. Successful initiatives in 2020 included starting planting more than 90,000 trees to establish the UniCredit Forest.

HELP FOR ENTREPRENEURS

The UniCredit Start Lab programme supports growth of 60 Italian innovative companies with its Startup Academy initiative, demonstrating the bank's willingness to support innovation and young entrepreneurs.



For the Real Economy

With over 16 million clients in 13 countries, we took decisive action to give families and businesses across Europe the support they need.

€34.8bn
MORATORIA LOANS

€20.8bn
STATE-GUARANTEED LOANS

GRANTING MORATORIA LOANS...QUICKLY!

As the pandemic hit Europe, pushing many countries into lockdown, we provided our clients with moratoria loans worth €34.8 billion and granted €20.8 billion of state guaranteed loans.
Given the circumstances, speed was important and 1,600 UniCredit employees worked over the weekend to process the first 100,000 applications.

Thanks to a partnership with SACE, the Italian credit export agency, UniCredit disbursed a lot of loans with most processed in just a few hours. Similar partnerships with the European Investment Bank and the European Investment Fund provided working capital support and new financing to SMEs and mid-cap companies in Italy, Austria, Germany and nine CEE countries.

AWARDED 'WORLD'S BEST BANK FOR SMES'

In October, **Global Finance** magazine recognised UniCredit in its World's Best Global Banks Awards. Based on performance over the past year and criteria including reputation and management excellence, UniCredit was awarded 'Best Bank for SMEs'.

SUPPORTING SUPPLIERS

To help companies with their working capital needs and inject liquidity into the economy, UniCredit started to pay over 20,000 suppliers on 'sight' of the invoice rather that in accordance with contractual payment terms. The initiative has been continued in 2021.

20,000
SUPPLIERS SUPPORTED WITH FASTER PAYMENTS

GIVING A BOOST TO BUSINESS

In June, UniCredit launched the **Digital&Export Business School** in partnership with SACE and Microsoft with the aim of providing an integrated path, lasting 6 months, which was concretely supportive for Made in Italy entrepreneurship. The entire course was designed to be full digital, and has allowed more than 3,200 registered and over 2,700 participants to converse with about **50 UniCredit, Microsoft, Sace experts** but also journalists, sociologists, researchers, through 8 inspiring national events and 26 local live Coaching on specific issues carried out with over 19 local associations.

HELPING CUSTOMERS SUPPORT COMMUNITIES

In 2020, over €2,600,000 in donations were funded by customers using UniCredit's Carta Etica payment card. UniCredit's Flexia Classic Etica credit card lets customers contribute to charitable projects at no added cost. For every €1,000 spent, UniCredit contributes €2 to the Carta Etica fund.

"The bank reacted quickly after the state of emergency was declared. We immediately applied to reschedule our debt, which helped us keep our company our staff, and preserve our partners. I would like to express my gratitude".

Ivelin Bezhev
Manager, Santulita Limited
Customer of UniCredit Bulbank, Bulgaria

For the Environment

Our new sustainability targets, unveiled towards the end of 2019, were the focus of several sustainability-focused initiatives in 2020 and it was great to be recognised by a number of external organisations for our progress.

LEADING THE WAY ON GREEN FINANCE

As a leader in the sustainable finance sector, UniCredit participated to the placement of nearly €120 bn of sustainable bonds and loans in 97 deals. UniCredit was also recognised by Bloomberg as a leading provider of sustainability-linked loans. Moreover, with regard to green bonds, other major transactions included a €750 million bond for real estate firm CPI Property Group to fund new green projects, €750 million for Eurogrid to fund offshore wind farm projects and €500 million for Swisscom to finance energy efficiency projects.

A NEW GOAL FOR COAL

UniCredit's updated coal policy – which will see the bank fully exit coal sector financing by 2028 – was praised as best-in-class by Reclaim Finance, a non-profit organisation focused on reducing financing of fossil fuels by the world's largest financial institutions.

FUNDING THE FUTURE

Throughout 2020 we supported companies and projects that are supporting the transition to a lower carbon future. This included €700 million of new funding for a renewable energy portfolio, a €143 million funding package for one of Austria's largest wind farms and financing support to build Europe's largest battery factory.

#1*

RANKING ON BLOOMBERG SUSTAINABILITY LINKED LOANS

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

It wasn't just employees that moved into UniCredit new Austrian headquarters. They were joined by over one million honeybees who will both pollinate nearby surroundings and make honey to be harvested by UniCredit employees. What a sweet result!

20,000

TONNES OF CO_2 OFFSET BY UNICREDIT FOREST OVER THE NEXT DECADE

*as at 3Q2020

TAKING ACTION AT D&I WEEK 2020

More than 21,000 colleagues participated in 145 hours of workshops, coaching sessions and online discussions as part of UniCredit's second annual Diversity & Inclusion Week. With 100 events held in 15 markets, there was a chance for everyone to join in or listen to 270 external speakers.

For Diversity & Inclusion

UniCredit is committed to promoting a positive working environment that embraces our core values of Ethics and Respect.

GENDER-EQUALITY EFFORTS RECOGNISED BY BLOOMBERG

UniCredit was included in Bloomberg's 2020 Gender-Equality Index (GEI), which tracks the performance of public companies committed to disclosing their efforts to support gender equality through policy development, representation and transparency. The bank was included again in 2021, joining 380 companies across 44 countries and 11 sectors.

SUPPORTING FEMALE ENTREPRENEURS

In Italy, UniCredit unveiled a package of support for female entrepreneurs and companies that provide family-orientated services. The support includes discounted loans for entrepreneurs, social impact financing for companies providing welfare, health and educational services, and a dedicated mentoring programme.

A GREAT PLACE FOR WOMEN TO WORK

UniCredit was named Italy's 'Best Employer for Women' by **Istituto Tedesco Qualità e Finanza (ITQF)** – a leading European market research institution – and its media partner **La Repubblica Affari&Finanza**. ITQF uses big data to review a company's online reputation and sentiment amongst women at work, with UniCredit receiving the top score in the banking sector.

TAKING ACTION ON DISABILITY LEADERSHIP

UniCredit joined **The Valuable 500**, a movement that aims to put disability on the global business leadership agenda by attracting the support of 500 national and multinational corporation.

“Among Russian companies, UniCredit Bank was one of the first to promptly respond to the needs of the difficult times and was making decisions based not on dates, but on data throughout the year according to UniCredit’s approach.”

Marco Radice
Chairman of the Supervisory Board

Statement by the Chairman of the Supervisory Board

Ladies and Gentlemen, Dear Shareholders, Customers, Colleagues and Friends,

I am proud to present the 2020 Annual Report of UniCredit Bank on behalf of the Supervisory Board.

In 2020, UniCredit embarked on a new strategic plan Team 23. However, the year was extremely difficult and unpredictable due to the Covid-19 pandemic. With the successful implementation of the Transform 2019 strategic plan, we have already achieved a lot in our business transformation, but 2020 made us focus on accelerated transformation. The health and well-being of our employees and customers is our top priority, so we switched to a new work format within a short time. Our previous successes in the digitalization of our business helped us, in record time, to transfer more than half of the Bank's employees to a remote work format in order to ensure the safety of our colleagues and their loved ones.

Among the Russian companies, UniCredit Bank was one of the first to promptly respond to the needs of the difficult times and was making decisions based not on dates, but on data throughout the year according to the UniCredit's approach. At the same time, thanks to the dedicated work of colleagues in the Bank's branches, central office, and home offices in different parts of Russia, UniCredit Bank again made a significant contribution to the performance of the CEE (Central and Eastern Europe) Division, which is one of the main growth drivers of UniCredit.

Despite a very difficult year, the Bank met the expectations of its customers during the year, promptly responding to the realities of the pandemic, introducing new products and services, improving the quality of services, and settling complex transactions for corporate customers.

Thanks to its stable business model, high-quality customer base, and professional team, UniCredit Bank contributed RUB 8.95 billion of net profit to the Group's overall results at the end of 2020, which was a good achievement even taking into account the cost-to-income ratio significantly increased due to the accelerated digitalization. The active development of IT systems will continue in the future to use the achievements of the difficult pandemic period to the benefit of our customers, the Bank, and our employees.

The situation prompted us to make significant progress on the path of digital transformation, to leave paperwork behind, which will help the Bank to contribute to the sustainable development of the Group that pays increasingly more attention to the ESG (environmental, social, and governance) compliance. Alongside with the above, our top priorities will include strengthening the leading position in the market, improving the service quality for customers, tight control over operational risks, and enhanced control over, and management of business processes.

In 2020, the Chairman of the UniCredit Bank's Management Board was changed – Kirill Zhukov-Emelyanov was appointed to replace Mikhail Alekseev. On behalf of the Supervisory Board, I would like to express my gratitude to Mr. Alekseev, who successfully headed the Bank for over 12 years and overcame a significant part of this difficult year together with us, for his excellent work and I wish him good luck in his future career. I am confident that the Bank will continue its successful and sustainable development under the leadership of Mr. Zhukov-Emelyanov.

I would like to thank the Management Board members and all UniCredit Bank employees for their loyalty and commitment in 2020.

In 2021, the Bank intends to continue contributing to the Group's business enjoying the support of its team. We will strictly follow the UniCredit Group's key values and 'Do the Right Thing!' fundamental principle in the interests of shareholders, customers, and all stakeholders.

Marco Radice,
Chairman of the Supervisory Board
of UniCredit Bank

About UniCredit Bank

AO UniCredit Bank is a Russian commercial bank, operating in Russia since 1989. Ranked 12th by total assets based on 2020 results (Interfax-100 ranking), UniCredit Bank is one of the largest banks in Russia. UniCredit Bank is fully owned (100%) by UniCredit Group (UniCredit S.p.A.).

The Bank benefits from its strong position in the large Russian corporate finance market and sustainable retail banking business. Since 2015 the Bank is included in the list of systemically important credit institutions of Russia*.

General information

- Until 20 December 2007, the Bank was called International Moscow Bank, registered by the State Bank of the USSR on 20 October 1989.
- Since 1991, the Bank has operated under General License No.1 for banking operations.
- The first bank in Russia with majority foreign ownership.
- On 20 December 2007, International Moscow Bank officially changed its name to UniCredit Bank.

Data as of 31.12.2020

Total assets
₽ 1,281.9 billion

Total Equity
₽ 214.5 billion

Loans to customers
₽ 646.0 billion

Customers deposits
₽ 945.1 billion

Employees
Around 4 000

* In accordance with the statement issued by the Press Service of the Bank of Russia.

Do the right thing!
For our Clients

With over 16 million clients in 13 countries, we worked harder than ever in 2020 to help all our clients face new challenges: from billion euro funding programmes for multinational companies to mentoring new startup businesses, UniCredit is committed to being part of the solution.

€10 MILLION OF NEW FINANCING FOR A 100-YEAR OLD PASTA MAKER

This loan was set up to meet the working capital needs of Gragnano-based Pastificio Di Martino. It was also the first large loan issued in under Italy's guaranteed loans programme.

Strategy and Results in 2020

“On behalf of the Management Board, I would like to thank all employees of UniCredit Bank for their resilience in addressing the challenges of the past year and for their enormous contribution to the performance of the Bank and UniCredit Group, as well as our customers and partners with whom we jointly overcame the new difficulties.”

Kirill Zhukov-Emelyanov
Chairman of the Management Board

Message from the Chairman of the Management Board

Dear Customers, Partners and Colleagues,

2020 turned out to be a year of unprecedented challenge and test of our strength. That is precisely why its results need to be evaluated taking into account the global Covid-19 pandemic, which had a huge impact on all spheres of our life, including the banking sector.

Throughout the whole year, just as before, health and well-being of employees and customers have been UniCredit Bank's top priority. 2020 required the Bank to use all of its strengths and resources including the well-built team, effective business model, and excellent risk management.

I would like to thank each and every colleague for their commitment and loyalty that helped us successfully navigate even through the most difficult periods of 2020. In the shortest possible time, all the necessary equipment was purchased, and remote access was set up for most of the Bank's employees. We promptly did our best to comply with regulatory requirements for our offices to continue operating. Most processes were restructured in record time. A focus was made on support to our customers both to ensure seamless transactions continuity versus all the restrictions and to ease the loan burden taking into account the economic situation. I appreciate a great deal the work of employees whose duties required presence in the office and branches. At the same time, employees who worked from home showed their ability to quickly get used to new work practices and be highly efficient under the changed circumstances. Under its charitable programmes, the Bank also managed to support several foundations, whose wards found themselves in a particularly difficult situation due to the pandemic.

Thus, despite the challenging environment of 2020, UniCredit Bank acted in accordance with the Team 23 strategic plan of UniCredit Group based on four strategic pillars: growing and strengthening client franchise, transforming and maximizing productivity, disciplined risk management and controls, capital and balance sheet management.

In particular, the Bank continued improving the quality of products and services to the benefit of its customers, which yielded tangible results according to the Corporate Benchmarking annual survey on the corporate clients' satisfaction with the Bank's offering.

In 2020 UniCredit Bank's net profit amounted to RUB 8.95 billion, a strong figure, given the macroeconomic situation. During the year, the Bank worked proactively with bad debts using the best Russian and European practices, so the share of bad debts in 2020 amounted to 6.7%, which is significantly lower than across the banking system on average.

As for equity management, UniCredit Bank not only increased it up to RUB 214,519 billion, but also raised the N1 capital adequacy ratio up to 18.8%, which materially exceeds the requirements set by the Central Bank of the Russian Federation and evidences the high reliability and sustainability of the Bank.

Throughout the year the Bank actively supported various development programmes for the team – the most valuable asset of our organisation. In the remote work mode, a wide range of training courses and webinars were made available to employees, which helped to smoothly switch to a new work format, master new skills, and also maintain positive thinking in the difficult situation due to the pandemic. At the end of the year, the Bank earned the Top Employer Award for the 9th time in Russia, as well as the Crystal Pyramid 2020 Award in the Best Staff Support Programme during the Crisis category.

UniCredit Bank remains one of Russia's systemically important credit institutions according to the list recently updated by the Bank of Russia in 2020. In 2021, the Bank intends to maintain its success promptly responding to the situation and benefiting from emerging opportunities.

On behalf of the Management Board, I would like to thank all employees of UniCredit Bank for their resilience in addressing the challenges of the past year and for their enormous contribution to the performance of the Bank and UniCredit Group, as well as our customers and partners with whom we jointly overcame the new difficulties. In 2021, we will continue our activities supporting the real economy and following the fundamental principles of the Group to the benefit of society, our shareholder, and our customers.

Kirill Zhukov-Emelyanov,
Chairman of the Management Board of UniCredit Bank

“In the extremely unusual 2020 UniCredit Bank reached the set goals focusing in the first place on health and well-being of employees and customers. Due to the timely protection measures, smooth work of all the team and the support from UniCredit Group the Bank kept its strong and stable market position.”

Andrea Diamanti
Chief Operating Officer

Main Achievements in 2020

UniCredit Bank Earns the Top Employer 2021 Certificate

UniCredit Group and AO UniCredit Bank received the official Top Employer Certificates awarded annually for high human resource management standards by the Top Employers Institute. It is the ninth time that the Bank is awarded the Top Employer Certificate.

UniCredit Group Ranks Second in The Best Foreign Bank in the CIS Syndication Market Category of Loans Cbonds Awards – 2020

The award winners were determined by the market players' open voting on the Cbonds agency website.

UniCredit Foundation Extends Support Worth of EUR 45,000 to Russian Social Projects

Under the Call for Europe 2019: Supporting Childhood programme, UniCredit Foundation supported four charitable projects implemented by Russian foundations for the total of EUR 45,000. The list of grant-winners includes Konstantin Khabensky's Charity Foundation, Hospice Charity Fund Vera, Downside Up Charity Foundation, and Russian Disability NGO Perspektiva.

UniCredit Bank Earns the Crystal Pyramid 2020 — a Prestigious Award for Accomplishments in Human Capital Management

The Bank was named the Grand-Prix winner in the Best Staff Support Programme during the Crisis category. The panel noted that UniCredit Bank's support programme stood out for its comprehensive nature, scale, and unquestionable focus on the Bank employees and their family members.

UniCredit Bank Earns the Elite Quality Recognition Award from JPMorgan Chase Bank for the 12th Time

The exceptional quality of outgoing commercial payment orders in USD (99.89% of STP payments) was recognised by the Award. The bank also got the Quality Recognition Award for the high quality of MT202 interbank payments (98.38% of STP payments).

UniCredit Bank and Cian Develop a Joint Service for Finding and Buying Real Estate – dom.unicredit.ru

It is a platform for buyers to pick up an apartment and file a request for its purchase by means of a mortgage loan from UniCredit Bank.

UniCredit Bank Awarded in the Social Responsibility Category

The Bank received the International Public Business Elite of Eurasia Award in the Social Responsibility category.

UniCredit Bank Offers Customers a New Credit Card with an Interest-Free Period of up to 115 Days

To enable the feature, customers should make minimum payments under statements for the first two months after their purchase and fully repay the debt under the 3rd statement. The minimum payment is 5% of the expenses that have accumulated by the date of the card statement.

"Why Did I See This?" Podcast by Arzamas Radio for UniCredit Private Banking Customers Named a Prizewinner of the Enlightener.Digital Award

It received the Enlightener.Digital Award in the special category for achievements in verbal painting.

UniCredit Bank Issues a Bank Card for Kids

The card is designed for kids from 6 to 14 years old and is linked to the parents' account, which helps them to keep abreast of their children's expenses. The kid may independently choose a design template from three options.

Report on the Bank's Activities

Macroeconomics and the Russian Banking Sector in 2020

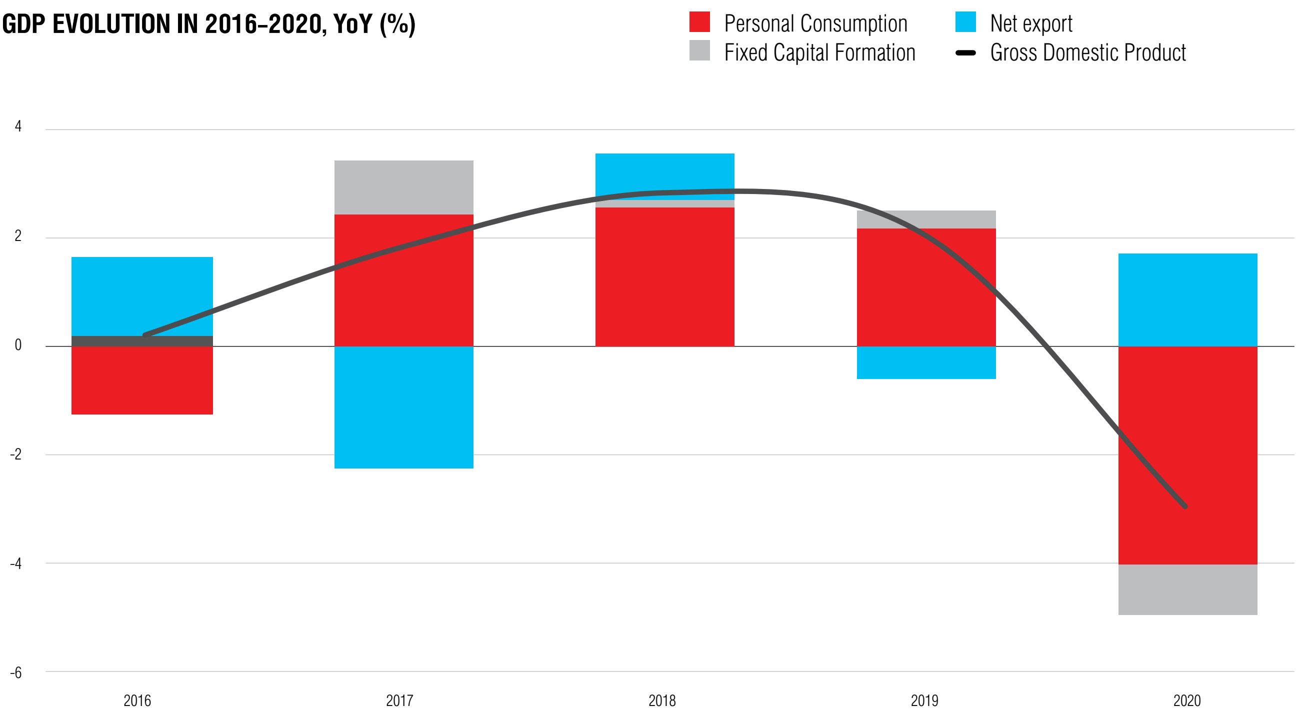
Macroeconomics

The results of the past 2020 should be approached from the perspective of the global Covid-19 pandemic that had a huge impact on the domestic economy and banking sector. In the first half of the year, the infection spread in Russia was constrained via a set of administrative measures that limited the population's mobility; in the second half of the year – via self-discipline. This ensured better-than-expected economic results for the past year, but the outlook for 2021 is less straightforward.

Although the Russian economy experienced a recession in 2020, GDP dropped by only 3.0% YoY, while the consensus assumed a decline of almost 4%. It is possible that the consensus deviation from the actuals was also influenced by the upward revision of the historical GDP values at the very end of December. In 2020, household consumption suffered the most. It dropped by 8,6% YoY, largely due to an increase in unemployment up to 6% and a decrease in real incomes of the population. Restrictions on international tourism became a dampening factor, which boosted savings (available for spending within the country) and at the same time reduced the negative impact of imports. A drop in the oil prices to their lowest levels in many years (in some contracts the cost of a barrel being below zero) was amortized by the budget rule, however, the agreement to limit oil production within OPEC + directly affected volumes of production. At the same time, stabilization of the world trade creates the basis for the upcoming recovery of the Russian economy in 2021-2022.

It is worth mentioning that due the budget rule, the impact of the oil price drop on the ruble was limited, but so was the reaction to the consecutive oil market recovery (almost to pre-pandemic levels) by the end of the year: strengthening of the ruble was small in scale. That was partly due to the growing uncertainty over the fair pricing of Russian assets (due to various conflicts in the neighbor states, ongoing threats of more sanctions, and other factors). But large contribution to the significant weakening of the ruble (to RUB 73.9 per USD at the end of the year, or +19% YoY) came from active sales of OFZs by non-residents in the first half of 2020 and intensified capital outflow from the private sector throughout the year (partly due to repayment of external debt). Despite such a serious external shock from oil price and volumes, the current account balance remained in the positive zone, amounting to USD 33,9 billion (roughly 2,2% of GDP). According to the forecast for 2021, the C/A balance may increase further both due to improvements in the energy market and due to the global persistence of restrictive measures on tourism. This would become a supporting factor for the ruble in 2021, which has a good appreciation potential as compared to other emerging markets' currencies. However, in the longer term, future strengthening of the ruble, if any, is possible only in real terms:

GDP EVOLUTION IN 2016–2020, YoY (%)



attractiveness of investments in developed countries will grow together with the mitigation of consequences of the pandemic.

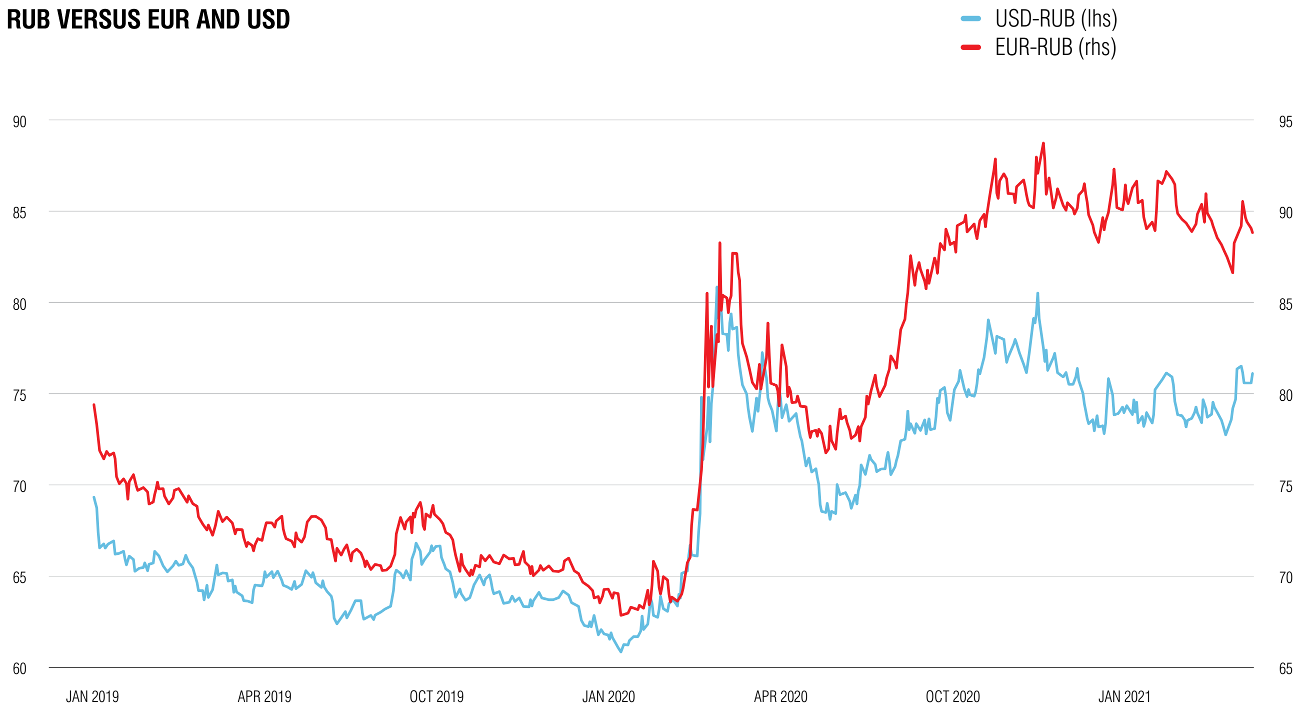
The budget support to the Russian economy turned out lower than in many other countries, but still quite noticeable in terms of the deficit (3.8% of GDP) and even more so in terms of the public debt increase (+5,5% of GDP to still low 18% of GDP). Despite this, the rating agencies confirmed their credit assessment of the Russian economy, and multiple rating confirmations served as their signs of investors' approval of the economic policy changes that the Russian Government and Bank of Russia have implemented during the recent years (budget rule, inflation targeting, etc.). Currently, Russia maintains an investment grade rating by all the major global rating agencies.

During the crisis of 2020, the Bank of Russia changed its approach to monetary policy, and this is one of the most important results of 2020. Indeed, in a number of previous crises, financial stability was maintained via discouraging capital outflow by hiking interest rates in the economy. However, last year Russian monetary authorities reduced the key rate by 200 bps to 4,25%, shifting it into expansionary policy mode (the neutral range is estimated at 5–6%). This supported the economy during the difficult times, especially in 1H20 when the collapse in demand was particularly significant, and such support did not seriously affect the inflation rate. Other world central banks also used similar instruments to support their economies and create a global environment of low interest rates.

The ruble depreciation in the second half of the year was one of the reasons behind the rapidly accelerated price growth in Russia, bringing headline inflation to 4,9% YoY by the end of 2020 (the Central Bank's target is 4%). The rise in global food prices added to that pressure on prices, while excessive liquidity in the world contributed to asset inflation. Altogether, the above made the Bank of Russia start policy normalization earlier than it had been expected in the second half of 2020.

Overall, it is highly likely that when the risks of the pandemic spread decrease, economic recovery should progress: GDP growth in 2021 could exceed 2.5%. In this case the main recovery driver would be investment demand facilitated by both the relatively low level of interest rates (from historical perspective) and the execution of the national projects announced in 2018. Given the relatively favorable external conditions, the ruble is likely to appreciate, although its dynamics will be largely determined by capital flows that are subject to market sentiment. Under these circumstances, the Bank of Russia will make every effort to bring inflation back to the target (or at least minimize its deviation for the second year in a row), and while the year begins with a serious acceleration of inflation, the most likely range at the year-end would be 4,0-4,5% YoY.

RUB VERSUS EUR AND USD



Report on the Bank's Activities (Continued)

Banking Sector

The stance of the banking sector at the end of 2020 can be generally assessed as solid, mainly thanks to two aspects. First, banks have accrued sufficient provisions as a result of requirements imposed in the pre-crisis period for the quality of capital and management of credit institutions, and second, a set of regulatory measures adopted by the Bank of Russia and Government of the Russian Federation to support the economy, which enabled banks to adapt to the new economic situation and avoid large-scale losses.

Regulatory measures to support the economy included various programmes aimed at stimulating specific courses of actions of enterprises and the population – e.g. moratorium on bankruptcy, subsidizing the loan rates for companies to pay wages, and for mortgage loans, etc., as well as measures aimed at supporting banks under stress (various temporary regulatory exemptions). Some of those measures expired already in 2020, while the rest will run until mid-2021.

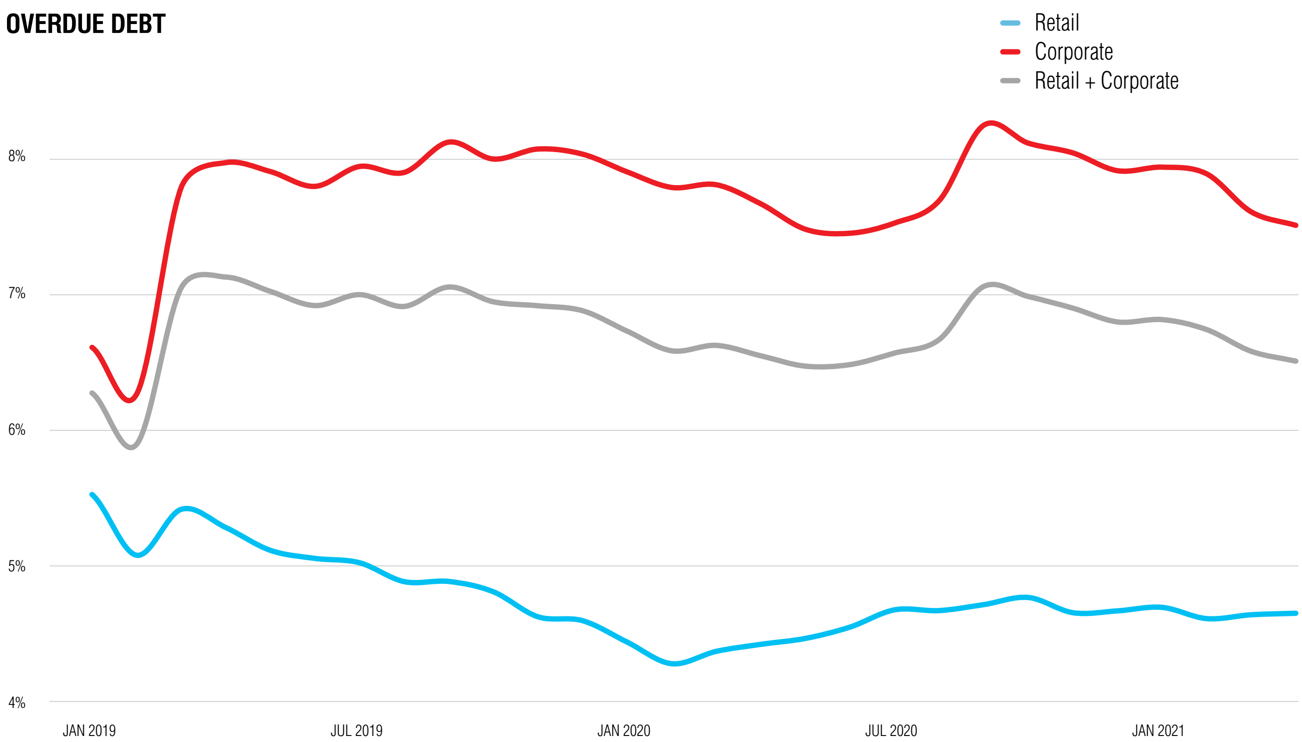
Major financial institutions were prepared not only to face the crisis, but also to expand actively when the economy started to recover. Besides, market leaders had the opportunity to implement processes' digitalization in advance and make a swift transition to a new format of rendering financial service during the crisis – as remote as possible. Hence concentration continued to increase in the sector.

However, neither improved overall convenience, nor online formats could keep customers from switching from deposits to securities in their savings behavior when the level of interest rates on deposits dropped to below 5% per annum following the decrease in the key rate of the Bank of Russia. The risk of depleting funding base became widespread and, thus, limited the decline in interest rates on deposits.

The abovementioned trends also affected the annual results of the banking system. In 2020, profit before tax of the Russian banking system amounted to RUB 2 trillion, which was only 3% lower than in 2019. Compared to expectations, the financial result is solid: despite over RUB 1.7 trillion in new provisions (which doubled compared to a year before), banks improved their efficiency – system-wide cost/income ratio fell below 40%.

Banking sector assets expanded by 16.5%, but a significant part of that growth was driven by the currency depreciation (which affected FX items on the balance sheets). At the same time, thanks to the

OVERDUE DEBT



abovementioned support measures, loans to residents grew by 12.2%, securities portfolio – by 14.5% (a significant part of such growth was due to the acquisition of OFZs by state-owned banks). The growth of mortgage loans by 21% YoY is also remarkable (for instance, the growth of other types of retail lending was only 9% YoY), and in some months, the volume of loans doubled compared to 2019.

The volume of individuals' deposits in RUB increased by 7.6% YoY in 2020. However, foreign currency deposits decreased by 5% as interest rates on them were close to zero, so the total deposits growth did not exceed 10% YoY. In 2020 current accounts of legal entities increased unexpectedly by 35%, but the growth of their deposits turned to be low – under 5% YoY in RUB, and almost unchanged in foreign currency.

The banking system's capital grew by 4.8% YoY in 2020 and exceeded RUB 11.5 trillion, yet the banking sector's capital adequacy remained virtually unchanged at 12.4%.

In 2021, the dominant market trends will be a slowdown in mortgage lending growth (not only due to the base effect, but also due to the unwinding of the support measures, as well as an increase in real estate prices) to a more sustainable 12% YoY, though the projected recovery of the population incomes and lower unemployment will allow banks to become more tolerant to uncollateralized consumer loans. Corporate loans are likely to remain virtually unchanged in real terms, partially due to the ruble strengthening. There is a risk of ongoing outflow of funds from consumer deposits into the financial markets, although deposits can be expected to grow at least at a rate of interest proceeds' capitalization. As a consequence, the loan-to-deposit ratio will stop declining.

Banks will still be subject to regulatory changes including post-pandemic effects as the most significant ones. An important aspect for the banking system in 2021 will be expiration of the moratorium on corporate bankruptcy despite uneven economic recovery. Nevertheless, the stability of credit institutions will again depend on their business model efficiency and risk management quality.

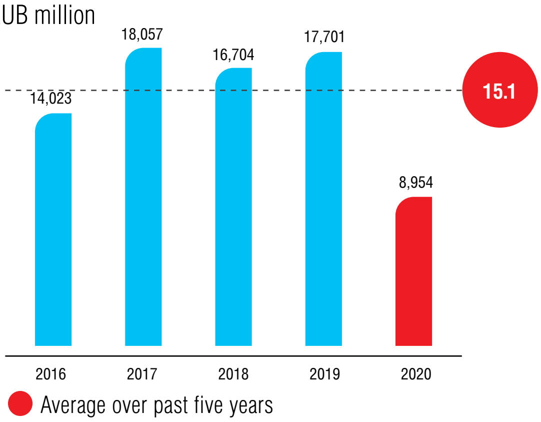
BANKING SECTOR EFFICIENCY IMPROVEMENT

> “During 2020 the Bank focused on further strengthening its capital and liquidity position, in order to be able to face any market scenario and be ready to boost growth once the crisis is over.”

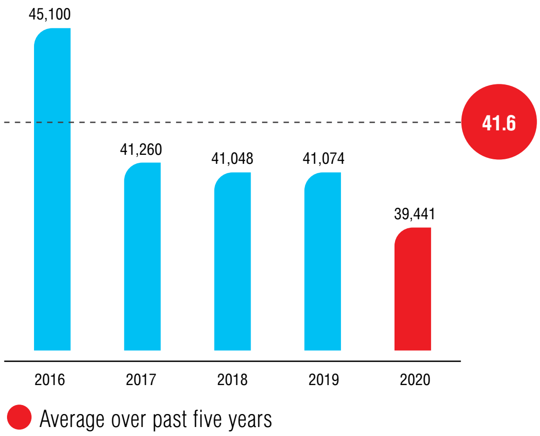
Stefano Santini
Member of the Management Board

Financial results of 2020

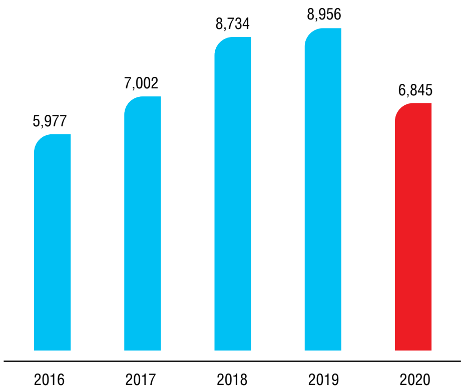
NET PROFIT AFTER TAX,
RUB million



NET INTEREST INCOME,
RUB million



NET FEE INCOME,
RUB million



Financial results of 2020

According to the resolution of the sole shareholder. No. 50 dated September 23, 2020 guided by the decision of the sole shareholder No. 49 dated April 6, 2020 and in accordance with the recommendations of the Supervisory Board of the Bank, the Bank's shareholder decided to allocate RUB 8 121 million for the payment of dividends on ordinary shares (2 404 181 pieces * 3 378 rubles per share) from retained earnings including net profit for 2019.

Major Transactions

Under the Russian Federal Law "On Joint Stock Companies", a major transaction is one with value in excess of 25 percent of the company's total assets. For AO UniCredit Bank a major transaction would therefore be the transaction worth more than RUB 317 509 million (under 2020 RAS accounting statements). In 2020, the Bank did not undertake any transactions with this magnitude.

Related Parties Transactions

In 2020, the Bank did not enter into any transactions in which the Bank's directors, top managers or other parties listed in the Federal Law "On Joint Stock Companies" had an interest. Further information about related parties transactions is given in AO UniCredit Bank

Report on the Bank's Activities (Continued)

Financial results of 2020 (Continued)

audited consolidated financial statements. Footnote 30 of the consolidated financial statements lists transactions with related parties made in the normal course of business in accordance with the requirements of IAS 24 "Related Party Disclosures".

Net profit

According to IFRS, AO UniCredit Bank Russia reported net profit of RUB 8 954 million in 2020, which is 49.4% lower than in 2019 mainly impacted by negative macro scenario and conservatively high risk cost. Profitability KPIs dropped accordingly: return on equity (ROE) of 4.2% (or 6.0% excluding effect of overlays; vs 8.7% in 2019)) and return on assets (ROA) of 0.7% (or 1.0% excluding effect of overlays (1.4% in 2019)). Capital and liquidity ratios remains solid with CAR at the level of 18.8% at the end of the year.

Net Interest Income

The overall UniCredit Bank's net interest income totaled RUB 39 441 million that is -4% lower than in 2019 in conditions of lack of market growth in corporate and retail lending, ongoing prepayments trend and margin compression.

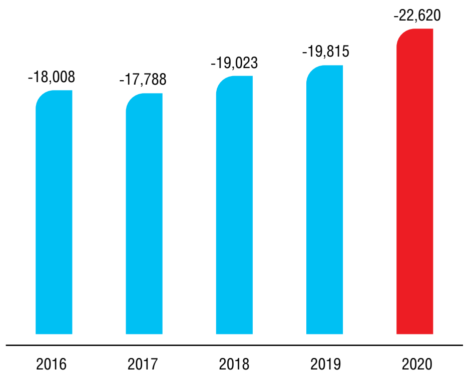
Net Fee Income

Net fee and commission income amounted to RUB 6 845 million that is lower than in 2019 by 23.6% mainly due to decline of commission income on insurance products of Retail banking starting from the 2nd quarter of 2020 as a result of sharp decrease of sales due to pandemic.

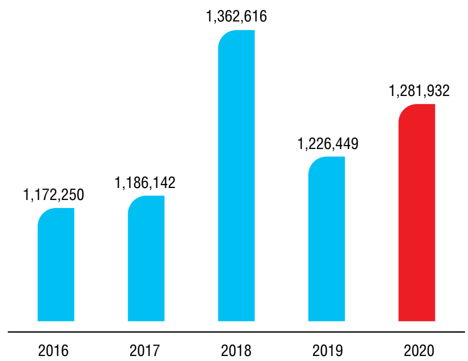
Loan Impairment

The total allowances for loan impairment composed RUB 52 415 million at the end of 2020, that increased by RUB 8 295 million from RUB 44 120 million in 2019. Despite pressures in the operating environment, impaired loan ratio (Stage 3 loans) has remained broadly stable at 6.7% of gross loans (5.6% in 2019) and overall impaired loans coverage ratio composed 78.9% (79.3% in 2019). The loan impairment allowances to total portfolio coverage ratio amounted to 7.5% in 2020 (compared to 5.7% in 2019). The loan impairment charge was RUB 15 924 million in 2020, higher by RUB 5 528 million compared to 2019. Increase of impairment losses mainly affected by implementation of the new macroeconomic scenario in 2020. Retail portfolio quality worsening caused by Covid-19 lockdown, with further migration to NPE, and IFRS9 methodological effects. UniCredit Bank's largest corporate borrowers are among the most financially healthy Russian companies, and corporate loan quality has historically been one of the strongest among Russian banks.

OPERATING COSTS,
RUB million

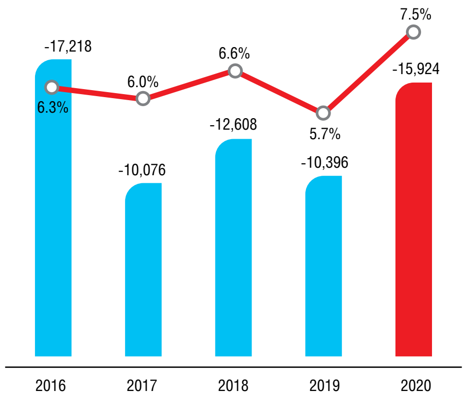


TOTAL ASSETS,
RUB million



PROVISIONS CHARGE FOR LOANS IMPAIRMENT,
RUB million

COVERAGE RATIO



Operating Costs

In 2020 total operating costs amounted to RUB 22 620 million (14.2% or RUB 2 805 million higher compared to the previous year, o/w RUB 1 343 million is related to one-off recognized impairment of intangible assets in 4Q 2020). Disciplined cost management procedures allowed to maintain cost/income ratio at a good level of 46.4% considering impact of Covid-19, additional costs on remote business model and one-off recognized impairment of intangible assets.

Assets

The value of total assets increased by 4.5% and amounted to RUB 1 281 932 million. Gross loans to customers portfolio totaled RUB 698 451 million (decreased by RUB 79 440 million compared to the last year (o/w +RUB 47 877 million due to FX effect)). Retail portfolio (gross, including SME) decreased to the level of RUB 162 960 million (-RUB 34 068 million, -17.3% Y/Y) mainly due to decrease in sales during pandemic. Total gross loans to corporate customers (including reverse repurchase agreements and lease receivables) decreased to RUB 535 490 million (-RUB 45 372 million, -7.8% Y/Y) followed by several negative factors such as reduced demand for lending and prepayments trend.

Amounts due from credit institutions (gross) increased from RUB 246 019 million in 2019 to RUB 380 556 million in 2020 mainly due to growth of reverse REPO volumes.

Liabilities

UniCredit Bank funding profile is underpinned by a stable and diversified customer base. The client deposits base increased by 9.7% or by RUB 83 503 million compared to the last year (o/w +RUB 78 258 million due to FX effect), up to RUB 945 130 million at 2020 year end following the liquidity needs of the Bank. Corporate deposits, representing 64% of total customer funds, reached the level of RUB 604 986 million, while Retail and Private deposits amounted to RUB 338 973 million, Lease liabilities under IFRS 16 composed RUB 1 171 million as of 2020 year end.

Shareholders' Equity

Total Equity increased by 0.6% compared to 2019 to the level of RUB 214 519 million as of the end of 2020.

The N1 capital adequacy ratio (under CBR methodology) kept at high level equal to 18.8% at the end of 2020, which is significantly above the CBR limit.

Report on the Bank's Activities (Continued)

Asset and Liability Management

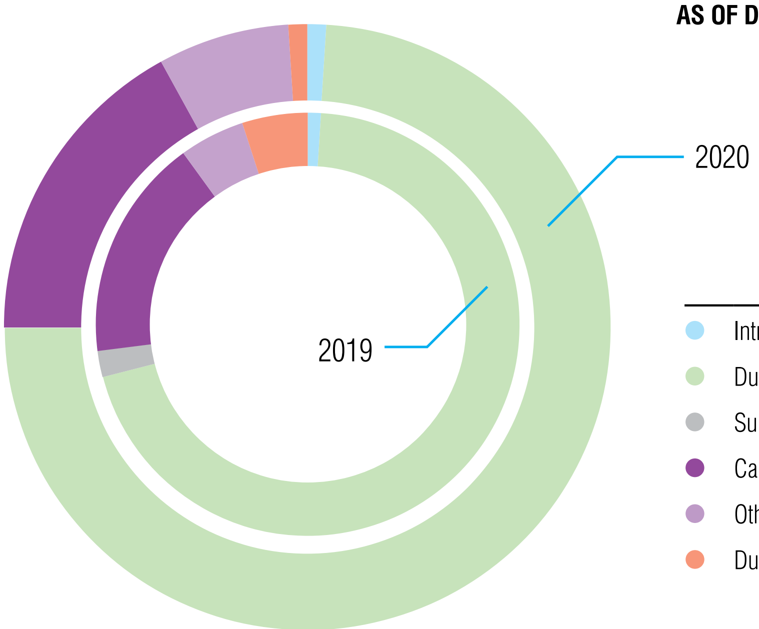
In 2020, despite the difficult economic situation due to the pandemic, UniCredit Bank managed to keep its liquidity profile at an optimal level, which helped, on the one hand, to confidently comply with the requirements of the regulator and shareholder, and on the other hand, to quickly optimize the funding base in order to improve the net interest income.

During the year, the Bank successfully managed short- and medium-term customer funds, thus creating a smooth maturity profile, which allowed to effectively comply with the N26 liquidity coverage ratio. The Bank traditionally complied with all the restrictions in line with UniCredit Group's paradigm providing for more stringent requirements to liquidity ratios compared to the regulatory requirements. Moreover, to increase the liquidity cushion in the event of stress, the Bank managed to materially increase the credit claims capacity available for pledge with the Bank of Russia subject to Directive No.4801-U providing the possibility of raising funds against the pledge of non-marketable assets.

As part of the measures aimed at increasing the Bank's net interest income, the subordinated loan from the parent company was repaid, which will allow the Bank to significantly improve its fulfillment of the profitability targets set by the shareholder. The subordinated loan repayment did not affect the compliance with liquidity and capital adequacy ratios.

Thanks to its strong capitalisation, liquidity position, and high-quality assets, the rating agencies kept giving to the Bank their credit ratings that were among the highest ones in the Russian banking market, so that the Bank could raise funds from a wider range of customers.

STRUCTURE OF LIABILITIES AS OF DECEMBER 31, %



	2020	2019
Intragroup Funding	0.7%	1.0%
Due to Customers	73.8%	70.3%
Subordinated Debt	0.0%	2.4%
Capital	16.7%	17.4%
Other Liabilities	7.3%	4.4%
Due to Banks	1.5%	4.5%

Do the right thing!
For our Environment

Our new sustainability targets, shared at the end of 2019, encouraged several sustainability-focused initiatives in 2020 focusing on protecting our environment.

CAUSING A BUZZ AT OUR NEW AUSTRIAN HQ

Not only employees moved into UniCredit new Austrian headquarters. They were joined by over one million honeybees, working hard to pollinate the nearby surroundings and make honey which will be harvested by UniCredit employees. What a sweet result!

“UniCredit Bank remains one of the Russian market leaders thanks to the successful collaboration with leading Russian corporate clients as well as implementation of up-to-date and technologically advanced products and services, aiming to support clients’ businesses.”

Vadim Aparkhov
Member of the Management Board

“Despite the challenging year, the Bank managed to retain the position of reliable partner for corporate clients providing timely support, responding not only to the clients’ demands, but also to the changing external environment. We are optimistic about the future and will continue our development for the benefit of our clients.”

Alexey Oborin
Senior Vice president

Corporate and Investment Banking

In 2020, UniCredit Bank's Corporate and Investment business faced the need to respond to the unexpected changes brought about by the Covid-19 pandemic. The introduced quarantine measures resulted in the income decrease followed by the increased demand for the low interest loans for both companies and public. The Bank of Russia key rate reduction to 4.25% caused lower profitability of basic banking products. In addition, in order to secure the employees' health, more than 70% of the Bank's staff were transferred to the remote working mode, which required the rearrangement of many internal business processes.

Despite all the challenges, UniCredit Bank retained its leading position in corporate and investment business and managed to align its internal business processes and customer service with the requirements of the new reality. Corporate Benchmarking 2020 survey evidences that the customers' willingness to recommend UniCredit Bank increased from 46 points in 2019 up to 59 points in 2020. The survey participants underlined that the key point they mostly appreciated was the Bank's transparency and high quality services.

The consistent dynamics of the Bank's business indicators is also the result of successful performance. Corporate loan portfolio at the end of 2020 reached RUB 503 bln, deposit portfolio – RUB 606 bln, which is 12% higher than the deposits of 2019. The Bank managed to retain a high level of non-credit income and increase the fee income of its corporate business by 11% compared to 2019. Besides, despite a general deterioration in the loan portfolio quality and increase of overdue loans share up to 7.9% on average in the banking system, UniCredit Bank was able to keep up this indicator at 6.1% in 2020, which is significantly below the market average.

UniCredit Bank confirms a strong position as a provider of banking products and services in corporate regional markets. The high level of provided services together with the measures and tools used to support business, including government programs, made it possible to support companies from the most affected economy sectors.

UniCredit Bank, as an active player in the Russian corporate lending market, continued to take part in the subsidized lending program for the agro-industrial complex under Russian Government Decree No. 1528. The Bank also joined a new program of low interest loans for strategic enterprises and their subsidiaries for working capital financing (Russian Government Decree No. 582).

The reporting year was successful for the syndicated lending market. In 2020, UniCredit Bank was ranked second in Russia for the number of syndicated loans, and was ranked first among foreign banks for the volume of syndicated loans.

In the Russian Eurobond market, the Bank became one of the most active leaders and took the 3rd place in the rating of Russian Eurobonds denominated in USD, EUR, and RUB in 2020[1]. Considering

1 According to Dealogic for the period from 01.01.2020 to 31.12.2020.

the increased interest of investors in ESG financing, it is necessary to underline that UniCredit Bank acted as a social structuring advisor, joint lead manager, and bookrunner in the placement of the first "social" Eurobonds in Russia by Russian Railways.

A number of significant improvements in remote banking systems were implemented last year in order to simplify the interaction with customers. The Bank continued to develop its customer relation management system by introducing additional functions in transactional banking products.

Digital transformation was actively on track to develop some services and cash management products, allowing overall improvement of the existing functionality.

In 2020, the Bank launched an important project of a new operational service platform of working capital finance development. Within the project terms, new products will be offered to customers already by the end of 2021, while the existing solution for working capital products will be upgraded.

International Center

In 2020, International Center of UniCredit Bank managed to keep up its leading position in the market and increase its deposit portfolio, despite the difficult situation and decreased income due to low interest rates and market uncertainty caused by Covid-19 quarantine measures.

During 2020 all the employees of International Center started to work remotely, which nevertheless allowed the Bank to reach the set goals and moreover to enhance the overall transaction process.

Special online seminars were held for customers from Italy and Germany, which together represent over 50% of the revenue and portfolio. Current macroeconomic situation in Russia and exchange rate volatility, as well as possible government support measures for customers due to the Covid-19 pandemic were the main topics of the event. These seminars were organized to better understand customers' needs and develop relevant offers responding to the requests.

In 2021, the top priority towards international customers segment will be the expansion of the Bank's geographical presence in Russia based on the well-established relations between UniCredit Group and customers' headquarters around the world as well as universal services. The Bank will continue to focus on offers satisfying the needs of international customers, including working capital finance, cash management services, FX hedging. Further expansion of product range is planned as well.

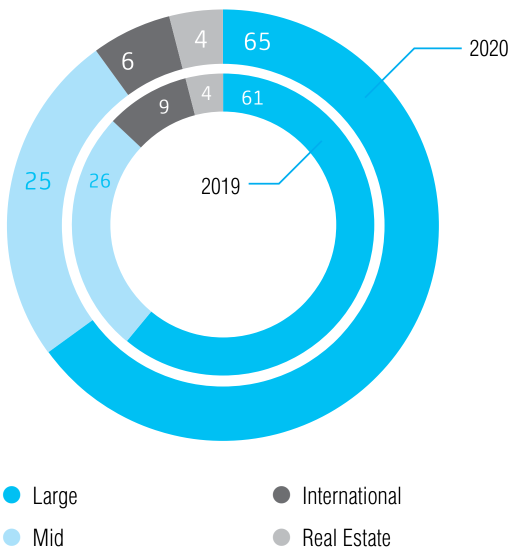
CORPORATE PORTFOLIO STRUCTURE

Chemicals, pharma, healthcare	20.20%
Food and beverage	13.21%
Non-ferrous metals and mining (excl. precious metals)	11.84%
Energy (waste management)	9.26%
Mining of precious metals	6.08%
Other machinery, metals	5.76%
Steel/Metal Production	4.59%
Automotive	4.38%
Real estate	3.92%
Metal Treatment	3.77%
Construction, wood	3.48%
Media, paper	2.85%
Telecom, IT	2.42%
Agriculture, forestry	2.27%
Consumer goods	2.25%
Fin institution & insurance	2.01%
Transport, travel	0.97%
Textiles	0.32%
Services	0.27%
Tourism	0.12%
Electronics	0.05%

Structured and Project Finance

Despite the difficult macroeconomic situation caused by the global Covid-19 pandemic, the syndicated loans market in 2020 retained the volumes reached in 2019. The number of international transactions decreased slightly, while the number of RUB-denominated loans increased in local legal framework.

CORPORATE LOAN PORTFOLIO STRUCTURE BY SEGMENTS, %



Following the successful practice of the preceding periods, global syndicated loan market available to large corporate borrowers demonstrated a high level of liquidity and considerable competitive pricing. As a result, interest rates for first-tier borrowers remained at the pre-crisis level.

In 2020 the Bank faced a new challenge to retain the market position, minimizing the lending-related risks in the context of economic turbulence and high uncertainty. The challenge was addressed successfully: in 2020, UniCredit Bank ranked second in Russia by number of arranged syndicated loans, and ranked first among international banks by volume of originated public loans. The Bank acted as a bookrunner for several large international syndicates and assumed the role of a loan agent in numerous syndicated transactions settled in 2020.

The main trend of 2020 was ESG financing with special focus on environmental and social aspects. Certain corporate transactions of 2020 already meet ESG requirements. Project finance in 2020 also supported the trend with transactions within the national segment and RUB syndicates in industrial waste processing, electricity, urban infrastructure, and transport development. In 2021, the Bank expects a sizable increase in ESG finance both in syndicated and bilateral transactions, in accordance with the global sustainability commitment.

The aim of UniCredit Bank in 2021 is to keep leadership in the international syndicated loans market for Russian borrowers, as well as increasing the number of financing and advisory services in sustainable and project finance in order to improve customers' welfare and expand the capabilities of UniCredit Group in Russia.

Cash Management

Given the global constraints of 2020, digital transformation was the main focus for improvement of cash management services that allowed customers to manage their banking needs remotely.

In 2020, the Bank allowed its clients to send documentation related to cash management services via electronic channels, without sending original copies on paper – for all cases where it was not implied by Russian legal requirements.

At the beginning of the year, significant improvements were made to cash pooling providing automatic master account confirmation for FX transactions. This function is a long-awaited solution for many current customers using this service.

The Bank also reinforced its existing card line-up. Now the Bank's clients can issue virtual customs cards, and sign up for an advanced multi-user interface of PayHD – provider of customs cards service. These improvements have greatly streamlined customers' capabilities in customs payments' management and access to customs cards.

Besides, improvements were made to electronic remote customer service channels. In 2020, the Bank started cooperating with the National Settlement Depository and included Transit 2.0 document and message exchange platform as one of the Bank`s supported remote

In the second half of the year, the Bank launched a pilot testing of the new functions allowing users to request currency control reports through a special interactive form in the Business.Online Bank – Customer System. Next year, the Bank plans to extend such reports availability to all interested customers as part of a separate service.

The key mission of the Bank in this area for 2021 is digitalization of settlement services with persisting focus on the actual customers' needs and main trends in the banking market.

Correspondent Banking

In 2020, UniCredit Bank was placed 2nd among Russian banks in terms of turnover on RUB accounts of non-resident banks as a result of proven experience and performance in clearing services. The

Report on the Bank's Activities (Continued)

Bank's wide corresponding network allows internal payments to over 120 respondent banks from 43 countries.

Attention to customers' demands, professional approach towards problem-solving, high quality services and proactive staff are the key factors enabling leading global banks to choose UniCredit Bank as a reliable partner and main clearing agent in RUB settlements.

Trade Finance

Despite the FX market volatility and significant depreciation of Russian ruble, traditional cross-border letters of credit and guarantees remained in high demand among the international trade players. The Bank actively supported customers' trade transactions ensuring the timeliness and accuracy of settlements, as well as offering solutions in trade financing. These instruments were mostly appreciated by the importers of food, consumer goods, and pharmaceuticals.

High level of professional expertise, long-lasting cooperation with correspondent banks around the world, as well as UniCredit Group's wide global presence, its recognized authority in the documentary business, and willingness to offer up-to-date flexible solutions to maximize the customer satisfaction level facilitated successful performance in trade finance.

In 2021, the Bank will actively develop trade finance by launching new products and solutions: digital guarantees and letters of credit are on top of short-term plans. The internal processes efficiency improvement will also stay in focus.

WoCa Finance

The working capital finance market demonstrated significant growth in 2020. Development of innovative products and implementation of modern technologies within the WoCa finance is one of the top priorities for UniCredit Group.

WoCa finance products are among the most technologically advanced products in the market and require modern IT infrastructure. In 2020, the Bank launched an important project focused on development of a new operational service platform for working capital finance. As a result, already in 2021 the Bank will offer the clients a number of new products, including buyer centric account receivables financing.

Besides, the existing solution of working capital finance traditional products will be upgraded to mitigate operational and credit risks, increase efficiency, and significantly simplify interaction with customers.

Another focus is international trade finance based on two-factor international factoring using the Factors Chain International platform (the Bank has been a member of FCI since 2008). This solution allows exporters and importers to manage their working capital flexibly minimizing costs.

In 2020, the Bank successfully cooperated with customers offering products at the crossing of traditional trade finance and working capital finance, including discounting of invoices under letters of credit. The flexible solutions offered by the Bank in this area were interesting both to large corporate customers and to regional companies, which facilitated a launch of several large-scale finance programs in 2020.

Export Finance

Structured Trade and Export Finance remains an important part of transactional business of UniCredit Bank. Long-term related finance covered by foreign Export-Credit Agencies (ECAs) continues to be in demand among the large corporate clients of the Bank, importing equipment for their capital-intensive investment projects. Attractive pricing conditions of ECA-covered loans and longer availability (more than 5 years) and repayment (up to 10 years) periods support a strong interest of Russian borrowers in the product.

UniCredit Group has many years of experience in the ECA-covered finance market, established relationships with the majority of European exporters and leading European ECAs, and continues to develop cooperation with Asian ECAs to support its customers' demands.

Despite a significant slowdown in economic and investment activities in 2020, UniCredit Group successfully closed a number of transactions in the metallurgical sector and obtained a number of new mandates for transactions to be covered by European ECAs (BPI, France; Euler Hermes, Germany). With the economy stabilization, the Bank expects a further recovery in demand for export finance products in 2021.

In 2021, the Bank plans to join the next state support program for export-oriented enterprises under the federal sub-project Industrial Export of the national project International Cooperation and Export in accordance with Russian Government Decree No. 191 dated 23 February 2019. According to the program' terms, loans, nominated in RUR, USD and EUR, will be provided at a preferential interest rate to the exporting companies that have signed an agreement with the Ministry of Industry and Trade of Russia on implementation of a corporate program to improve competitiveness and/or comply with the other relevant requirements of the Decree. By introducing a new subsidized lending product, UniCredit Bank will continue to support companies in the key sectors of the Russian economy.

UniCredit Bank intends to continue active cooperation with customers in 2021, taking into consideration the market needs in developing export finance solutions.

Global Securities Services

UniCredit Bank's Global Securities Service is part of UniCredit Group's Global Securities Services (GSS), which provides custody services in 11 markets of Central and Eastern Europe (CEE), including Russia. Long-term experience in the local and foreign securities markets allows GSS to provide high quality services to leading international financial institutions and corporate customers.

Due to the global changes caused by the Covid-19 pandemic, the GSS business model also evolved. After migration to remote work, most of the business processes, including customer relations, switched to electronic document workflow. Besides, further efforts aimed at operational risks mitigation were undertaken: identifying specific sections of those business processes that could become more vulnerable subject to remote work.

UniCredit Bank is a member of the SRO National Financial Association (NFA) and participates in various committees and working groups of the National Settlement Depository (NSD) and NFA. The GSS employees are actively involved in the legal framework improvement and further development of the securities market infrastructure. In 2020, the main focus of interaction with the professional community was related to the regulatory issues of the custodians' activity and the discussion of new products, in particular, escrow accounts and securities lending. Efforts were continued to assess the influence of forthcoming legislative changes in terms of tax aspects concerning custodian activities.

Financial Markets

Both corporate and financial sectors were considerably impacted by the pandemic of 2020. Nevertheless, the Bank's results demonstrate that set relationships with customers successfully withstand the challenges. UniCredit Bank also successfully worked on new customer's acquisition. The Bank continued to develop electronic platforms for major products including deposits and FX operations, following market trends and meeting the growing demands of its customers.

High volatility in 2020 was one of the key factors for corporate clients' increasing interest towards currency exchange and interest rate hedging. The price dynamics for some commodities opened up additional opportunities for hedging positions of manufacturers and consumers. The Bank focused on expanding its derivatives product range and further optimization of internal processes in order to reduce operational risks. The Bank will stick to this course in 2021.

Bonds placements increased significantly in both government and corporate segments. New tools and products were launched, despite the increased volatility in all sectors of the Russian financial market in the past year. The Bank continued to cooperate with the top issuers of the debt capital market during the year. It is also necessary to highlight the successful bond placements of Metalloinvest and Magnit, which were awarded as the Best IPO in Metallurgy and the Best IPO of Retailers, respectively, according to the Cbonds agency.

Corporate Finance and Capital Markets

In 2020, the Bank's corporate finance and capital market activities included two M&A deals closed in Russia, despite the Covid-19 pandemic and subsequent quarantine measures. The persistent interest of investors, combined with vast expertise in the Russian Eurobond market, allowed the Bank to act as a joint lead manager and bookrunner in four issues placed outside Russia.

M&A deals in 2020 included advisory services to Uvelka Group for the acquisition of a rice processing plant from Krasnodarzernoprodukt Group and financial advisory to UniCredit Group for the sale of General Logistic Solutions. The Bank continued an ongoing dialogue with key Russian customers in the field of equity and debt capital market raising solutions. New projects focused both on cooperation with regional companies and cross-border transactions will become a top priority in M&A in 2021. The ongoing cooperation with key customers will also remain among the Bank`s top priorities.

The Bank became one of the leaders in the Russian Eurobond market and took the 3rd place in the rating of Russian Eurobonds denominated in USD, EUR, and RUB in 2020. In 2020, the Bank acted as a joint lead manager and/or joint bookrunner in Eurobond placements for the following companies: Gazprom (USD 2 bln and EUR 1 bln), Norilsk Nickel (USD 500 mln), and Russian Railways (RUB 25 bln). Russian Railways became the first issuer of "social" Eurobonds outside Russia after the first issue of "green" Eurobonds in 2019 and opened up the market for future placements. UniCredit Bank acted as a social structuring advisor and joint lead manager and bookrunner in that transaction. The Bank keeps up its leading positions in ESG finance in Russia and strengthens it further relying on existing experience and a growing global team of sustainable finance advisors.

Report on the Bank's Activities (Continued)

UniCredit Leasing

Despite all the challenges caused by the pandemic, 2020 was another year of progressive development for UniCredit Leasing. The company successfully managed the consequences of Covid-19 and succeeded to switch to remote operation in a very short time. At the same time, consequences of the changes for the company's customers were mitigated. Many business processes were swiftly restructured, the remote interaction with customers was promptly established, covering as well an electronic document workflow.

In 2020, the volume of transactions with large corporate customers has increased, and a significant growth was achieved in the segment of railway supplies. UniCredit Leasing actively supported the development of joint vendor projects with the leading global manufacturers of various types of special vehicles – JCB, BOBCAT, and continued participating in various programs of subsidizing the leasing of special vehicles and equipment.

In 2020, UniCredit Leasing proved its strong positions in the leasing market: the Expert RA agency ranked it 13th and 9th among leasing companies in terms of the volume of new business and leasing payments received in 2020, respectively. At the same time, according to the Russian leasing market study conducted by the above rating agency, the company was among TOP 10 leasing companies in terms of new business volume in 2020 in the following industries: railroad transport, construction equipment, agricultural equipment, telecommunications, warehouse equipment and food industry equipment. The leasing portfolio of UniCredit Leasing according to IFRS grew by 9.5% in RUB terms in 2020 compared to 2019.

UniCredit Leasing management also monitored the company`s operational performance with a high priority. Given a decrease of the business activity in the leasing market in 2020, a number of initiatives were implemented aimed at the company's costs optimization. As a result, the company managed to keep up cost-to-income ratio at the level of 26%.

Special attention was paid to risk management within new leasing project finance, followed by proactive management of non-performing loans. As a result, the quality of leasing portfolio remained on consistently high level above the market averages.

In December 2020, the Expert RA agency reaffirmed UniCredit Leasing's highest credit rating at ruAAA with a stable outlook. The agency's assessment is based on a detailed study of leasing company management approaches and its financial performance.

The recognition of the high level of creditworthiness and stability of UniCredit Leasing during this difficult period was due to the company's strong market positions, high capital adequacy, profitability, and quality of the leasing portfolio, as well as an adequate assessment of liquidity and high level of governance.

In the context of the Covid-19 pandemic, the active exploit of electronic document management proved its effectiveness and feasibility. As at the end of 2020, over a half of the company's counterparties exchanged documents with UniCredit Leasing without hardcopy duplicates.

The main goals of UniCredit Leasing for 2021 are to maintain the achieved positions in the leasing market, as well as to ensure well-balanced development under the current business model of the company. The current strategy of the company for the next years will be focused on keeping up the growth rates of business volumes and the customer base, alongside with progressive development of business in the regions of UniCredit Leasing presence in Russia. In addition, the company will continue to develop its IT systems and improve its current business processes.

Private Banking

Despite the year of extraordinary challenges for many economies and social systems, UniCredit Private Banking Russia demonstrated stability and continued to keep up the high level of services. Business was also reinforced by the development of new acute solutions.

UniCredit Private Banking Russia showed an increase in the average volume of assets per household by 28% compared to 2019. As a result of successful collaboration between the Bank's Corporate and Investment Banking division and UniCredit Private Banking, the total volume of customer assets and total number of customers also increased significantly: the volume of customer assets raised by 21% compared to 2019. The total volume of customers' deposits exceeded the figure of 2019 by 15%.

Financial performance of 2020 proves the increasing trust in the private banking sector: the volume of customers' investments in UniCredit Private Banking increased by 41% in 2020 versus 2019.

UniCredit Private Banking was ranked among the TOP 10 Russian banks for wealthy customers according to the Forbes Russia magazine in 2020. Besides, UniCredit Group won yet another Private Banking award from Global Finance magazine (World's Best Private Banks Awards) as the best Private Bank in Central and Eastern Europe.

After the Bank's inclusion in the Unified Register of Investment Advisors in late 2019, UniCredit Bank officially became a member of the self-regulatory organization National Association of Securities Market Participants (NAUFOR) in the category of Investment Advisor in April 2020. This allows the Bank's customers to receive individual investment recommendations in accordance with their investment profile.

2020 showed an increased interest of customers in insurance programs. Insurance programs with guaranteed income and other offers were developed especially for UniCredit Private Banking customers in cooperation with Rosgosstrakh Life IC Ltd. and IC Alliance Life LLC.

The launch of the new Visa Infinite© card in cooperation with the SOUND UP Festival of Contemporary Academic Music and Visa in March 2020 allowed UniCredit Private Banking customers to gain access to a specialized digital space. Designed exclusively for Visa Infinite© cardholders, this space contains unique content: playlists, podcasts, curated selections, as well as broadcasts from SOUND UP festival, access to advance ticket purchases for festival events, and much more. Benefits of the Visa Infinite© card are not limited by content part, but provides possibility for the customers to get the limited edition vinyl records. The Visa Infinite© card was presented in the format of an online concert. Such artists as Igor Yakovenko, Dmitry Evgrafov, Gleb Kolyadin performed at the event.

Cooperation with the Pushkin State Museum of Fine Arts passed into the mode of virtual excursions in the museum space. UniCredit Private Banking highlighted the great interest of customers from various Russian regions to such event format. Following this, remote visits were arranged not only to the museum, but also to the Mariinsky Theater, Svyatoslav Richter Memorial Apartment, KHL matches, and other cultural and educational events.

In 2020, the podcast "Why did I see this?" launched in 2019 specifically for the World Elite Mastercard® cardholders of UniCredit Bank, won the Enlightener.Digital award in a special category for achievements in verbal painting, which once again proves that the chosen coverage of outstanding events in the art world is in high demand and appreciated by UniCredit Private Banking customers.

“2020 turned out to be a year of strength testing for UniCredit Bank’s retail business. Despite all the challenges, the Bank managed to prove that the retail business can quickly and efficiently adapt to new conditions and show decent results.”

Mikhail Povaliy
Member of the Management Board

Retail Banking

During the pandemic, the Bank's actions were primarily aimed at preserving the health of its customers and employees, as well as maintaining a high level of service quality. A lot of work was done to re-equip its branches and transfer service models to a remote format of cooperation with customers and partners. In parallel, the call centre was adapted and the Home Operators project was successfully implemented, plus a new site was launched in Volgograd. The Bank started delivering cards and continues to actively develop digital sale channels.

All the above made it possible to increase the base of active customers in the affluent segment by 10%. The Bank also retained its active customer base in the SME segment at the level of 2019 and increased the share of the mobile application active users from 48% to 53%. As compared to 2019, the portfolio of liabilities showed an increase of 2%, while the growth of the current accounts of individuals and legal entities, which is a special focus and significant part of the Bank's long-term retail strategy, accounted for 45%.

As for the network development, the Bank continued to focus on cities with high business prospects and payroll customers in 2020. Limited loans in the second and third quarters of 2020 affected the level of income, but it helped to focus on the profitability of loan products, improvement of internal processes and the customer base in terms of profile quality.

The pandemic-induced restrictions did not prevent the development and launch of new products, marketing campaigns, and special offers to customers and employees of the Bank.

Bank Cards

In 2020, as part of the debit card business development, special attention was paid to improving offers to premium customers. In order to keep up the high competitiveness of the PRIME premium service set, the key price parameters of upgraded cards were set out, and the terms and conditions of the loyalty programme and reward system for card transactions that directly influence the customer transactional activity were completely revised:

- Now, it is possible to earn miles and use them at travel.unicredit.ru to buy air and railway tickets and book hotels. The card has become more attractive for those who like to earn miles and travel
- The Smart Cashback system was launched. Now, customers do not need to track their expenses in separate categories. Increased cashback is credited in one of the five categories where they spend most
- An additional benefit is the Wheely's premium service for city and airport trips subject to established balances maintained on the accounts

The Visa Debit Card for Kids was launched for future customers aged 6 to 14. The card will grow and develop together with young customers. In the future, it will include loyalty programs and other features. The key mission of the Visa Debit Card for Kids is to help children start using financial services and to involve all family members in relations with UniCredit Bank. The Bank strives to do everything possible so that its customers could comfortably solve all their financial issues using our products.

Customers can now order courier delivery of debit cards at a convenient address. The opportunity to get a card without a visit to the Bank's branch in 2020 was more relevant than ever and made the service more comfortable and debit cards more attractive. Currently, delivery is available in several regions, and their list will be expanded.

In 2021, the debit card business will be further developed. A new flagship product for customers in the mass segment is under development. The loyalty program that is unique for the Bank will allow customers to choose the cashback option that suits them. Digital cards will become available, which will enable the customer to receive a new card without waiting for delivery or visiting a branch.

The credit card business, just like the Bank's other loan products, faced the pandemic crisis in the spring of 2020. In view of anti-crisis measures, the level of credit application approvals dropped significantly. According to the new statutory requirement, the Bank introduced loan repayment holidays for

Report on the Bank's Activities (Continued)

Retail Banking (Continued)

credit card holders who faced financial problems in the shortest possible time, as well as implemented a process to retain customers who wanted to close their cards. At the end of 2020, a new credit card with a long grace period of 115 days was launched, which meets the customer needs and is one of the best offers in the credit card market. In 2021, a top priority will be to gradually increase lending by easing restrictions, improving and simplifying the process of issuing cards and making lending decisions.

Cash Loans

In the late first quarter of 2020, the consumer lending market faced the need to introduce proactive anti-crisis measures, which led to a dramatic reduction in lending volumes, but prevented potentially bad loans. At the same time, the Bank made great efforts to help customers who found themselves in a difficult financial situation. Besides, loan repayment holidays were introduced and the process of cash loan restructuring was optimised.

It has become even more important and relevant to develop cash loan channels in a completely remote format from application submission to loan disbursement. Cash loan transactions have already been settled through the Mobile.UniCredit application without a visit to the Bank's branch. Amidst the growing demand for lending, this business and other processes to simplify cooperation between customers and the Bank will be further developed in 2021.

Mortgage

In 2020, UniCredit Bank issued 7.5 thousand mortgage loans for RUB 24 billion. The total portfolio of mortgage loans grew up to RUB 63 billion.

Key Achievements of 2020:

- Launch of the State Support 2020 mortgage programme in the new housing market with a preferential interest rate
- Increased demand for mortgage lending among the Bank's payroll customers: the share of payroll customers in mortgage loan sales amounted to 30% in the second half of 2020 against 15% YoY
- Focus on high-yield customers and target sales geography – cities with a population of 1 million or more: the average size of mortgage loan at UniCredit Bank grew by 19% in 2020 YoY and amounted to RUB 3.2 million
- Introduction of updated risk rules, improvement of the quality of issued loans (early loan delinquency is equal to 0), reduction of the crisis impact on the loan portfolio quality

The Bank's mission for 2021 is to materially increase sales volumes YoY, as well as develop remote sales channels and online services in the mortgage business.

Car Loans

In 2020, despite the closure of dealerships in April and May, the auto lending market repeated the results of the previous year. A car purchase remains important for many customers.

UniCredit Bank strives to provide products and services of the highest level, and the last year, despite all the challenges, was no exception:

- UniCredit Bank acted as an operator under the State Car Loan Support Programme, which provided for a car price reduction immediately upon purchase. A subsidy from the state was provided through the Bank to families with children, buyers of the first car in their life. Taking into account the invaluable contribution of medical staff to the life of society, they were also entitled to discounts from 10% to 25% of the car price
- The Bank made its best offers to customers in partnership with Volvo, Geely, Chery, Changan, Cadillac, Chevrolet, and Harley-Davidson. The residual payment option allows customers to reduce monthly payments to a comfortable level – almost twice. The real interest rate under some programs was only 0.1% for the entire loan term
- Remote banking services were also implemented in the car lending business. Almost all transactions that customers require for car loan servicing were transferred to remote channels. This applies to methods of loan repayment, insurance period extension, restructuring, and loan repayment holidays – all these services are now available online
- Restructuring, refinancing, and loan repayment holiday programs were introduced without the need to visit a branch to support customers whose income dropped or who lost their jobs. For the vast majority of customers, those programs were a real opportunity to cope with difficulties and return to a normal repayment schedule
- A number of internal technology projects were developed and tested. In 2021, the Bank will use a new sales software in car lending, which will shorten the decision-making period and save the time of customers buying a car on credit

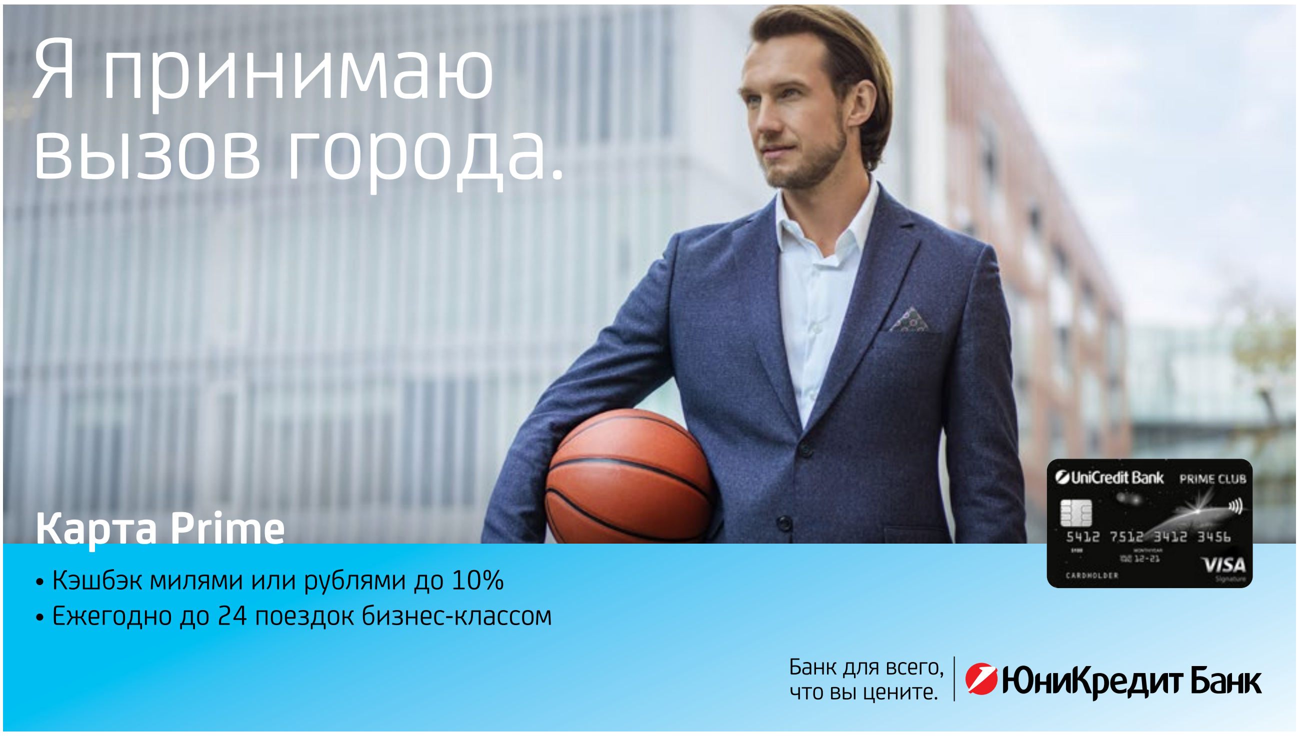
Savings, Investments, and Insurance

During 2020, the management of individuals' liabilities was focused on holding funds with the Bank. Customers were revising their approach to savings because of continued decline in rates on basic savings products, increased interest in more complex investment products, and lower interest rates on loans, especially mortgage loans. Customers needed an instrument to keep saving and earning interest subject to the flexible management of their funds. In 2020, the Click savings account was fundamentally changed. Now, its interest is higher depending on the customer segment. This change helped not only retain funds with the Bank, but also increase the savings account portfolio by 50%.

The Bank presented new strategies for investment life insurance in RUB and USD, thanks to which sales volumes of investment life insurance products exceeded RUB 3.8 billion in 2020.

Strategy and Results in 2020 (Continued)

Retail Banking (Continued)



In 2020, the Bank's customers gained significant investment income from the investment life insurance products of IC Alliance Life.

The circumstances of 2020 made it possible to efficiently implement the process of fully electronic signing of investment and endowment life insurance contracts and launch investment life insurance for customers in the mass segment.

Since the health protection issue was especially topical in the past year, the Bank presented the "Your Health is Above Wealth" product from IC Rosgosstrakh PJSC in September, providing for treatment in the best clinics in Russia or insurance payment in case of diagnosed critical diseases such as oncology, heart attack, and stroke.

In the existing market situation and subject to economic constraints, the Bank, in partnership with RESO-Garantia Joint-Stock Insurance Company, for the first time added a property insurance program to the range of insurance products for customers, in particular, the insurance of apartments and residential buildings. It made the key banking products of the retail business more attractive, ensured compliance with the latest market trends, and provided the Bank's customers with comprehensive insurance coverage.

Affluent Segment

In 2020, the number of active customers in the Affluent segment grew by 10%. At the same time, the share of customers who used the mobile application increased up to 68%. The portfolio of on-demand liabilities almost doubled from RUB 43.9 billion (as of 31 December 2019) up to RUB 74.3 billion (as of 31 December 2020). Besides, the volume of conversion transactions increased by 10% to RUB 35 billion in 2020. Internet banking conversions became the main driver: the growth was 26% from RUB 23 billion to RUB 29 billion.

The work model of premium managers was transformed in the context of the pandemic. Most of the managers switched to remote work since May 2020. All sales and customer service processes were adapted to ensure stable business. Transfer of transactions to remote service channels continued: the process of issuing life insurance certificates using a digital signature without a visit to the Bank's branch was launched.

In 2020, the PRIME services package were updated with a new cashback in rubles or miles at the customer's choice on a Visa Signature card, as well as business class trips to the airport and around the city. A special Click savings account with an increased interest rate that grows depending on the amount kept on the account was created for customers using premium services package.

A new Business School Prime Club (BSPC) project was launched on 1 June 2020. It is an important element of the retail business strategy in the Affluent segment. A new training program for Affluent managers was developed according to the principles of international business schools. The training takes two years, includes three modules, provides theoretical and practical tools for professional training and development of personal skills, communication skills, and skills for solving problems of any complexity in teams. Another important part of BSPC education are presentations by invited speakers in leadership, development, and collaboration with related business areas. In September, a new Laboratory of Ideas Department was launched, where students come up with ideas how to improve customer experience. The brightest ideas are implemented in teams together with the Bank's experts.

In 2021, an updated retail business development strategy will be launched in the Affluent segment. Its purpose is to increase the number of active customers focusing on business development in Moscow, St. Petersburg, and cities with a population of over one million. To achieve this, it is planned to increase the number of premium managers and ramp up their performance. A new Remote Affluent RM element of the service model will be upscaled. The product offer will be further developed with a focus on new investment solutions, conversion transactions, and daily banking. New non-financial services will be launched as part of the Prime Club service development.

Retail Network

In 2020, the Bank launched a new model for servicing customers in branches based on the distribution of operating load and product sales. The branches assigned financial advisers with extensive experience and sales skills to attend to customers who were likely to purchase financial products on a top-priority basis, thanks to customised navigation in the electronic queue.

The retail sales team's productivity increased by 52% in services packages sales for 2020. A focus was also made on the increase of active mobile bank users, so their number in the incoming flow of branches grew by 25% at the end of the year.

A project was implemented to support the Information Centre during a pandemic. The network employees were trained to work in the Information Centre and answered incoming calls. Thus, the Bank managed to stabilise the situation with an increased load on the Information Centre and provide customers with high-quality service for incoming calls.

Payroll Card Programmes

In 2020, the Bank implemented a project for cooperation with payroll customers during the pandemic: remote work and on-site issuance of debit cards by employees.

Besides, improvements were initiated and implemented in the Mobile. UniCredit application to show partner ATMs to all customers.

In 2020, a mass migration of payroll customers to more competitive cards took place.

Activities under the plan to improve the quality of service were implemented, in particular, the regular newsletter was optimised and a system of consistent notification of customers about improvements was launched. As a result, the autumn wave of the R-NPS 2020 syndicated customer satisfaction survey showed that payroll customers' NPS amounted to + 3%, which is 17 pp higher than in the first wave and 10 pp higher than in the second wave of 2020.

Small and Medium Enterprises

In 2020, the SME team managed to achieve significant results, so that targeted business KPIs were met:

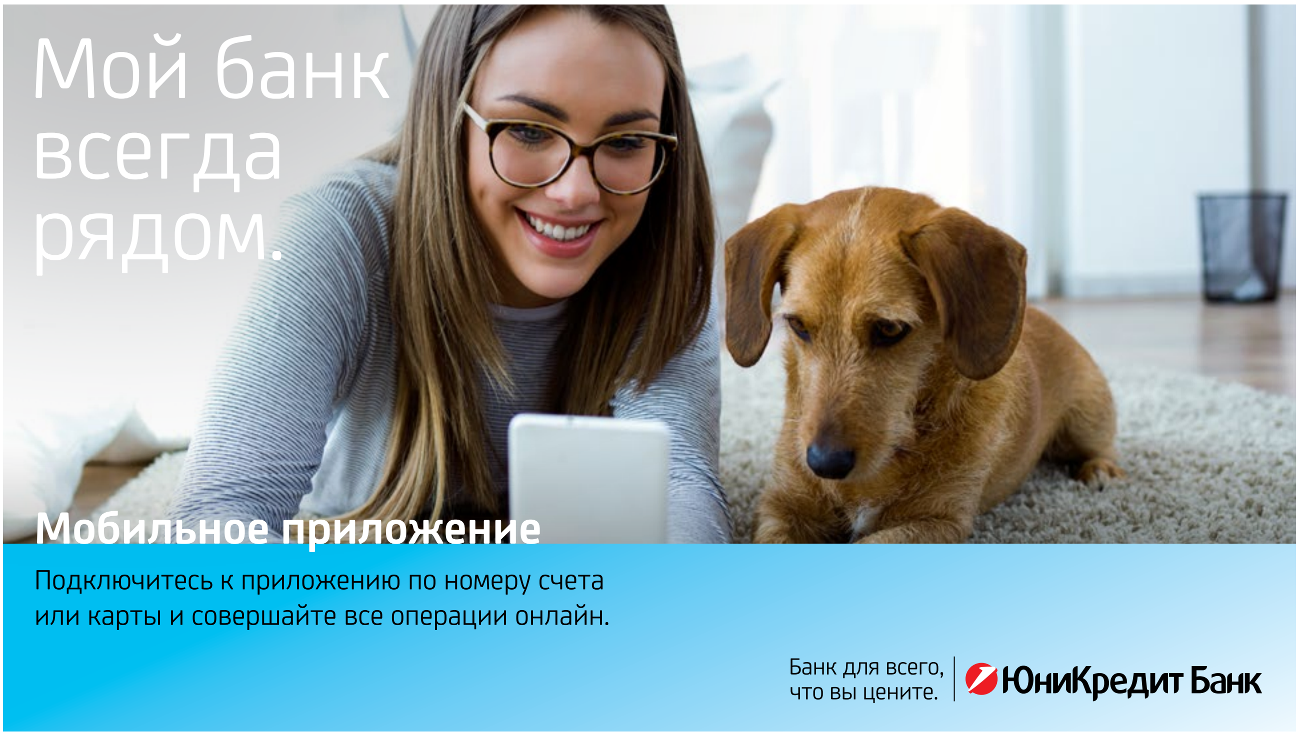
- Net profit amounted to RUB 1.93 billion, despite restrictive measures in Q2 2020
- The churn rate among the active customer base and high-yield customers was reduced by 14%, which is significantly lower than in the previous year, despite the economic downturn and a significant decrease in SME business activity in general
- In 2020, 50% of active customers had a corporate card due to a major focus on cross-selling, which helped to increase product consumption by active customers by 16%

The SME product range and services also saw considerable changes that contributed to cross-selling and increased sales efficiency in 2020:

- A special offer for groups of companies was launched, where the customer is the whole group and all of its assets are consolidated in UniCredit Bank
- A remarkable product was launched for retail customers who have cash-in-hand flow – customer self-encashment. Customers no longer need to deposit cash at the cash desk because they can instantly deposit their revenue to the settlement account in the 24/7 mode through ATMs without a contact with the Bank's employees. It played an important role in promoting the product, especially when the Bank's branches were temporarily closed during the pandemic, and allowed the business to continue functioning

Strategy and Results in 2020 (Continued)

Retail Banking (Continued)



- A project of corporate card courier delivery was implemented, so that customers could choose a convenient way to receive a product anywhere at any time
- Another project for end-to-end servicing of the Bank's existing customers was launched in the shortest possible time. A customer can contact any branch for a transaction, and an employee can identify such customer thanks to a public resource where all the necessary documents are posted

Mobile and Online Banking, ATMs, and Distance Selling

The top-priorities of 2020 were to launch a new mobile application for individuals into commercial operation and to convert the application for, and receipt of a cash loan into a completely online process through the application. Another focus was a continuous attraction of customers to the mobile application, assistance in installing it in the Bank's branches, and regular communication of information about its capabilities and features. For instance, the number of active users of the application grew by 11% in 2020.

In late November 2020, a new mobile application was published in App Store and Play Market, which is currently in pilot mode. The new application is featured by modern, intuitive design and new popular functions, such as partial and full early loan repayment.

The application was developed based on a new technological platform accelerating the delivery of new features and improvements to customers.

Starting Q4 2020, the Bank's employees can raise a cash loan through the new application without a visit to the Bank's branch in pilot mode. All the Bank's customers will have an access to such function in 2021.

The experience of 2020 showed that the future belongs to distance services and customers were increasingly paying for services and transferring money via mobile and online banking systems. For example, the volume of transfers via the Fast Payment System in UniCredit Bank increased four times compared to 2019, and the number of customers using that service grew five times.

In this regard, the Bank also revised, simplified many procedures, and converted them into online processes. In particular, we introduced a new process to recover a login and password to enter the mobile and internet banking through the Information Centre.

Customers have been actively using another convenient service: payment for goods and services by payment links or a QR code generated by a merchant. To effect a payment, the customer needs to scan the provided code in the mobile application, select an account for payment, and confirm the transaction with a one-time password.

Payments for RUB 9.7 million have been made this way since 14 December 2020.

Last year, UniCredit Bank completed actions aimed, among other things, at cost reduction. On 21 September, the Bank started carrying out card-to-card transfers with acquiring through its own processing. Previously, such transactions used to be processed by other banks. As a result, the Bank's expenses for commission fees to a partner were reduced down to minimum already in October, while in the following months the service began to gain significant income.

A lot of work has been done to update the ATM fleet. 19 ATMs with a recycling function were put into operation in the busiest branches, which increased the level of technical availability of 24/7 self-service devices in service areas.

In 2021, the Bank will further develop distance services and customer service channels. The key missions will be to migrate all customers to the new mobile application, to launch into commercial operation and promote the function of cash loan and credit card receipt without a visit to the Bank's branch, to purchase and install over 40 additional ATMs with a recycling function, to issue digital cards from the new mobile application, and to start the process of opening an account for new customers without a visit to the branch (launch of customer biometric identification).

Information Centre

In 2020, the Information Centre processed roughly 2,7 mln requests from customers: phone calls, chat messages, emails, and internet bank requests.

Two important projects were implemented in the Information Centre in 2020:

- Launch of the second regional call centre site in Volgograd
- Home operators: 45% of call centre operators receive calls from customers at home

The following improvements were implemented to simplify the processes for customers:

- A remote RM team was set up – personal managers for customers in the Easy Opportunity segment, who assist to customers remotely, build long-term relations, and make sales by communicating with customers via phone
- More than 30 additional communication topics were added to the virtual assistant (chatbot) — now, customers spend less time getting a response in the chat

The main vectors of 2021 will be:

- Expansion of the call centre functionality
- Provision of a wider range of services for a customer in one dialogue
- Service quality improvement

Service Quality & Customer Satisfaction

High quality of service is among UniCredit Bank's key priorities. The Bank constantly monitors the customer satisfaction and responds to enquiries through various channels including open sources. In 2020, the average response time for customer complaints was three days in the Affluent segment and seven days in other segments, while 41% of complaints were processed within three days or less.

In 2020, the Bank maintained consistently high customer satisfaction indicators both for retail and corporate customers. The Bank's Net Promoter Score (NPS) in the retail segment reached +61% at year-end 2020, exceeding the market averages.

In 2020, the Bank continuously monitored the customer feedback that makes it possible to respond to the instances of dissatisfaction with the service quality promptly. New feedback channels were used to improve the feedback processing efficiency. Over 100 thousand customer feedbacks were processed in 2020.

The feedbacks and analysis of contacts were the basis for continuous optimisation of the Bank's processes, products, and services. For instance, to meet the increased customer demand for remote problem-solving during the pandemic, the remote closing of accounts, cards, bundled services, the filing of disagreements with transactions through correspondence in the personal account, receiving statements of accounts, cards, and loans through correspondence both in the personal account and via email. Customers are provided with monthly reports on the details of their card use through their personal account, to make it convenient for them to track the compliance with the terms and conditions for free use of the bundled services. Besides, a dedicated channel was created for customer request processing with regard to mortgage loans.

Further efforts to improve and simplify processes for the Bank's customers will be made in 2021.

The efficiency of the Bank's business model and its risk and capital management system allowed the Bank to steadily follow the adopted business strategy and successfully address the unprecedented challenges of 2020 caused by the Covid-19 pandemic.

Risk management

UniCredit Bank's strategic mission is based on its commitment to generating sustainable income by maximum improvement of productivity through more efficient business processes, combined with a high risk culture of the entire Bank's team and UniCredit Group's fundamental principle "Do the right thing!". The Bank's stable, sustainable, and competitive business rests on a flexible business model and systemic approach to managing all material risks. The efficiency of the Bank's business model and its risk and capital management system was demonstrated in 2020 in the context of the Covid-19 pandemic, allowing the Bank to quickly adapt internal processes to continue operating in compliance with all the new requirements of the Bank of Russia and other supervisory authorities.

UniCredit Bank strictly adheres to the risk and capital management standards set out by the Bank of Russia, Basel Committee on Banking Supervision, and UniCredit Group. All the Bank's key units are involved in the implementation and application of advanced risk management standards. The Bank's Internal Capital Adequacy Assessment Process (ICAAP) is in full conformity to the requirements of the Bank of Russia (Order No. 3624-U), Basel Committee (Basel II, Pillar 2), and UniCredit Group. In 2020, the Bank carried out its annual verification of the map of material risks and their coverage by economic capital taking into account the new EBA guidelines, alongside with routine stress tests of the regulatory and internal capital adequacy, which demonstrated the Bank's high stability under the stress due to Covid-19. To properly manage business models and strategic plans when choosing the desired risk-return profile, the Bank has updated its risk appetite framework so as to identify and continuously monitor targets, triggers, and maximum permissible risk levels in the Bank's daily business, which the Bank is ready to accept for its business strategy implementation. The risk appetite framework is integrated into the budget process and aligned with the targeted levels of a multi-year plan. Identification of the major units/authorized persons taking risks, and the return-to-risk analysis for the business units were performed based on the quantitative methods of economic capital allocation. The Bank carried out a detailed analysis of the new EBA guidelines for the loans originating and monitoring and developed an action plan to fully implement those guidelines.

The Bank's risk management policies are continuously reviewed and updated to reflect changes in the market environment, products and services, as well as new and improved risk management methods. In particular, in 2020 the Bank introduced new standards of UniCredit Group for stress testing of the adequacy of regulatory and economic capital. Besides, a new and improved risk appetite framework with new KPIs for liquidity and compliance risks was introduced. The credit risk mitigation policy has also become more efficient.

Ongoing validation ensures an independent evaluation of the key models, systems, processes and reports in terms of performance and further improvement. This comprehensive approach enables the Bank to take timely remedial actions for all material risks and ensure the required levels of regulatory and internal capital adequacy to protect the interests of its customers, employees, and shareholders.

The Bank has been actively managing non-performing loans using the best Russian and European practices for more efficient management of the NPL portfolio and early identification of distressed assets. In view of the specifics of 2020, the share of NPL grew by 11 bps to 6.7% with a consistently high level of provisions for the NPL portfolio at 78.85%, in 2020.

UniCredit Bank regularly updates its Recovery Plan in full compliance with the requirements of the Bank of Russia and UniCredit Group, as well as international standards. In 2020, during the annual update of the Plan in accordance with Bank of Russia's Regulation No. 653-P, the Bank additionally adopted new policies of UniCredit Group that set out the procedure for preparing and updating the Plan. The updated Recovery Plan was timely provided to the Bank of Russia, to be taken into consideration by the Bank of Russia's Committee on Banking Supervision. In 2020, the follow-through work aimed at keeping up the Bank's conformity to the Basel Committee's requirements (BCBS 239) in terms of compliance with the Principles for effective risk data aggregation and risk reporting at the local level within the UniCredit Group's project was successfully under way. In particular, the Bank improved its data quality control procedure for collateral data in 2020.

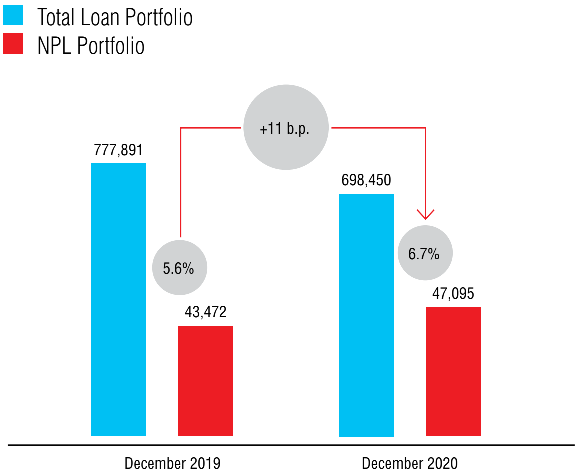
In 2021, the Bank will go on with a step-by-step development of the loan portfolio quality assessment models as part of the switchover to credit risk and regulatory capital adequacy assessment based on the borrower's Internal Ratings-Based Approach (IRB Approach). To comprehensively improve the Bank's lending process and risk management, further efforts will be made to implement the new EBA guidelines for the loans originating and monitoring, which will also include an analysis of associated climate risks. The objectives concerning the improvement of the IT infrastructure and maintaining the high quality of data in the Bank's information systems in line with the Principles for effective risk data aggregation and risk reporting are still relevant.

The Internal Validation Unit runs independent validations of the Bank's various business areas such as credit and market risk assessment, as well as risk assessment under the IFRS 9 concept. For instance, in addition to prior validations, the scope of the IFRS 9 concept analysis was further expanded with a focus on the retail and SME segments in 2020. Besides, the local ICAAP process was first analyzed according to the requirements of the Central Bank of the Russian Federation in 2020. Additionally, the ICAAP report was verified as per the international PERDAR requirements.

The findings made as part of validations are monitored and regularly implemented in industrial solutions, improving the quality of risk assessment processes in the entire Bank.

Expanding the scope of validations enables the Bank to perform internal independent assessment of the quality of the existing risk assessment approaches and systems and those being implemented, as well as to ensure more widespread compliance with the European and Russian risk management standards. Since late 2018, the audits have been carried out in collaboration with the Group Internal Validation. Co-signature of the final report at the local and Group levels ensures compliance of the validation criteria with the international standards and best practices.

SHARE OF NPL PORTFOLIO IN THE BANK'S TOTAL LOAN PORTFOLIO,
RUB million



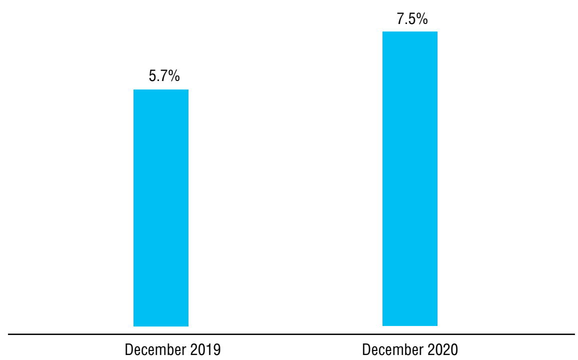
Corporate Credit Risks

To assess risk in the corporate segment, the Bank carries out a comprehensive analysis of the borrowers' financial and qualitative parameters in order to obtain a full picture of the customer's activities and enable the competent bodies to make informed decisions. To assess the probability of corporate customers' default, the Bank makes use of the rating models developed for sub-segments and taking their peculiarities into account. Customers are rated on a quarterly basis using all available information. These rating models and relevant rating processes have been developed in accordance with the requirements of Basel II standards for calculating capital requirements based on internal ratings.

The rating models are updated and validated on regular basis, which ensures a better ranking of the borrowers by risk exposure, and therefore, making the lending decisions based on a more accurate assessment of the customer's creditworthiness.

To ensure more effective risk management in terms of the corporate loan portfolio, the Bank implemented a risk management industry specialisation model and established departments, each of them charged with analysing the risks of specific industries/segments. This enables the Bank to analyse changes in individual industries quickly and accurately, adjust the strategies, and make informed decisions. Alongside with the industry-based approach, effective portfolio management is facilitated by the system of regional risk managers who are able to collect and analyse information on the situation in the key regions of the Bank's geographic reach and effectively manage the loan portfolio both by industry and by region.

RATIOS OF LOAN PORTFOLIO COVERAGE BY PROVISIONS (IFRS) IN 2018-2019



Relying on UniCredit Group's common approaches to corporate portfolio management, the Bank annually adopts industry-specific risk strategies that guide the lending business in the current year. The goal is to maintain an industry-balanced structure of the loan portfolio with due regard to the macroeconomic forecast, relevant industry or segment development prospects, and assessment of the borrowers' creditworthiness (probability of default (PD) and expected loss (EL)). Such approach helps to avoid an excessive debt concentration in individual sectors and subsectors of the economy.

To ensure maximum performance, the Bank has implemented a decision-making system for the corporate segment loan transactions in accordance with the levels of the competent lending decision-making bodies depending on the requested loan limit and the customer's or customer group's risk level (probability of default). In 2020, almost all types of corporate loan transactions were still considered only by collegial bodies (Credit Committees), except for minor limits (up to RUB 100 mln).

In 2020, the world faced the Covid-19 economic crisis which also affected Russia. According to preliminary data from Rosstat (Russian Federal State Statistics Service), Russia's GDP decreased by 3.1% in 2020. In view of the extremely low GDP growth rate in 2018 and 2019, the new crisis further complicated the financial standing of corporate customers. However, the Bank's well-developed system of risk assessment allowed it to timely and adequately respond to the ongoing processes and make right decisions. Besides, under economic uncertainty, the risk assessment and control system was supplemented by the following measures:

- The impact of Covid-19 on the daily business of all corporate customers was regularly monitored
- The most significant corporate borrowers underwent stress tests to assess their resistance to the crisis
- Industry risk strategies were adjusted

As a result, the Bank managed to maintain control over the situation and ensure an acceptable quality of the corporate loan portfolio.

In early 2020, the Monitoring Unit carried out the retro-testing of signals used to identify potentially-problem corporate customers. According to the current rules, such testing shall be carried out once every three years to determine the optimal compromise between the accuracy of a signal used to identify potentially-problem corporate customers and the default status assignment to the customer, the coverage ratio of the loan portfolio signals detected and the load on business units taking into account the average number of signals registered per day for one employee. The testing proved the relevance of all the signals implemented without the need for changes.

The Covid-19 pandemic was one of the most significant external factors that seriously affected absolutely all sectors of the economy and business of the Bank's customers, in particular. Restrictive measures introduced during the pandemic affected service companies first of all. The restaurant industry, travel agencies, fitness clubs, dry cleaners, shopping and entertainment centres suffered materially. At the same time, the Monitoring Unit implemented the requirements of Federal Law No. 106 dated 3 April 2020 "On Amendments to the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)" and Certain Legislative Instruments of the Russian Federation with Regard to the Specifics of Amending Terms and Conditions of Credit and Loan Agreements" (FZ-106) in order to support SME corporate customers that filed the respective requests with the Bank. The Bank satisfied such requests under FZ-106 as quickly as possible, without delays, within three calendar days on average. The procedure implemented in the Bank for customers subject to the Moratorium fully covered the methodological requirements of UniCredit Group.

Active growth of the corporate customer portfolio with signs of potential problems at the very beginning of the pandemic (for example, the growth was + 65% in May 2020 versus February 2020) and an increase in actions to monitor the support of such customers required professional skills of operational management and effective decision-making of all the employees involved in the corporate lending process. Thus, 2020 revealed the real importance of the ability to quickly adapt to the changing reality, while the Watch List database once again proved its relevance as the key instrument of corporate portfolio monitoring. It provides for the registration and analysis of negative data from various sources and classification of customers based on the identified warning signs, as well as establishment of the work strategy, development and monitoring of action plans.

Non-Performing Loan (NPL) Management

In 2020, the Bank focused on rendering support to companies that found themselves in a difficult situation due to Covid-19. Individual terms of debt settlement were offered to each corporate customer affected by the pandemic consequences. As a result, the Bank, on the one hand, prevented a noticeable growth of the problem portfolio and, on the other hand, helped a number of customers to start recovering their business.

Retail Credit Risks

The Covid-19 pandemic and its consequences had a global impact on retail lending in 2020. Based on a thorough assessment of external and internal changes and multi-level monitoring of the loan portfolio behaviour in terms of the expected risk level, the Bank significantly revised the risk strategies and rules used in lending to keep up an acceptable volume of new loans and profitability. Additional actions were taken to prevent fraud in car loans, which allowed the Bank to avoid extra losses.

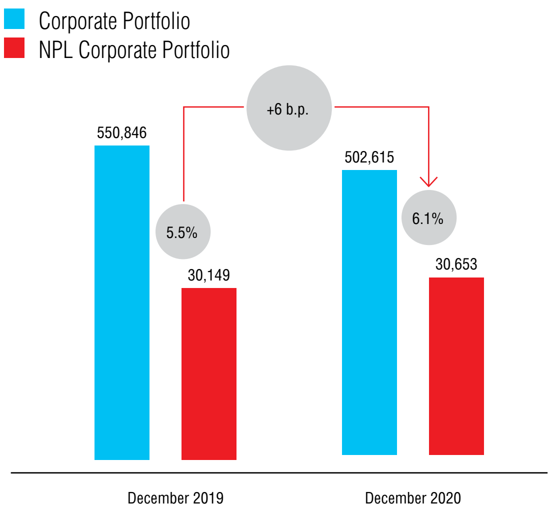
Improved risk strategies and rules resulted in an accurate and risk-based approach to retail lending under uncertainty.

Due to the enactment of Federal Law No. 106 dated 3 April 2020 "On Amendments to the Federal Law "On the Central Bank of the Russian Federation (Bank of Russia)" and Certain Legislative Instruments of the Russian Federation with Regard to the Specifics of Amending Terms and Conditions of Credit and Loan Agreements" (FZ-106), the Bank had to develop, as soon as possible, an internal process for providing

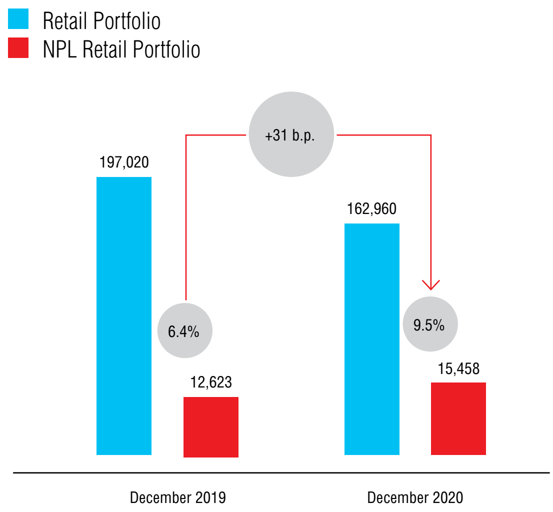
Report on the Bank's Activities (Continued)

Risk Management (Continued)

THE CORPORATE NPL PORTFOLIO AS A SHARE OF THE CORPORATE TERM PORTFOLIO,
RUB million



SHARE OF THE NPL PORTFOLIO IN THE TERM RETAIL PORTFOLIO,
RUB million



customers affected by the Covid-19 pandemic with loan repayment holidays and their administration.

The Retail Credit Risk Department as the process owner in terms of individual customers, using the experience of implementing the Law on Loan Repayment Holidays for mortgage borrowers (FZ-76), put in place all the procedures required for the timely processing of customers' requests for loan repayment holidays. The Bank's processes related to the provision of loan repayment holidays to customers, as well as their subsequent monitoring, meet all the requirements of the European regulator.

Besides, the Bank's internal programs for loan restructuring were optimized so that a larger number of borrowers who could not have loan repayment holidays under Law 106-FZ due to non-compliance with the established requirements or failed to solve financial difficulties during the holiday period were able to reduce their loan burden by using one of the restructuring programs offered by the Bank.

In 2020, the regulatory component was the main focus of retail credit risk modelling. Models for assessing the Exposure at Default were developed together with the team of the Group Modelling Centre in Bulgaria, and a new model for assessing the Loss Given Default was launched. A lot of work was done to integrate the new definition of default into the IFRS 9 provisioning process. In this regard, the Probability of Default assessment models and Transfer Logic assessment models were also revised.

As for modelling, in 2021 a special focus will be made on the development of credit risk models to assess customers for the purposes of loan extension decision-making. The project to develop a special scoring model in consumer lending launched in 2020 will be further implemented. A new model of customer income prediction is to be developed. Close cooperation with colleagues from the Data Management Department is expected in order to develop the Data Science Analytical Platform designed to build models using advanced analytics methods.

At the same time, the Bank continued to optimize and further automate the retail lending process in 2020. The process of analysing external services and sources of additional customer data was launched. In 2021, it is planned to use additional tools as part of the credit analysis strategy. The data from the Russian Pension Fund (RPF) are already used in the credit analysis process.

A key development focus of the Bank's loan conveyor is to replace and update the risk decision-making system. The outdated system is currently under replacement with a modern solution. The new system is supposed to speed up the development of new models and the connection of new data sources in 2021.

A significant increase in the number of customers with overdue debts during the lockdown required quick and effective solutions, so the collection strategies were promptly changed, the extra resources were involved, and the processes were improved. All the above made it possible not only to maintain the efficiency of collection at an early stage, but also to improve indicators in the second half of the year.

In 2021, special attention will be paid to the further development of collection processes, increasing their efficiency, and integration of modern analytical tools.

The Monitoring Unit promptly developed and implemented a process for SME monitoring in the retail segment in 2020. During the pandemic, the entire portfolio of SMEs was analysed, the most risky customers were taken under special control, just like all customers who took advantage of the loan repayment holidays under Law 106-FZ, which helped to quickly respond to any negative events in the customers' business and take measures to mitigate credit risks as early as possible. In total, 20% of the entire SME portfolio of the Bank was put under special monitoring.

The new SME monitoring module for the Bank's CRM system was further implemented in accordance with the standards of UniCredit Group. A new business process for managing the credit risk of SME customers, a user interface, and a number of solutions for automated process monitoring were developed under the project. The system developed will provide for the timely receipt of information about the customer's potential difficulties and proactive measures to mitigate the credit risk.

Besides, the Monitoring Unit made efforts to improve the monitoring of the individuals' loan portfolio. For instance, a number of IT jobs were initiated to improve current processes and obtain information on customers from external sources, which will allow the Bank to automatically learn about difficulties with loan repayment to other creditor banks.

Market Risks and Liquidity Risks

In 2020, the Bank continued improving the market risk and liquidity risk management system. The development of the control methods used by the Bank for these types of risk is based on the best practices of UniCredit Group and ensures the Bank's sustainability and reliability during the market uncertainty. In 2020, despite the increased volatility caused by the Covid-19 pandemic, the Bank neither suffered significant losses associated with the market risk nor experienced a lack of liquidity.

The Bank controls both the market risk in trading operations and other financial risks (interest and currency risks) arising from the Bank's business as a whole.

The metrics of sensitivity to certain risk factors, aggregated metrics (VaR for various subportfolios), as well as stress tests of the market risk and interest rate risk of the Bank Book are used for exercising control. In 2020, the set of scenarios was supplemented with various scenarios of market development during the pandemic.

The control over the Bank Book interest position is performed in full compliance with the requirements set out by the international regulators and the best practices of UniCredit Group. The interest rate risk is assessed, mitigated, and managed both in terms of sensitivity of the interest income for a certain time horizon to the interest curve shift and in terms of sensitivity of the total economic value of the Bank Book to various (including nonparallel) movements of the interest curve. When assessing the Bank Book interest rate risk, the Bank applies behavioural models for current accounts, early repayment (for the retail portfolio), and the NPL portfolio. All the behavioural models shall be approved by UniCredit Group's dedicated functions, but shall reflect the specifics of the market situation and the Bank's position. The parameters and structure of the models are subject to regular revision to reflect the changing situation.

Stress testing of the Bank Book interest rate risk is performed under the general market risk stress testing programme, both using regulatory (IRRBB standards) and own scenarios (both the Group-wide ones and those reflecting the local specifics). In 2020, the set of stress scenarios was expanded to better reflect the situation.

The existing wide system of limits, triggers, and metrics of the market and interest rate risk ensures the manageability of positions held by the Bank. Limits and scenarios are revised regularly.

Particular attention is paid to keeping up the data quality through reconciliation of the Bank's information systems. The Bank has been continuously revising the list of risk factors influencing the market risk assessments and analysing the reliability of the market data used. In 2020, the data quality management system used to assess the interest rate risk was supplemented.

The Bank's overall strategy towards the market risk and liquidity risk is determined by the Bank's Asset and Liability Management Committee composed of representatives of the finance division, business units, and risk management. Meetings of the Committee are held on a regular basis, usually weekly. Members of the Committee are promptly notified of all significant events regarding the market risk and liquidity risk. Any breaches of limits and warning levels at key metrics are also reported to members of the Bank's Management Board and Supervisory Board. Alongside with the strategy, the Bank has liquidity and capital management policies and annually develops a financial stability recovery plan.

The Bank measures and limits the short-term liquidity ratio H26, the structural liquidity ratio H28, and a set of internal management metrics (both for the short-term liquidity and structural liquidity). Internal metrics make it possible to correctly reflect the specifics of the Bank’s assets and liabilities, monitor the situation with liquidity in foreign currency, concentration of liquidity sources by timing and counterparty, and other parameters.

In order to effectively manage the asset and liability time structure, the Bank subjects short-term liquidity to stress testing on an ongoing basis in accordance with the scenarios provided by UniCredit Group and in accordance with the local methodology adapted to the peculiarities of the Russian market. Stress tests make it possible to assess both the total available liquidity and the available foreign-currency liquidity.

The findings of the short-term liquidity analysis, including data obtained through stress testing, provide the basis for the monthly funding plan to be approved by the Asset and Liability Management Committee. The plan development also rests on the evolution forecasts of both management and regulatory liquidity ratios and the relevant limits. The monthly funding plan and the annual financial plan are subject to verification for risk appetite compliance and the Bank’s strategy.

The amount of the liquidity available to the Bank remained quite comfortable and the risk profile met the target throughout the year. In 2020, the Bank activated additional mechanisms (High Attention Phase) to ensure the significant involvement of managers in the operational processes of liquidity management and more accurate liquidity management.

The assessment of market risk economic capital components takes into account all positions of the Bank Book and the Trade Book. The internal model covers:

- General market risk for foreign exchange positions
- General and specific market risk for debt instruments
- Risk of credit ratings migration in the Trade Book
- Basis risk
- Interest rate risk of the Bank Book
- Credit spread risk
- Credit valuation adjustment (CVA)

The business process of selling financial derivatives to corporate customers is governed by the internal policy compliant with the Russian laws, requirements of UniCredit Group, and the best European practices. The use of counterparties’ credit limits under derivative transactions is calculated daily using the UniCredit Group’s methodology and infrastructure.

Operational Risks

The Bank defines operational risks as the possibility of losses due to negative events at various levels of the Bank’s process architecture, including inconsistency of internal procedures for banking operations and transactions with the nature and scale of the Bank’s and UniCredit Group’s business, violation of internal procedures by employees through unintentional or deliberate actions and/or inaction, internal or external frauds, failures and malfunctions up to crashes of technological and other systems, violation of information security requirements, as well as the impact of external events and regulatory risks.

Operational risks include legal risks, but exclude strategic and reputational risks.

The Bank is successfully adapting its operational risk management methods in full compliance with UniCredit Group’s approach, established requirements and regulations of the Bank of Russia, as well as provisions of the Basel Committee on Banking Supervision, to the processes of operating capital calculation and instrument application to manage, control, monitor, and mitigate operational risks.

The Bank’s operational risk management system is based on the “three lines of defence” principle and is aimed at mitigating the occurrence of operational risks. For these purposes, the Bank has introduced procedures for identifying, assessing, and controlling the level of operational risks, which include the collection and registration of information on events and consequences of operational risks in the database, monthly monitoring and control of the key indicators of operational risks, assessment of risks and process controls of the Bank, annual self-assessment of operational risks and scenario analysis.

The organizational structure of operational risk management in the Bank is represented by the Permanent Working Group (PWG) and the Operational Risk Management Committee, which jointly make decisions on improving the operational risk management system in the Bank and, if necessary, regularly revise its basic principles.

The Operational Risk Management Committee is involved in reviews and decision-making on the operational issues relating to operational risks and their impact on the Bank’s business. Continuous development and improvement of the risk culture has a positive influence on the Bank’s operational risk management system, which contributes to the interest and involvement of employees who are not directly related to the risk management function in operational risk management processes. The participation of divisional operational risk managers in the Committee's work ensures an ongoing exchange of relevant information between the functional units (divisions) and individual units bearing or assuming the risk.

To improve and maintain the effectiveness of the Bank's operational risk management, a Permanent Workgroup persistently identifies and reviews the most material operational risks and takes the necessary steps to mitigate exposure to such risks in a timely manner. This is achieved by determining the required remedial actions and monitoring their implementation based on the professional experience and expertise of the Workgroup key members – the Operational Risk Management and the Internal Audit Department.

In accordance with the Group's strategy, the Bank regularly prepares reports that contain information on material events of operational risks, including potential losses or losses already incurred due to the materialization of risks caused by information security and information system events, violations of control procedures, legal risk, personnel risk, customer retention risk, cross-credit events, regulatory risks, and other types of risks managed jointly by the Operational Risk Office and the Bank's concerned units. The above reports are brought to the attention of the Bank's and the Group's management in accordance with the procedure established by the Bank.

To monitor operational risks, the Bank has developed, annually expands, and updates a system of key operational risk indicators (KRIs), which is a comprehensive instrument for monitoring and early prevention of risks providing for a full picture of the Bank's operational risk profile and identifying negative development trends of business processes.

Important mechanisms for controlling, mitigating, and limiting operational risks include:

- Analytical reports on the Bank's operational losses and so-called «near-miss» events
- Analysis of the key operational risk indicators
- Annual scenario analysis
- Annual assessment of risks and controls of the Bank's processes
- The expected loss from operational risk (ELOR) ratio with its limit and warning values set under the approved operational risk appetite methodology

The ELOR metric reflects the ratio of expected losses from operational risk events to budget revenues. The values of the expected loss from operational risk are calculated on a quarterly basis at the level of UniCredit Group and provided to the Bank for monitoring. A report on these indicators is quarterly submitted to the Bank's Operational Risk Management Committee, Management Board, and Supervisory Board.

Throughout the year, UniCredit Bank, together with other systemically important banks, was taking part in various roundtables, workshops, and meetings dedicated to the enactment of Regulation No. 716-P "On Requirements for the Operational Risk Management System in a Credit Institution and Banking Group" dated 8 April 2020 by the Bank of Russia. The draft document was developed by the Central Bank in 2019 according to the decision of the Basel Committee on Banking Supervision that specified the approach to assessing the operational risk for calculating the statutory capital ratio under the Basel III standard in December 2017. Despite the fact that the Bank must collect information on both qualitative and quantitative losses of the Bank from operational risk events for at least the past five years in accordance with the requirements of the above Regulation in effect since 1 October 2020, the Bank has been keeping records of events pursuant to the Basel III standard for a long time.

Furthermore, the Central Bank of the Russian Federation provides for quarterly ORMF reporting under the Regulation to ensure a more accurate calculation of capital adequacy for the operational risk. In case of a discrepancy between the reporting data and transactions actually reflected in the Bank's systems, an increased coefficient may be applied to the Bank, which can significantly increase the amount of capital accrued for the operational risk.

In view of the above, in 2020 the Bank launched a project to implement the requirements of Regulation No. 716-P dated 8 April 2020 and active work is underway to align all internal processes and regulatory documents with the requirements, as well as a lot of efforts to assess the operational risk impact in case of changes in the existing business processes and products, strategic initiatives, including material changes in the Bank's business or organizational structure, and occurrence of new ones.

The Bank will continue to ensure stable development and optimization of the operational risk management and monitoring process in terms of sensitivity to internal and external changes, as well as to improve the risk-based culture of the Bank's employees through specially developed training courses and programs.

Reputational Risks

As part of UniCredit Group, the Bank pays special attention to the reputation of the credit institution, continuing to improve its reputational risk management system.

The reputational risk is defined as an existing or potential future risk to income and capital arising from negative perception of the financial institution's image by customers, counterparties (including

Report on the Bank’s Activities (Continued)

Risk Management (Continued)

debtholders, market analysts, other parties), shareholders/investors, regulators and employees (stakeholders).

The reputational risk is often a side effect (technically a “chain reaction”) of all other risk categories, such as credit, market, operational, and liquidity risks (primary risks). The reputational risk can also arise from material events.

Special attention is paid to the following topics:

- Definition of the reputational risk and its main elements
- Concept of reputational risk management including functions of the Reputational Risk Committee
- Main reputational risk assessment methods
- Conceptual issues of the reputational risk management strategy
- Basic rules for reputational risk monitoring and reputational risk reporting

The Reputational Risk Management Unit has the following responsibilities:

- Renders support to the units bearing the primary risk for identifying the possible reputational risk and assessing it according to the principles and methodology corresponding to the type of risk source (e.g., the process of launching a new product/service; transactions for sensitive industries; major transactions; IT risks; operational risk events)
- Monitors the Bank’s exposure to the reputational risk in accordance with the Group’s rules
- Regularly reports to the Bank’s management and other competent bodies of the Bank
- Holds regular trainings in the reputational risk
- Cooperates with national and international regulators and supervisory authorities related to the reputational risk management with the support from, and in coordination with the relevant units of the Bank
- Coordinates the Bank’s Reputational Risk Committee, ensures decision-making on the reputational risk related to business issues that are not subject to assessment by the Reputational Risk Committee

Do the right thing!
For Diversity & Inclusion

UniCredit is committed to promoting a positive working environment that embraces our core values: Ethics & Respect.

TAKING ACTION AT THE 2020 D&I WEEK

More than 21,000 colleagues joined our 100 events in 15 countries. With 270 external speakers and 145 hours of workshops, coaching sessions and online discussions, we made sure everyone could join UniCredit's second annual Diversity & Inclusion Week.

“Full-scale functioning under the circumstances of the novel coronavirus infection spread in 2020 was a real challenge for the Bank, and we managed it successfully.”

Algimantas Kundrotas
Member of the Management Board

Global Banking Services

Organisation & Change Management

During 2020, the main efforts of the Organisation and Change Management Department were aimed at providing anti-crisis support and overall coordination of all UniCredit Bank's structural units to ensure its smooth operation under the difficult circumstances caused by the Covid-19 pandemic. In short time the units were transferred to remote work, and only functions that required employees' presence continued operating with a minimum headcount in the Bank's offices.

The major focus of the Department in 2020 was the implementation of infrastructure projects, as well as initiatives in the Bank's project portfolio. Alongside a significant share of regulatory initiatives, the initiatives supported by the Department were also launched to develop electronic document management with customers: a partial transition of corporate business and currency control to legally significant electronic document management, launch of new Internet channels and development of existing ones. Significant initiatives, allowing transition to paperless workflow, were implemented. Moreover, projects to develop a new platform for automating of lending process for corporate clients, which is mainly demanded by the regional corporate customers, were implemented. The new Faster Payments System service was connected for individuals to transfer money in RUB to legal entities online using the service of instant payment for goods and services in retail stores and on the Internet using a QR code or payment links. Effective decisions were also made to ensure that the Bank's customers can use loan repayment holidays within the time frames established by law.

Besides, active efforts were continued to coordinate the innovative leadership initiatives developed by The Laboratory of Business Leaders. The proposed small automation approaches, including Robotic Process Automation (RPA), were successfully applied in banking activities, approaches to the data analytics use for offering new opportunities to the Bank's customers were integrated, new options for using digital signatures in communications with customers as part of paperless technology development were implemented, and new approaches to change management in the Bank were further introduced. As part of the Agile approach development, the Bank started implementing the End2End Rooms concept, which provides for the inclusion of the Business and IT departments' employees in permanent organizational teams to ensure more efficient collaboration at all stages of product lifecycle management.

In 2021, it is planned to continue implementing strategic programmes for the development of auto loans, factoring products, as well as electronic channels of communication with Bank's customers.

Information Technology

Full-scale functioning under the circumstances of the novel coronavirus infection spread in 2020 was a real challenge for the Bank. Within an extremely short timeframe, the IT Department deployed and scaled infrastructure solutions that provided more than 2,500 employees with full-fledged solutions for remote work. A tenfold increase in the infrastructure capacity was promptly achieved. Over 2,000 laptops were purchased, configured, and handed over for use within a few weeks. Due to the maximum mobilization of resources, the IT Department fulfilled complex assignments under the Loan Repayment Holidays initiative, which allowed the Bank's customers to receive support in the form of a loan deferral under the circumstances of imposed restrictions, uncertainty, and instability.

Taking into account the internal and external business context, as well as in accordance with the Group's IT strategy, the Bank's IT strategy for 2020–2023 was updated to be focused on eleven group initiatives within three main components: modernization of the IT landscape, transformation of the operating IT model, strengthening the partnership between IT and Business.

The merger of the IT Department with the Card Centre in 2020 made it possible to increase the stability of systems and reduce the level of operational risks. The Card Centre's operations were integrated with ITSM processes and change management procedures. Besides, the ATM fleet modernization was initiated, which will continue in 2021.

The Bank continues to invest in strengthening the security and reliability of its IT infrastructure as part of its hardware and software support initiatives through network infrastructure segmentation and obsolete equipment replacement projects.

In 2020, a number of initiatives were implemented to optimize IT costs, in particular, those related to the increased license costs due to changes in tax laws, and to optimize the SMS costs. Initiatives were implemented to improve the DevOps practices, ensure the timeliness and transparency of collaboration between the IT Department and business units as part of the service level management process.

For the purposes of information security improvement, a project was implemented in 2020 to replace the antivirus software of the payment circuit infrastructure and workstations, as well as to manage access rights for the Bank's information systems.

At the year-end, the stability of IT systems was ensured at the level of 99.9%.

In 2021, the IT Department will continue to implement its IT strategy, focusing its main efforts on initiatives to manage the obsolescence of key infrastructure, the refactoring of key applications, the improvement of digital customer service channels, the assurance of a stable level of IT service provision, and the improvement of information security and IT processes.

Data Management

In 2020, the Bank started implementing a data strategy for 2020–2023 including key objectives such as data quality improvement, corporate data warehouse (DWH) development, management and regulatory reporting system development, as well as preconditioning for extended practical use of data, including by means of advanced analytics. To achieve the targets, the Bank started strategic investment in the team of the Data Management Department and provided for its growth by over 25% in 2020, as well as strengthened the team's data management competence.

Alongside numerous business tasks, a suite of checks was deployed in DWH to optimally manage data quality and ensure data reliability. DWH successfully migrated to a new high-performance infrastructure to support data growth while meeting the required data availability.

To ensure security and access control of DWH, the data warehouse was integrated with the Identity & Access Management (IAM) system.

Joint efforts with the Bank's business units and competence lines are still undertaken to enrich the business glossary, and other Data Governance tools and processes are under development to improve the internal efficiency of business processes, which directly affects the quality of the Bank's services and tools.

The Bank completed the first stages of the new Data Science analytical platform designed for the collaboration of data scientists and implementation of practical business cases based on data mining and machine learning models.

The development of Business Intelligence (BI) capabilities, including BI Self-Service, is also one of the top priorities. In 2020, the Bank introduced a modern analytics and data visualization tool – Tableau, which provides users with a secure mobile access and with the ability to analyze large data volumes quickly and efficiently.

Adhering to the top priorities outlined in the data strategy, the Bank will continue to invest in strengthening the data management team in 2021. The Data Management Department plans to integrate new intelligent information processing systems, develop the culture of data use in the Bank, promote processes aimed at improving data quality, developing and supporting BI Self-Service, as well as implementing the best practices and experience of UniCredit Group in data management.

Banking Operations

In 2020, despite the transfer of a significant number of the Operations Back Office Department's employees to remote work, the Bank managed to keep up a high level of customer service quality in all its activities.

For instance, in a difficult situation in the field of foreign economic activity associated with the pandemic, global lockdowns, and restrictions, banking measures were promptly taken to support foreign economic customers, which provided them with the opportunity to confidently continue performing their business transactions during that period. Under tight deadlines, the Bank effectively solved a number of urgent issues: electronic document management capacities were maximized, qualified legal assistance was provided to foreign economic customers, webinars on changes in legislation and daily online consultations on any foreign economic issues were held. The Bank promptly introduced regulatory changes in processes and carried out expert examinations of contracts and other documents, which helped foreign economic customers comply with the requirements of Currency legislation.

Full-scale measures, in connection with the Covid-19 pandemic, were taken in a timely manner to ensure stable remote processing of customers' and the Bank's transactions in the field of operational support of the Bank's business in the financial market in 2020. Remote work was arranged for 80–90% of the back-office employees, so that full coverage of all the Bank's products in the financial market was ensured and a high level of quality and labor productivity was kept up. At the same time, duty staff processed paper documents upon a number of requests from customers, the regulator, and auditors. Safe logistics and working conditions for the financial market back office were ensured in the shortest possible time. The volume of transactions in the financial market of both customers and the Bank did not decrease, but, on the contrary, showed a quantitative increase versus 2019, despite the global Covid-19 pandemic. Settlements in RUB and foreign currencies under financial market transactions were of the same high quality as in previous years.

To further develop settlements in the financial market and stick to the world quality standards, the Bank began preparations for the migration of SWIFT messages to the ISO 20022 format. Despite the high operational load of 2020 amid the pandemic, the Bank has been continuously implementing changes in its processes and regulations as required by the laws and requirements of UniCredit Group (new requirements for repository reporting, internal accounting for transactions of a professional participant in the securities market, introduction of additional controls for transactions exceeding threshold amounts to reduce operational risks, as well as other innovations). The Bank continues to improve its IT systems for processing transactions in the financial market, which is intended to ensure further development of the Bank's product range and high level of customer transaction processing controls.

One of the Department's key missions for 2020 was to process a huge number of applications from individuals and SME customers for restructuring and loan repayment holidays. Thanks to extensive experience and continuous well-coordinated work of the Operations Back Office Department, the Bank managed to master the process of loan repayment holiday administration in compliance with Federal Law No.106-FZ in the shortest possible time. As a result, all the Bank's customers who applied for a loan repayment holiday have got such an opportunity in accordance with the statutory requirements.

As for settlements under lending transactions of corporate customers, continuous servicing was also arranged, including transactions on non-business days announced at the state level, as well as support of loan repayment holidays and restructured loans on new terms and conditions. Moreover, processes of operational support for transactions were arranged within the framework of privileged lending government programmes for exporting companies and backbone enterprises sponsored by the Ministry of Industry and Trade of the Russian Federation and the Ministry of Economic Development of the Russian Federation.

The Operations Back Office Department also took an active part in the release of new card products for the Retail and Affluent segments of the Bank, including an update of AutoCard services, Card for Kids, card with a long grace period of 115 days, as well as non-personalized cards for SMEs that require one visit for issue.

The Bank promptly implemented an automated solution for providing credit card holders with loan repayment holidays. Besides, to mitigate the risks caused by the pandemic, extra measures were taken, such as extending the validity term of expired bank cards and early re-issuance of cards. The Bank continued developing contactless payment services for its customers' convenience. In 2020, the service became available for MIR cardholders.

In 2020, AO UniCredit Bank widened the possibilities for money transfers through Faster Payments System service. Customers got access for RUB transfers by order of individuals in favour of legal entities using the procedure of instant payment by a barcode (QR code).

The high quality of service is regularly evidenced by various awards and prizes. In 2020, UniCredit Bank received the Visa Global Service Quality Award for the quality of service in the category Implementation of New Payment Methods – Visa Direct for 2019. That award is given to an issuer with the highest share of Visa Direct transactions. Each year, Visa honors the top performing acquirers, issuers, and processors with that award.

At the end of 2020, JPMorgan Chase Bank NA, New York, once again presented UniCredit Bank with the Elite Quality Recognition Award for the exceptionally high quality of SWIFT commercial payment orders MT103 (99.89% of STP payments) in USD and the Quality Recognition Award for the high quality of SWIFT interbank payments MT202 (98.38% of STP payments). UniCredit Bank has been earning awards for the high quality of payments from JPMorgan Chase Bank NA for 19 years in a row, every time showing a higher quality percentage.

In 2021, the Operations Back Office Department will continue developing various operations to improve the efficiency of internal business processes and keep up the high quality of customer service.

Strategy and Results in 2020 (Continued)

Global Banking Services (Continued)

Real Estate and Facility Management

The year 2020 required a particular mobilization of the Real Estate and Facility Management Department for successful provision of material and technical support to the Bank's structural units in the unprecedented conditions of pandemic.

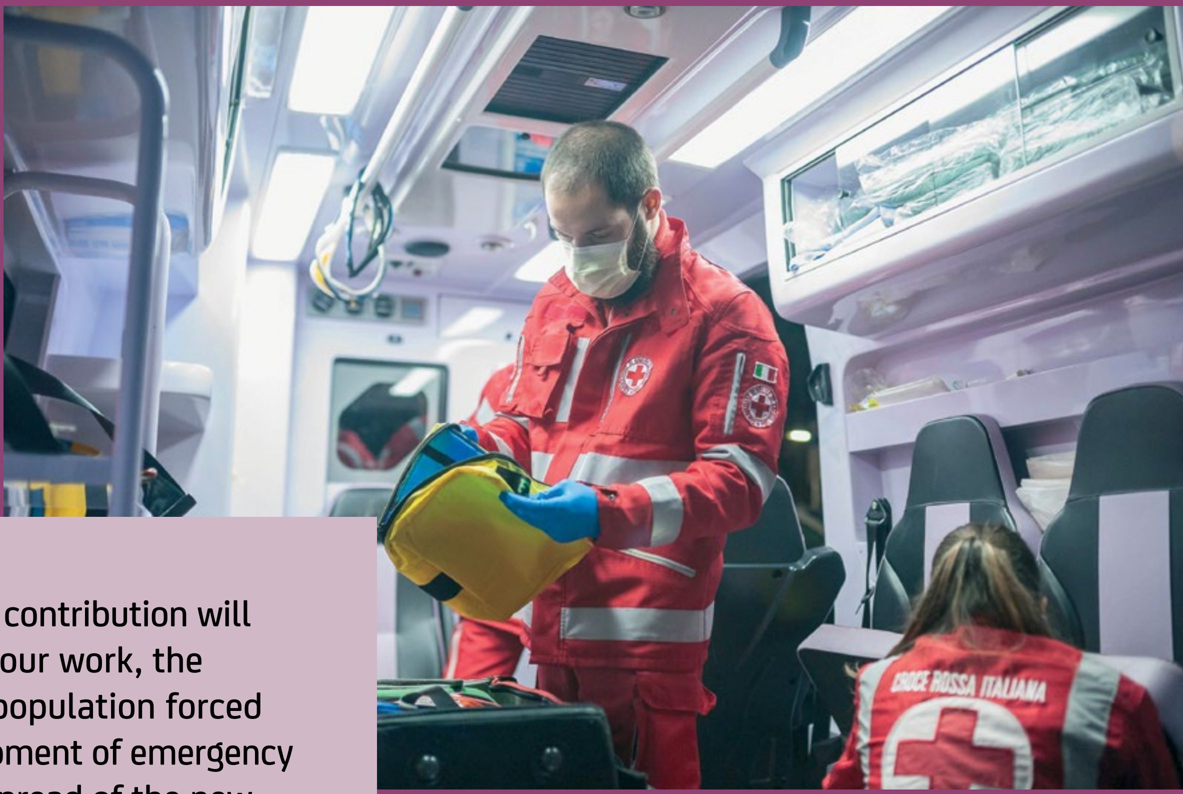
The Department took all necessary preventive safety measures for the employees and customers of the Bank including organization of permanent supply of personal protective means, regular and urgent disinfection of the Bank offices, a sanitary treatment of ventilation systems and ad hoc cleaning of premises, equipping offices with medical and sanitary utensils required etc. Protective screens were installed for employees and social distance lines were marked in customer service areas. Arrangement of new workplaces and a special catering service for the Bank employees as well as additional rent of parking lots for them was provided. As a result, the Bank successfully passed inspections of the State Emergency Situations Ministry and a number of sanitary inspections of the offices. Constant monitoring of using the Bank's offices in remote operating mode by the employees was performed along with drawing up of a plan of the Bank office work reactivation.

The Department achieved significant results in the field of improvement of the Bank real estate portfolio and the network development. A new Mortgage Centre in Moscow was opened in May after enlargement of the Rogozhskaya Zastava branch. Reconstruction of the Volgograd branch premises were accomplished and a new site for the Bank's Information Centre started its work in November 2020. Active work on the development of the HQ optimization project was launched for implementing smart working concept of UniCredit Group. According to the plan of upgrading the functionality of the Bank's outlets, renovation of facades and customer areas in more than twenty retail bank offices was arranged. Modernization of building equipment in the Head offices and main branches was realized for ensuring uninterrupted work of the Bank offices.

The key objectives of the Department for 2021 determined are: monitoring of the ongoing Covid-19 situation and taking appropriate measures for protection of the Bank employees and customers; further enhancement of the Bank real estate efficiency; realization of the Bank's plan of reorganization of the regional outlets and improvement of economic indicators of commercial, administrative and logistical activity of the Bank in accordance with the strategic plan of UniCredit Group.

Do the right thing!
For our Communities

UniCredit is proud to support communities in all of our countries: we launched formal and informal initiatives, with a wide range of volunteering activities and donations, employees and customers raising and donating millions of euros.



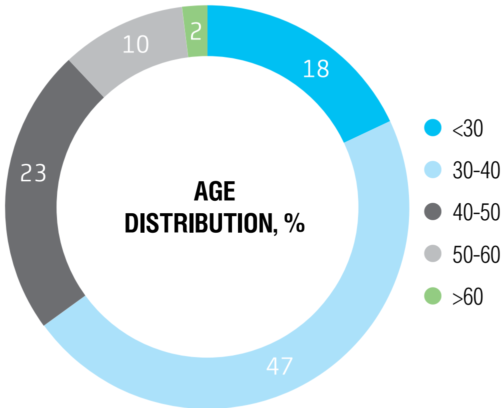
"Your generous contribution will help, through our work, the entire Italian population forced to face this moment of emergency linked to the spread of the new Coronavirus. Thanks to your donation, the Italian Red Cross continues to expand, investing in services, resources and training for volunteers and operators to be alongside those who need it most".

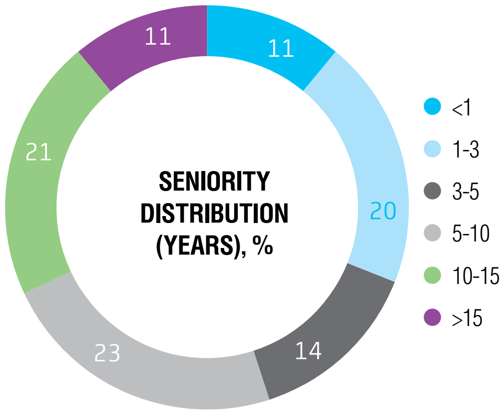
Francesco Rocca
President of the Italian Red Cross

“Human capital is the ultimate asset for UniCredit Bank, so the Bank took unprecedented measures to protect the life and health of its employees during the Covid-19 pandemic spread around the world.”

Valentin Timakov
Head of Human Resources

Sustainability





Human Capital Management

UniCredit Group's and UniCredit Bank's global strategy is based on their employees' well-being and life quality as a top priority, striving to be the Best Employer, which has been many times evidenced by certification of the Top Employers independent institute – the Bank received the TOP Employer in Russia Award for the 8th time at the end of 2020. Therefore, from the very beginning of 2020, the Bank was one of the first employers in Russia to start a large-scale transfer of its employees to a remote (distant) work due to the threat of the Covid-19 pandemic.

In particular, categories of work were identified that could be performed during working hours completely outside the office; shifts were introduced for employees in departments working with clients, including branches; numerous measures were taken to prevent the coronavirus infection spread in the Bank's offices throughout the country, aimed at ensuring safety of employees who had to stay at their workplaces due to the nature of their activities and need to access the Bank's critical systems.

All the measures were taken in strict accordance with the requirements of state and local authorities and included:

- Provision of personal protective equipment for respiratory organs (disposable masks, protective face shields), gloves, disinfectant wipes and antiseptics
- Installation of protective screens in the Bank's offices
- Purchase of equipment for non-contact body temperature control
- Laboratory tests for Covid-19
- Disinfection of premises by specialized companies
- Rent of parking lots for employees' cars to avoid catching Covid-19 in public transport

At the end of the year, over 2,300 employees of the Bank worked remotely, and many processes were transferred to a new remote format. Such operating mode resulted highly efficient. It is not only a business continuity approach but also could be a solution to balance professional and personal life of employees. That is why in the future with no pandemic threat, the Bank is considering to use such experience and switch to a hybrid mode. It will provide for the opportunity to work part of the days remotely, and part of the days in the office, which can both increase labour productivity and improve life quality of employees.

Sustainability (Continued)

Human Capital Management (Continued)

Staff Recruitment and Employer Brand Development

The past year has contributed to the development of remote recruitment and subsequent staff onboarding. That required to further improve fast and effective communication, as well as introduce changes in a number of procedures to find the most optimal solutions during the pandemic.

Despite the pandemic recruitment rate was still high: in 2020, 597 vacancies were filled, while the average recruitment time was reduced by 39% thanks to the team's efforts well-coordinated with business functions and changes in internal processes. In 2020, a new tool for adaptation of new employees – Online Onboarding – was developed and successfully implemented. It allows recruits to immediately feel in the Bank's team, more quickly get involved in the work process, and expand their contacts from the first days. To make onboarding process as efficient as possible, new employees receive welcome letters even before official employment date, with all the necessary information and links to resources that help them get acquainted with the corporate culture of the Bank.

In 2020, much attention was paid to the development of internal information resources on recruitment and career opportunities, where a lot of useful information and advice were posted both for recruiters and for employees focused on professional development.

To make the career and development system within the Bank simpler and more understandable for employees, an internal tagging project was launched to help build a succession pool. The tagging system digitizes experience and competencies of employees and correlates them with the tags of vacancies. This allows employees to see career opportunities, while the Bank can fill vacancies faster using internal human resources.

Changes were also made to the young talent and employer's brand development projects. The Let's Start Together! internship programme was converted into an online process starting from intern recruitment. An online assessment system was developed to assess the prospects of young talents and reduce time spent by the recruiter. The Talant Q tests were used to ensure more accurate assessment that identifies the candidates' strengths. As many as 20 students were enrolled in the internship programme, 11 of them offered a job in the Bank. That was the first experience of remote work with young talents for UniCredit Bank, and it turned out to be a success. 86% of managers were satisfied with interns' performance at the end of the programme.

37
Average age of employees
vs. 37 years in 2019

7.6
Average seniority, years
vs. 7.1 in 2019

11.4%
Voluntary turnover
vs. 13,1% in 2019

50%
Business population
vs. 53% in 2019

48%
Managers are female
48% in 2019

To stay on the young talents' radar screen during the pandemic, the Bank actively participated in educational projects, held online master classes and lectures for students. In spring of 2020, the Bank supported the CUP IT and CUP RUSSIA championships for students with good prospects. As a result, in the past year over 15,000 students learned more about the Bank and career opportunities it provides.

Development of Employees

In 2020, the Bank continued to improve its learning and development eco-environment with a focus on digital formats and online access. The pandemic further increased the priority of such online availability and the value of format flexibility. To meet the topical needs of the business, the main efforts were focused on the rapid development of rich educational content related to remote work and efficiency of hybrid teams. A programme of webinars was launched and thematic information was posted for employees, and remains available at a convenient time.

To support massive transition to a remote work format, the range of training courses was significantly expanded. A large-scale programme to support employees and managers was implemented, including a series of webinars on optimizing work processes in a home office, setting up a workplace at home, holding virtual meetings, managing behaviour and relations at work and in the family under stress.

At the moment, information materials and recordings of webinars on various aspects of hybrid team management are available to employees and managers (effective online communication, goal setting and monitoring performance in remote work conditions, motivating employees and teams in the absence of personal communication, conflict management in online communication) and personal efficiency in a hybrid environment (priority and task management, self-motivation, emotional self-regulation under stress).

Special attention was paid to emotional well-being and the prevention of psychological burnout of employees. A psychological support hot line was launched and online counselling assistance was provided, which ensured the employees' access to free and anonymous counselling by a psychologist. Besides, a series of webinars on the relevant topic was held under the Well-Being programme.

Scheduled regular development and training events (strategic and creative sessions, seminars, compulsory trainings, project team workshops) were fully implemented in an online format. The programmes were adapted to the new conditions of hybrid and remote work.

In 2020, a special focus was made on diversity and inclusion. As part of annual Diversity and Inclusion Week events at the level of the UniCredit Group in Russia, a series of online sessions on unconscious biases and their impact on teamwork was developed for managers and employees. This programme for a wide audience will also be presented in 2021.

Leadership in Action development approach, which had proved itself a successful method, was actively used in 2020. The Business Leaders Lab continued operating and hosted the defense of existing projects, while new projects were also launched within the framework of the Digital Skills programme in the field of Data Science, cybersecurity, and optimization of knowledge management using design thinking. That programme was launched and implemented completely online. In a follow-up, colleagues presented their results in the format of training webinars available to all employees of the Bank who are interested in developing their digital competencies. The interest of employees in this topic is evidenced, in particular, by the demand for the Digi User programme with the second wave implemented in 2020.

Besides, a self-training programme for leaders in the field of digital thinking and hybrid team management technologies – Mid Manager Digital UpSkilling – was launched in 2020. The programme allowed leaders to improve their skills in communication, innovation management, problem-solving, and decision-making during uncertainty.

In 2020, the Bank continued actively holding educational events for the banking community and human resource management experts. More than 1,500 people took part in online events dedicated to development of human capital during a pandemic, strategic workforce planning, new challenges in digital transformation, development of leadership and professions of the future.

The pandemic also made some adjustments to training and development processes for retail business. The format of events changed, and all educational events – trainings, round tables, seminars – were converted into online processes. Main changes are related to:

1. Increased engagement and improved communication between training participants. New tools for webinars and briefings were introduced, plus general and project channels were created in WhatsApp and Telegram.

2. Changed content of training programmes. The most relevant topics included remote sales, distributed team management, customer-oriented service during a pandemic, etc. Initiatives were launched to improve customer service: Service Marathon and 3 Steps to Wow Service.

3. Implemented long-term development programmes such as Affluent Business School Prime Club and SME Digital Business School. Their advantage is the consistency and modularity of development – each employee undertakes a training of an appropriate level: initial modules for a beginner, and development modules for an expert.

Induction training procedure also required major changes in the new environment. The most significant change was a revision of the adaptation system for employees working with mass and affluent customers. The new programme takes 10 days and consists of 7 modules covering all aspects of their work. The modular system allows employees to join at any time and to start or end the next cycle as they prefer. Training process is completely online and is delivered by coaches. Besides, pilot software was introduced, which allows to take high-quality training at the start and reduce the risks of operational errors in the future.

Sustainability (Continued)

The first results of the updated programme showed that newcomers made no operational errors, improved their achievement of business goals and quality index, and increased sales of bundled services per employee for a quarter. Besides, a positive outcome was fewer resignations during the first six months. The programme is currently under further review aimed at performance improvements.

Social Programmes and Benefits for Employees. Diversity Management

In 2020, the Bank continued implementing SMART Reward employees proactive retention programme combining the elements of financial and non-financial motivation, as well as social programmes being a major focus of the Bank.

Well-Being programme, successfully launched in 2019, became even more relevant in 2020. The main focus was on supporting mental and physical health. The most important were initiatives such as health marathon aimed at well-being improvement and development of good habits; possibility to attend online lectures on nutrition, healthy sleep, stress management, etc. The programme also helped to establish more than 20 internal communities including a chess club, an e-sports team, a club of young speakers, etc. This allows employees to win spurs in different fields, develop communication skills, find like-minded people, and strengthen relations with colleagues. All initiatives were implemented remotely. The Well-Being programmes have their own corporate resource space with all information on current activities, employees' suggestions, and a library of healthy lifestyle containing a lot of information materials, articles, books, and videos on various topics on health and well-being.

The Bank has been traditionally providing its employees and their children with voluntary medical insurance, accident insurance, international travel insurance, corporate pension schemes, extra allowances for annual vacation periods, free meals, extra vacation days, extra coverage for temporary disability sick leaves.

In 2020, the Bank employed 12 highly qualified foreigners, while 33 Russian colleagues were gaining experience in UniCredit Group's foreign offices. The percentage of females on top management positions is persistently high – 48%.

Average headcount of the Bank's in 2020 was 3,900 employees, out of which 65% were working in Moscow, 8% – in St. Petersburg, and the rest in other regions. Average age of employees is 37 years, while average length of service for the Bank raised to 7.6 years.

Responsible Resource Management

Being a member of UniCredit Group, UniCredit Bank observes all the relevant workflow management standards in the area of environmental protection, supports environmental initiatives, and motivates its employees to take care of the environment.

The Bank continuously implements multiple energy consumption controls at various facilities in order to minimise consumption, uses energy-efficient equipment and state-of-the-art technology focused on more sustainable real estate management.

In view of the Covid-19 pandemic, several traditional environmental initiatives of the Bank, such as the "Free up Your Wardrobe" campaign and the "You Can Help" contest for the best charity projects among employees, did not take place in 2020 but will resume in the future subject to available funds and opportunities.

Nevertheless, in 2020, the Bank continued the "Recycle Batteries – Save Nature!" campaign to collect used batteries, whereunder containers for collecting batteries were installed in the offices at Prechistenskaya Emb., Butikovsky Lane, Pervy Kazachy Lane, and Nagatino. Other waste such as fluorescent lamps, used printer cartridges, electronic scrap, plastic bottles, waste paper, etc. are collected on a regular basis. Besides, due to digitalisation of many processes, the Bank managed to significantly reduce the consumption of office paper.

The Bank will further use innovative technology to reduce its environmental footprint, costs, and operational emissions.

Charity

UniCredit Bank considers corporate social responsibility and sustainable development initiatives as an important part of its business and strives to contribute to national development. The Bank has supported charity programmes for many years.

The key focuses of the Bank's charity activities and criteria for selecting social assistance projects and programmes are specified in the Policy "Approaches, Principles and Rules for the Management of AO UniCredit Bank's Sponsorship and Charity Projects" based on UniCredit Group's global policy in this field.

The Bank's priority areas of charity activities are as follows:

- assistance to disabled people
- assistance in solving the problems of children's health (through foundations, orphanages, health care institutions, etc.)
- assistance to the elderly people (including WWII veterans), as well as other socially disadvantaged groups of people
- promotion of corporate voluntary events (including in the field of physical education and mass sports) within the Bank's geographic reach
- support for environmental projects

Charity-related decisions have been made collectively at the Charity Council of AO UniCredit Bank since 2016.

When distributing charitable donations in 2020, the Bank took into account the Covid-19 pandemic and reviewed requests of its long-term loyal partners under social projects aimed at solving children's health problems and supporting vulnerable populations. In response to the pandemic, the Bank also reallocated its charity budget to protect the health and well-being of people, which excluded such events as the Donor Days or charity runs.

Art Therapy Programmes

In 2020, further support was rendered to the art therapy programme for minor inpatients. Due to the pandemic, workshops and sessions with children under the programme were held mainly remotely, in the online mode. However, some events were held in the conventional format during the period when the restrictions were lifted.

Art therapy is critical for the recovery of children. The health recovery progress is well known to be dependent on the child's psychological and emotional condition. Experienced psychologists work with children. A variety of art therapy techniques are used in the classes: drawing with paints, pencils, crayons, working with clay, glove puppets, musical instruments, writing stories, etc. Art therapy classes remove the mechanisms of psychological defence in children with severe chronic diseases and help to contact their feelings.

In 2020, the Bank supported programmes in the health care facilities and special care institutions of Moscow, St. Petersburg, Rostov-on-Don, and Chelyabinsk for children under the care of the "Sunflower", "When They Need You", "Children's Hospital", and "Chase your Victory" foundations. The assistance was rendered to children suffering from cancer, primary immunodeficiency, undergoing treatment in

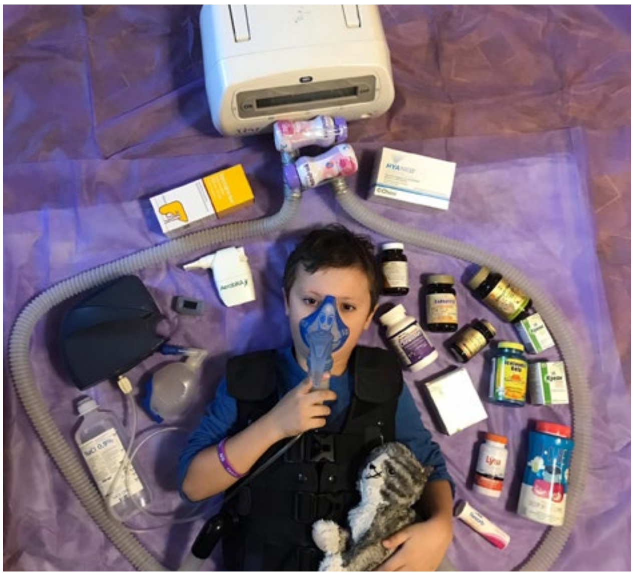
Game room in burn care facility of Speransky Children's Hospital.

New Year performance in the hospital for children with central nervous system affliction and mental disorders.

Strategy and Results in 2020 (Continued)

Charity (Continued)

Art therapy class in children's hospital in Rostov-on-Don.



The ward of the "In the Name of Life" foundation with oxygen equipment.

a burn care facility of Speransky Children's Hospital and hospital for children with central nervous system affliction and mental disorders.

Helping Children to Solve Health Problems

In 2020, UniCredit Bank supported the "In the Name of Life" foundation helping people with cystic fibrosis. The donation was made to implement the "Ambulance", "Breathe with Me", and "Support for Hospitals" programmes. In view of the pandemic, the foundation's wards were in a special risk group, so the top priority for the foundation was to purchase drugs for those who were Covid-19 positive, cystic fibrosis rescue medications for the D.D. Pletnev City Clinical Hospital (Moscow), as well as oxygen equipment (oxygen concentrator).

The Bank also supported the "Life is a Miracle" foundation helping children with severe hepatic disorders by donating funds for the "Hospital Assistance" programme to provide regional clinics with innovative devices for diagnosing neonatal hyperammonemia, which will save the lives of many newborns suffering from hereditary metabolic diseases and reduce the children's disability rate. The program is being implemented jointly with the Department of Pediatrics of the FSBI "National Medical Research Center for Obstetrics, Gynecology and Perinatology Named after Academician V.I. Kulakov" of the Ministry of Health of the Russian Federation and aimed at improving early diagnostics and identifying the causes of severe health disorders in newborns associated with increased levels of ammonia in the blood.

Assistance to Elderly People

For several years, UniCredit Bank has been helping veterans by allocating funds for financial aid and events dedicated to the Victory Day, New Year, and anniversaries of military events. In 2020, the Bank rendered charity help to the foundations supporting war veterans and elderly people: the Russian Public Charitable Foundation for Veterans (Pensioners) of War, Labour and the Armed Forces, the Moscow Public Organization of Veterans, the Interregional Public Foundation for Assistance and Social Support of Veterans and Military Counterintelligence Officers of the Russian Navy, and the "Deviatichi" Association of Veterans of the State Security Authorities. In December 2020, the Bank's employees also took part in the traditional New Year's Eve campaign of the "Old Age in Joy" charitable foundation and made donations to buy New Year's gifts for single elderly people.

"Your Heart's Personal Contribution" Corporate Programme

Within the framework of the "Your Heart's Personal Contribution" corporate charity programme, assistance was provided to the family of a Bank's employee who passed away in July 2019. The programme has been implemented by the Bank since 2004 and is designed to help the Bank's employees who find themselves in a difficult situation, as well as their children.

Support of Culture and Arts

In 2020, despite all the challenges and limitations caused by the Covid-19 pandemic, UniCredit Bank continued taking an active part in the cultural life of the country and the community through the support of various initiatives in the fields of culture and art.

The Bank's most significant project in this area is the corporate collection of masterpieces by Russian post avant-garde artists. These are works of high ethical significance, born from of a dialogue with the avant-garde, dating from the 1920s and 1930s with the addition of several works created in later years. The collection was started in the early 1990s and for today it numbers over 120 of works by representatives of the Russian post-avant-garde, such as Daniil Cherkes, Leonid Zusman, Leonid Chupyatov, Alexander Drevin, Aleksandra Koltsova-Bychkova, Fedor Semenov-Amursky, Arseny Schulz, and many others.

Traditionally various paintings from the art collection were exhibited in the Bank's branches on regular basis for everyone to enjoy. Due to the limitations imposed by the pandemic, such exhibitions did not take place in 2020 but for those interested in post avant-garde and its artists could see the paintings for free and read about the works from the Bank's collection on the dedicated site https://art.unicredit.ru/.

As a representative of Italian UniCredit Group, UniCredit Bank has traditionally been contributing to strengthening the cultural ties between the two countries in 2019. Thus, the Bank supported the publication of the world famous poem The Liberation of Jerusalem by the XVI century Italian poet Torquato Tasso. The epic monument of the late Renaissance was published in the Russian language in the translation of Roman Dubrovkin written in rhymed octaves in compliance with the stylistic peculiarities of the Italian original. In his work the interpreter relied on the manuscript of the poem that was unavailable for his predecessors.

Also in 2020 UniCredit Bank became a partner of the project implemented by the Pushkin State Museum of Fine Arts that has a long history of cooperation with the Bank. The Bank sponsored the publication of the album The Fellowship of the Key dedicated to the 75th anniversary of the Museum's coins and medals department. The vast numismatics collection of the Museum belongs to the county's best ones. It contains coins and banknotes, medals and badges, stamps and many other artefacts.

Management

Supervisory Board of AO UniCredit Bank (as of January 1, 2021)

Marco Radice, Chairman of the Supervisory Board

Born in 1957. Graduate of J. D., Parma Law School, 1980, Accademia Guardia di Finanza, Rome, 1982, New York Law School, New York, 1983. From 1992 up to 2006 Marco Radice occupied position Non executive director, Itas s. p.a., Insurance Company, Trento. From April 1995 to May 2015 he was Member of the Board of Directors of Itas Mutua, Insurance Company. From May 2000 to 2016 he was Chairman of the Board of Directors of Itas Vita s. p.a., Insurance Company.
From 1998 up to 2006 he was Professor of Financial Services Regulation Law, University of Trento. From April 1994 to January 2018 he was partner at Radice & Cereda, since January 2018 he has been partner at Radice, Cereda & Associati. Since 1996 he has been sole director of simple limited partnership La Commerciale di Marco Radice &Co SAS. Since 2000 he has been sole director of simple limited partnership Joint Service SAS. Since 2006 he has been sole director Nantucket LLC. He was also Member of Audit Committee of Bulbank, Bulgaria from 10.05.2012 to 10.07.2017 and has been its Chairman on 11.07.2017. He has been Chairman of Audit Committee of UniCredit Bank Serbia since 23.06.2008 and Chairman of Audit Committee of UniCredit Bank Czech Republic and Slovakia since 2007. Since 2019 Mr. Radice has been Chairman of the Board of Directors of Cassa del Trentino spa. Since 27.04.2012, he is a member of the Supervisory Board of AO UniCredit Bank. Since 21.12.2018, he is Chairman of the Supervisory Board of AO UniCredit Bank.

H. Faik Acıkalın,
Member of the Supervisory Board

Born in 1962. Graduated from Middle East Technical University BS with degree in Business Administration in 1987. Faik Acıkalın began his banking career in 1987 as a Management Trainee at Interbank. He subsequently worked in various positions at several banks. In 1998, he joined Dışbank as Executive Vice President. Later after several managerial positions he became the President of Dışbank, which later following the acquisition by Fortis was renamed Fortisbank. In 2007, he became CEO at large newsprint media holding company Doğan Gazetecilik. In April 2009, Acıkalın was appointed as Executive Director of Yapı Kredi's Board of Directors and was also appointed as Chairman of the Executive Committee. From May 2009 to 29.12.2017, he served as Yapı Kredi's CEO. And in addition to his current role, from March 2010 to 29.12.2017, Acıkalın was also appointed as CEO of Koc Financial Services. Also from August 2011 to 29.12.2017, Acıkalın was the President of Koc Holding's Banking and Insurance Group. At the same time from June 2009 to 29.12.2017 Acıkalın served as Chairman of Yapı Kredi subsidiaries (Yapı Kredi Invest, Yapı Kredi Leasing, Yapı Kredi Factoring, Yapı Kredi Bank Nederland NV, Yapı Kredi Bank Azerbaijan, Yapı Kredi Bank Moscow). He also was Cahaiman of Yapı Kredi Bank Malta from March 2014 to 29.12.2017, Chairman of Yapı Kredi Koray Real Estate Investment Trust from March 2011 to 29.12.2017, Vice Chairman of Banque de Commerce et de Placements S. A. from September 2011 to 29.12.2017 and Board Member of the Banks Association of Turkey from May 2009 to December 2017. He willingly retired from his positions in Yapı Kredi Group and Koc Holding, as of 29 December 2017. At the present time, he has served also as Independent Member of Board of Directors at the following companies: Doğan Holding, Turkey (since 30.03.2018), Migros Ticaret AS, Turkey (since 15.05.2018), Eczacıbaşı Group, Turkey (since 22.05.2018); he has also served as Independent Member of Supervisory Board at the following companies: Karsu Tekstil, Turkey (since April 2019), UniCredit Romania (since 24.12.2019). Since 09.04.2018, he is a member of the Supervisory Board of AO UniCredit Bank.

Gianfranco Bisagni,
Member of the Supervisory Board

Born in 1958. Graduated from Royal Melbourne Institute of Technology with degree in Business Administration in 2006. Gianfranco started his career in the Italian UniCredit network, but moved to the United States shortly thereafter. His first appointment was to the Chicago office and he was subsequently relocated to New York City, where he took over as Deputy Chief Manager for the UniCredit New York branch, responsible for all the Representative Offices in North and South America.
He was later named Chief Manager of UniCredit´s Hong Kong branch (2001) and Head of Corporate Banking Asia Pacific & Chief Manager Hong Kong branch (2008). From 2010 he served as Head of CIB & Private Banking at UniCredit Tiriac Bank Romania, where he was appointed a member of the Management Board. From 2011 to 2015, he acted as Head of CEE Corporate and Investment Banking and as Deputy Head of CEE Division at UniCredit. He was Co-Head of CIB since September 2016 after having been Deputy Head since April 2015. Previously Mr. Bisagni served as Member of the Supervisory Board at the following companies: UniCredit Tiriac Bank SA (13.04.2011 –24.07.2015), UniCredit Bank Czech Republic and Slovakia, a.s. (02.03.2011–24.09.2015), Zagrebacka banka d. d. (27.04.2011–01.07.2015), AO UniCredit Bank (27.04.2012–11.11.2015), UniCredit Hungary Zrt. (28.07.2011–20.10.2015), where he also was a member of Auditee Committee. He was Member of Administrative Board of Italy-China Foundation from 01.10.2015 to 04.04.2016. At the present time, Mr. Bisagni has served as Member of the Board of Directors of the following companies: Koç Finansal Hizmetler (since 13.10.2016), Yapi ve Kredi Bankasi (since 25.10.2016), as well as Member of Administrative Boards of the following companies: UniCredit Services (since 10.04.2017), the Italian Banking Association (since 28.05.2018), SWIFT SCRL (since 08.06.2017). Starting from 01.04.2019 Gianfranco is a co-CEO of Commercial Banking CEE of UniCredit, he is in charge of commercial banking in CEE. Since 08.04.2019, he is Member of the Supervisory Board of AO UniCredit Bank.

Mihaela Alina Lupu,
Member of the Supervisory Board

Born in 1975. Graduated from the Bucharest University of Economic Studies with degree in Economics in 1999. Mihaela Alina Lupu occupied position Chief Financial Officer of UniCredit Tiriac Bank SA from August 2013 to September 2017, from December 2013 she was Member of the Management Board of the bank. She has been Head of Group Planning, Capital Management & Strategic ALM of UniCredit S. p.A, Italy, since September 2017. Previously Mikhaela served as Member of the Board of Directors of the following companies: UniCredit Leasing Corporation IFN SA (03.2012–10.2017), Pioneer Asset Management SAI SA) (02.2017–08.2018). Since 08.04.2019, she is a member of the Supervisory Board of AO UniCredit Bank.

Marco Bales,
Member of the Supervisory Board

Born in 1966. Graduated from the Peter-Paul-Cahensly-Schule, Limburg, Germany, with degree in Business Administration and Economics in 1989. Marco Bales has almost 30 years of experience in trading, origination, syndicate and senior managerial roles across a variety of asset classes in Munich, London and Frankfurt. He joined UniCredit in 1999 and served as Head of Debt Capital Markets and Head of Global Syndicate and Capital Markets at UniCredit Bank AG, Munich. From 2011 to 2016, he served as Head of Global Syndicate & Capital Markets, Senior Vice President of UniCredit Bank AG, Munich. In 2017 Mr. Bales was appointed Head of Markets Germany, Senior Vice President of UniCredit Bank AG, Munich. Since April 2020 he has served as Head of Market Sales of UniCredit Bank AG, Munich, and since 01.12.2020 he has also served as Co-Head of Markets Division of UniCredit Bank AG, Munich. Since 06.04.2020, he is a member of the Supervisory Board of AO UniCredit Bank.

Dieter Hengl,
Member of the Supervisory Board

Born in 1964. Graduated from the University of Graz, Austria, with degree Master of Law in 1989, then completed the course for export specialists of the university in 1990. Dieter Hengl started his career at UniCredit Bank Austria in 1990. He has held various management positions including Senior Risk Management (2002–2004 and 2006–2007) and Senior Credit Management (2007–2008), with responsibilities for Austria, Central and Eastern Europe. From 2010 to 2011, he was Deputy Chief Risk Officer and Head of CIB Credit Operations at UniCredit Bank Austria. He also served as Global Industry Team Leader for UniCredit Group's commercial real estate business (2009–2010). From August 2011 to August 2019, he was Member of the Management Board of UniCredit Bank Austria AG, with responsibility for the Corporate & Investment Banking (CIB) division, Member of the Executive Committee of UniCredit CIB Division. Since September 2019, Dieter Hengl has been overall responsible for Wealth Management Austria. This includes the following positions: Member of the Executive Committee and Head of Wealth Management UniCredit Bank Austria AG, Member of the Executive Committee Wealth Management Division, UniCredit S. p.A, Chief Executive Officer Schoellerbank AG. In addition, now Mr. Hengl has held the following positions: Member of the Supervisory Board of Osterreichische Kontrollbank AG (since 25.05.2011), Member of the Supervisory Board of Wiener Börse AG (since 29.06.2016), Member of the Supervisory Board of CEESEG AG (since 24.06.2016). Since 06.04.2020, he is a Member of the Supervisory Board of AO UniCredit Bank.

Doris Tomanek,
Member of the Supervisory Board

Born in Graduated from the University of Economics, Vienna, with Degree in Macroeconomics in 1981, then completed the International Director's Programme and the Advanced Strategy for Directors Programme (ASD) at INSEAD in 2016. Doris Tomanek has extensive experience in human resources management obtained at various management positions. Ms. Doris Tomanek served as Head of Human Resources at UniCredit Bank Austria AG from 2006 to 2019; she was also Member of the Management Board of UniCredit Bank Austria AG from 2010 to 2019. She was an Executive Vice President of UniCredit Group from 2008 to 2019. Ms. Tomanek served as Member of the Supervisory Board and Member of Remuneration and Nomination Committee of Bank Pekao, Poland, from 2012 to 2017. She was Member of the Supervisory Board of Ukrsotsbank, Ukraine, from 2010 to 2016. She was Member of the Board of Directors of UniCredit & Universities Foscolo Foundation, Italy, from 2015 to 2017. Since 06.04.2020, she is a member of the Supervisory Board of AO UniCredit Bank.

In 2020, Andrea Diamanti, Jirí Kunert and Christian Meidinger resigned from the Supervisory Board, while Marco Bales, Dieter Hengl and Doris Tomanek were appointed to the Supervisory Board.
No shares of AO UniCredit Bank are held by any member of the Supervisory Board.

Management (Continued)

Management Board of AO UniCredit Bank (as of January 1, 2021)

Kirill Zhukov-Emelyanov, Chairman of the Management Board

Born in 1970. Mr. Zhukov-Emelyanov graduated from the Moscow State Institute of International Relations (MGIMO-University), International Economic Relations in 1993. He started his career in 1994 with UniCredit Bank (former International Moscow Bank) in the field of corporate finance. From 1999 he managed credit business of Bank Austria Creditanstalt Russia. Following its merger with International Moscow Bank in 2001, he held executive positions at corporate banking division of International Moscow Bank. From 2003, he was responsible for the development of the regional network and corporate business of International Moscow Bank, and then of UniCredit Bank. In December 2008, in accordance with resolution of the Supervisory Board he was appointed Member of the Management Board responsible for corporate banking business and Private Banking of AO UniCredit Bank. On 12.10.2020, he was appointed acting Chairman of the Management Board of the Bank. From 20.10.2020, in accordance with resolution of the Supervisory Board Kirill Zhukov-Emelyanov was appointed Chairman of the Management Board at AO UniCredit Bank and is responsible for general management of the Bank's operations. At the present time he has served as Member of the Board of Directors of RN Bank since 14.10.2020, Member of Remuneration Committee of RN Bank since 30.10.2020, Chairman of the Supervisory Board of OOO «UniCredit Leasing» since 28.10.2020, Member of the Advisory Board of Public Joint-Stock Company «Moscow Exchange MICEX-RTS» since 29.10.2020.

Andrea Diamanti,
Chief Operating Officer, Member of the Management Board, Executive Vice-President

Born in 1973. Andrea Diamanti graduated from Bocconi University, Italy, Degree in Business Administration in 1998. Andrea started his career in 1998 at Commerzbank AG, Milan Branch as Assistant Manager. He joined UniCredit in 2000 as Vice President in Global Acquisition and Leveraged Finance at HVB Milan Branch. Since then he has strongly contributed to the growth of the Financial Sponsor Solutions franchise. From December 2005 to May 2012 Andrea was Managing Director of Financial Sponsor Solutions at UniCredit S. p.A. Then from April 2012 to March 2015 he served as Head of Financial Sponsor Solutions Austria & CEE at UniCredit Bank Austria AG, responsible for structured finance business line in the region and the whole large corporate loan book in CEE. Then from April 2015 to September 2016 Andrea was Head of Financing CEE at UniCredit Bank Austria AG. From September 2016 to December 2019, Andrea was head of corporate and investment banking in CEE, with responsibilities for the corporate business in the region. From 23.02.2017 to 15.02.2020 he was Member of the Supervisory Board, Audit Committee, Risk Committee and Remuneration Committee of UniCredit Bank Hungary Zrt.; from 01.03.2017 to 01.03.2020 he was Member of the Supervisory Board and Risk Committee, and from 21.10.2017 to 01.03.2020 Member of Nomination Committee of UniCredit Bank Czech Republic and Slovakia, a.s. From 17.04.2017 to 30.03.2020 Andrea was on the Supervisory Board of AO UniCredit Bank, and from 11.04.2018 to 30.03.2020 he was a Deputy Chairman of the Supervisory Board. On January 17, 2020 Andrea joined AO UniCredit Bank. Since November 25, 2020 up to the present time he is Chief Operating Officer, Member of the Management Board of AO UniCredit Bank, coordinating activities of Retail Division, GBS Division and CIB Division. At the present time he has served as Member of the Supervisory Board of RN Bank since 15.04.2020, Member of the Supervisory Board of Remuneration Committee of RN Bank since 18.05.2020, Chairman of the Board of Directors of BARN B. V., Netherlands, since 25.12.2019.

Vadim Aparkhov,
Member of the Management Board, Senior Vice President

Born in 1967. Vadim Aparkhov graduated from Moscow Technological University STANKIN, Moscow, with M. S. degree in Mechanical Engineering in 1991. In 1995 he received MBA in Business Economics under the joint education programme of California State University, Hayward, (CSUH) and Academy of National Economy of Russia, Moscow. Vadim Aparkhov started banking career with International Moscow Bank in trade finance and documentary business in 1994. In 1998 he joined commercial department of BNP-Dresdner Bank, Moscow, where he was in charge of client relations with Russian natural resources corporates and off-shore commodities traders. In 2002 Vadim Aparkhov has joined commercial department of Banque Societe Generale Vostok (BSGV) to serve large Russian exporters. Later in 2005 he was appointed head of corporate & structured finance department, natural resources sector. In 2007 he was promoted to managing director of top corporates department servicing large Russian and international corporate clients. In 2010 Vadim Aparkhov joined AO UniCredit Bank as head of large corporates department. Since November 25, 2020 up to the present time Vadim Aparkhov is Member of the Management Board of UniCredit Bank in charge of Corporate and Investment Banking of the Bank.

Algimantas Kundrotas,
Member of the Management Board, Senior Vice President

Born in 1964. Algimantas Kundrotas holds a degree in Economics from Vilnius University, Lithuania, 1989. Algimantas Kundrotas joined the Group in 2000 as Deputy General Manager and Head of Corporate and Treasury Department at UniCredit in Lithuania. From 2007 till 2013 he worked in AS UniCredit Bank in Latvia, first as Director of Business Development, Board Member in charge of the Corporate and Private Banking and since 2012 as General Director, CEO of the bank. In 2014 Algimantas took over the role of Chief Program Officer for CEE2020 in UniCredit Bank Austria AG, and following he was appointed as Chief Program Officer for CEE Transform 2019 in UniCredit SpA Zweigniederlassung Vienna, Austria. In December 2017, Mr. Kundrotas was appointed Senior Vice-President at AO UniCredit Bank (since February 5, 2018). On May 7, 2018, Algimantas Kundrotas was appointed Member of the Management Board of AO UniCredit Bank responsible for the Global Banking Services. From 28.06.2013 up to 20.07.2019, Mr.Kundrotas was Vice-Chairman of the Supervisory Board of UniCredit Leasing, Riga.

Mikhail Povaliy,

Member of the Management Board, Senior Vice President

Born in 1972. Mikhail Povaliy graduated from the Moscow Military Institute of Foreign Languages in 1994, he also holds MBA in General Management from the Higher School of Business at Moscow M. V. Lomonosov State University, 2005, and completed the Top executive program at INSEAD in 2017. Mikhail has more than 20 years' experience in roles that span FMCG, banking operations and financial services. He held different managerial positions in corporate and retail business at Alfa Bank from 2005 to 2017. He was responsible for the development of small business for 5 years. In 2013–2017, Mikhail Povaliy was Member of the Board, Head of the Retail Business block at Alfa Bank. Before joining UniCredit Bank, he was a Business Development Leader at Visa Inc. from November 2017 to December 2018. Mikhail Povaliy joined UniCredit Bank as Senior Vice-President, Head of Retail Business in May 2019. On July 5, 2019, Mikhail Povaliy was appointed Member of the Management Board of UniCredit Bank responsible for the Retail and SME business of the Bank.

Stefano Santini,

Member of the Management Board, Senior Vice President

Born in 1975. Stefano Santini holds a degree in Economics from Bocconi University, 1999. He joined UniCredit in 2000, in the newly established New Europe Division. After working with growing responsibilities in several banks of the Group located in the CEE region, in 2003 he started to cooperate with Bank Pekao in Poland, becoming, in 2005, Deputy Head of Finance Division. In 2006 – following the merger between UniCredit and HVB – he was appointed as Project Manager of the spin off and merger of Bank BPH and Bank Pekao, the largest Polish M&A banking transaction, contributing to create the highest capitalized company in the local market. In April 2010, mr Santini joined the Management Board at UniCredit Bank Hungary as Chief Financial Officer. Three years later, in April 2013, he returned to Bank Pekao as Vice President of the Management Board, supervising the Financial Division (CFO). At the same time, he served as Deputy Chairman of the Supervisory Board at Pekao Investment Banking and Member of the Supervisory Board of Pekao Leasing. On July 4, 2017, Mr. Santini was appointed Senior Vice-President at AO UniCredit Bank. On October 25, 2017, Stefano Santini was appointed Member of the Management Board of AO UniCredit Bank responsible for the Financial Division. Mr. Santini is Member of Board of Directors of BARN B. V., Netherlands since 01.10.2018, Member of the Board of Directors of RN Bank since 28.11.2018.

Alexey Oborin,

Senior Vice President

Born in 1978. Aleksey Oborin graduated from Lomonosov Moscow State University majoring in Mathematics. He is a member of CFA Institute/ Association (Chartered Financial Analyst) and also received ACCA Qualification (Association of Chartered Certified Accountants). Alexey Oborin has broad management experience in finance area. Before joining UniCredit Bank he worked at JPMorgan Russia as Head of Financial & Management Reporting from 2008 to 2011. Prior to that Alexey worked at MDM Bank as Head of International Financial Reporting Department from 2005 to 2008 and was an auditor of financial institutions in KPMG from 2002 to 2005. Alexey has worked at UniCredit Bank since 2011. From 2011 to 2012 Alexey was Head of Controlling, Deputy Head of Planning and Control Department. In 2012 he was appointed Head of Commercial Strategy of UniCredit Bank. In this role Alexey was in charge of supporting CIB business in relation to new business developments and projects, definition and implementation of commercial strategies, as well as financial planning and control tasks. On October 20, 2020 Alexey Oborin was appointed Senior Vice President in charge of consistent strategic transformation of CIB in support of client business enhancement.

Changes in the Management Board in 2020

In 2020, Mikhail Yurievich Alekseev and Svetlana Zolotareva resigned from the Management Board, while Andrea Diamanti and Vadim Aparkhov joined the Management Board.

Contact Details*

Head Office

9, Prechistenskaya Embankment, Moscow, 119034, Russia

Telephone:	+7 (495) 258-7258 Call center +7 (495) 258-7200 Enquiries
Fax:	+7 (495) 258-7272
Telex:	412284 IMBA RU, 412285 IMBA RU
SWIFT code:	IMBKRUMM
E-mail:	unicredit@unicreditgroup.ru
URL:	www.unicreditbank.ru

Additional offices

Additional office Aeroport
44, Leningradskiy Prospekt, Moscow, 125167, Russia

Additional office Alexeevskaya
97, Prospekt Mira, Moscow, 129085, Russia

Additional office Altufievo
89, Altufievskoe shosse, Moscow, 127576, Russia

Additional office Babushkinskaya
11, Eniseyskaya street, Moscow, 129327, Russia

Additional office Bolshaya Gruzinskaya
58, Bolshaya Gruzinskaya Street, Moscow, 123056, Russia

Additional office Kazachy
9/1, Pervyi Kazachy Pereulok, Moscow, 109017, Russia

Additional office Khimki
Building 1, 19, Panfilova Street, Khimki-Center, Khimki, Moscow region, 141407, Russia

Additional office Komsomolskaya
Building 1, 3-5, Krasnoprudnaya street, Moscow, 107140, Russia

Additional office Leninsky
Park Place Business Center 113/1 Leninsky Prospekt, Moscow, 117198, Russia

Additional office Lomonosovsky Prospekt
70/11, Leninsky Prospekt, Moscow, 119261, Russia

Additional office Myasnitskaya
Building 2, 24/7, Myasnitskaya Street, Moscow, 101000, Russia

Additional office Mytishchi
34/2, Novomytishchinsky Prospekt, Mytishchi, Moscow region, 141002, Russia

Additional office Novoslobodskaya
40, Dolgorukovskaya Street, Moscow, 127030, Russia

Additional office Odintsovo
112a, Mozhayskoe Shosse, Odintsovo, Moscow region, 143005, Russia

Additional office Marshala Zhukova
30, Marshala Zhukova Prospekt, Moscow, 123154, Russia

Additional office Ostozhenka
5, Ostozhenka street, Moscow, 119034, Russia

Additional office Pervomayskaya
77, Pervomayskaya street, Moscow, 105077, Russia

Additional office Podolsk
64/105, Revolutsionny prospekt, Podolsk, Moscow region, 142100, Russia

Additional office Prospekt Mira
Building 1, 26, Mira Prospekt, Moscow, 129090, Russia

Additional office Prospekt Vernadskogo
33, Prospekt Vernadskogo, Moscow, 119331, Russia

Additional office Pyatnitskaya
Building 1, 14, Pyatnitskaya Street, Moscow, 115035, Russia

Additional office Ramenki
34, Michurinsky Prospekt, Moscow, 119192, Russia

Additional office Rechnoy Vokzal
Building 1, 94, Leningradskoe Shosse, Moscow, 125565, Russia

Additional office Rogozhskaya zastava
8, Rogozhskaya Zastava street, Moscow, 105120, Russia

Additional office Taganskaya
Building 1, 1, Marksistskaya Street, Moscow, 109147, Russia

Additional office Tulskaya
2, Bolshaya Tulskaya street, Moscow, 115191, Russia

Additional office Tverskaya
28, First Tverskaya Yamskaya Street, Moscow, 125445, Russia

Additional office Yartsevskaya
Building 1, 22, Yartsevskaya Street, Moscow, 121351, Russia

Additional office Zemlyanoy Val
25, Zemlyanoy Val Street, Moscow, 105064, Russia

Additional office Zvenigorodsky
Building 1, 3A Zvenigorodskoe shosse, Moscow, 123022, Russia

* As of May 14, 2021

Regional Branches

St. Petersburg Branch

48/2 Fontanka Embankment, St. Petersburg, 191025, Russia
Telephone: +7 (812) 346-8410, 8 (800) 700-1020
Fax: +7 (812) 346-8420
SWIFT code: IMBKRUMMPET

Additional offices

Additional office Akademicheskaya

6-N and 26-N, 76, lit. A, Grazhdanskiy Prospekt, St. Petersburg, 195257, Russia

Additional office Chernaya rechka

Office 1-N, 15, Savushkina Street, St. Petersburg, 197183, Russia

Additional office Komendantskiy prospekt

Office 7N, lit. B, 11, Komendantskiy prospekt, St. Petersburg, 197227, Russia

Additional office Leninsky prospekt

Office 31N, lit. A, 8, Novatorov boulevard, St. Petersburg, 198216, Russia

Additional office Moskovskaya

Office 34-N, lit. A, 192-194, Moskovsky prospekt, St. Petersburg, 196066, Russia

Additional office Park Pobedy

192-194, lit. A, Moskovsky Prospekt, St. Petersburg, 196070, Russia

Additional office Petrogradskaya Storona

48, Bolshoi Prospekt, P.S., St. Petersburg, 197198, Russia

Additional office Prospekt Bolshevikov

Office 29N, lit. A, building 1, 3, Bolshevikov Prospekt, St. Petersburg, 193231, Russia

Additional office Prospekt Prosvescheniya

34, Prospekt Prosvescheniya, St.Petersburg, 194358, Russia

Additional office Prospekt Slavy

Office 45N, building 1, 52, Prospekt Slavy, St. Petersburg, 192241, Russia

Additional office Sennaya Ploshchad

4A, Efimov Street, St. Petersburg, 190031, Russia

Additional office Vasilevsky Ostrov

Office 1N, lit. A, 49, V. O. Sredny Prospekt, St. Petersburg, 199178, Russia

Additional office Zanevskaya ploschad

Office 13N, 43/17, lit. A,Novocherkassky prospekt, St. Petersburg, 195196, Russia

Chelyabinsk branch

38, Karl Marx Street, Chelyabinsk, 454091, Russia
Telephone: +7 (351) 247-9170
Fax: +7 (351) 247-9108

Additional office Severo-Zapad

31, 40 Let Pobedy Street, Chelyabinsk, 454021, Russia

Ekaterinburg Branch

4, Nikolaya Nikonova Street, Ekaterinburg, 620027, Russia
Telephone: +7 (343) 356-5997
Fax: +7 (343) 370-0095

Additional office Palladium

10, Khokhryakova Street, Palladium office center, Ekaterinburg, 620014, Russia

Krasnodar Branch

41, Stavropolskaya Street, Krasnodar, 350033, Russia
Telephone: +7 (861) 210-1040
Fax: +7 (861) 210-1045

Additional office Pokrovsky

64/1, Krasnoarmeyskaya Street, Krasnodar, 350000, Russia

Additional office Novorossiysky

39, Leitenanta Shmidta Street, Novorossiysk, Krasnodar Krai, 353905, Russia

Additional office Sochinsky

26, Gorkogo Street, Sochi, Central District, Krasnodar Krai, 354000, Russia

Nizhniy Novgorod Branch

20, Kostina Street, Nizhniy Novgorod, 603134, Russia
Telephone: +7 (831) 275-8080
Fax: +7 (831) 421-6009

Additional office Avtozavodskiy

Ofiice P1, 1A, Vedenyapina Street, Avtozavodsky district, Nizhniy Novgorod, 603016, Russia

Novosibirsk Branch

27, Sovetskaya/53, Maxim Gorky Street, Novosibirsk, 630099, Russia
Telephone: +7 (383) 230-0163
Fax: +7 (383) 230-0169

Additional office Ulitsa Vatutina

Room 1-17, Office XII, Floor 1, 26, Vatutina Street, Novosibirsk, 630078, Russia

Perm Branch

41, Monastyrskaya Street, Perm, 614015, Russia
Telephone: +7 (342) 218-3850
Fax: +7 (342) 218-3857

Rostov-on-Don Branch

58/51, Socialisticheskaya Street, Rostov-on-Don, 344002, Russia
Telephone: +7 (863) 263-0900
Fax: +7 (863) 263-0905

Additional office Bolshaya Sadovaya

35/113, Kirovsky Prospekt, Rostov-on-Don, 344022, Russia

Additional office Ulitsa Tekucheva

139/94, Tekucheva Street, Rostov-on-Don, 344018, Russia

Samara Branch

178, Chapaevskaya /12, Krasnoarmeyskaya Street, Samara, 443010, Russia
Telephone: +7 (846) 267-3350
Fax: +7 (846) 267-3360

Additional office Ulitsa Pobedi

93, Pobedy Street, Soviet District, Samara, 443058, Russia

Stavropol Branch

38A, Dovatortsev Street, Stavropol, 355041, Russia
Telephone: +7 (8652) 95-1125
Fax: +7 (8652) 95-1126

Ufa Branch

27, Kirova Street, Ufa, Republic of Bashkortostan, 450000, Russia
Telephone: +7 (347) 292-0840
Fax: +7 (347) 292-0842

Volgograd Branch

11, Novorossiyskaya Street, Volgograd, 400066, Russia
Telephone: +7 (8442) 96-8268
Fax: +7 (8442) 96-8271

Voronezh Branch

13, Komissarzhevskaya Street, Voronezh, 394036, Russia
Telephone: +7 (473) 220-5364
Fax: +7 (473) 235-5929

Contact Details (Continued)

Operational Offices

Arkhangelsky
104, Voskresenskaya Street, Arkhangelsk, 163060, Russia

Barnaulsky
Office N8, 28, Prospekt Lenina / 67, Proletarskaya Street, Barnaul, Altai Krai, 656056, Russia

Belgorodsky
Office №1, 45 A, Prospekt Slavy, Belgorod, 308000, Russia

Kaluzhsky
1/20, Pushkina Street, Kaluga, 248000, Russia

Kamensk-Shakhtinskiy
Office 3, 2, Voroshilova Street, Kamensk-Shakhtinskiy, Rostov region, 347809, Russia

Kazanskiy
Office 1011, 58, Ibragimova prospekt, Kazan, 420080, Tatarstan, Russia

Kemerovskiy
Office 5, 2B, Oktiabrskiy prospekt, Kemerovo, 656066, Russia

Krasnoyarsky
36, Prospekt Mira, Krasnoyarsk, Krasnoyarsk region, 660049, Russia

Omsky
17, Karl Marx Prospekt, Omsk, 644010, Russia

Saratovsky
52, Chapaeva Street, Saratov, 410056, Russia

Solikamskiy
(TC Evropa) 55, Severnaya Street, Solikamsk, Perm region, 618553, Russia

Tyumensky
155/2, Respubliki Street, Tyumen, 625026, Russia

Representative Offices

Barnaul
91, Proletarskaya Street/45, Sotsialisticheskiy prospekt, Barnaul, Altai Krai, 656043, Russia
Telephone: +7(3852) 63-7181
Fax: +7(3852) 63-6975

Belgorod
45a, Prospect Slavy, Belgorod, Belgorod region, 308600, Russia
Telephone: +7 (4722) 58-6040
Fax: +7 (4722) 58-6043

Irkutsk
49, Partizanskaya street, Irkutsk, 664047, Russia
Telephone: +7 (3952) 78-0088
Fax: +7 (3952) 78-0089

Kazan
11A, Dzerzhinskogo Street, Kazan, 420111, Tatarstan, Russia
Telephone: +7 (843) 292-1501
Fax: +7 (843) 292-5889

Kemerovo
2B, Oktyabrsky prospect, Kemerovo, 650066, Russia
Telephone: +7 (3842) 49-6750
Fax: +7 (3842) 49-6752

Krasnoyarsk
room 419, 19, building 1, Prospekt Mira, Krasnoyarsk, 660049, Russia
Telephone: +7 (391) 273-70-39
Fax: +7 (391) 273-70-39

Minsk
Office 40-14, 49, Platonova Street, Minsk, 220012, Republic Belarus
Telephone: +375 (17) 240-0554
Fax: +375 (17) 361-05-52

Omsk
Building 1, 65, Gertsen Street, Omsk, 644007, Russia
Telephone: +7 (3812) 22-0282
Fax: +7 (3812) 23-48-91

Saratov
Business center Navigator, Office 618, 239, Bolshaya Sadovaya Street, Saratov, 410005, Russia
Telephone: +7 (8452) 44-55-50

Tyumen
Office №2, 155/2, Respubliki Street, Tyumen, 625026, Russia
Telephone: +7 (3452) 38-9508
Fax: +7 (3452) 38-9511

Consolidated Financial Statements

and Independent Auditor's Report for the Year Ended 31 December 2020

Statement of Management's Responsibilities for the Preparation and Approval of the Consolidated Financial Statements for the Year Ended 31 December 2020

Management of AO UniCredit Bank is responsible for the preparation of the consolidated financial statements that present fairly the financial position of AO UniCredit Bank and its subsidiary (collectively – the "Group") as at 31 December 2020, and the related consolidated statements of comprehensive income for the year then ended, changes in equity and cash flows for the year then ended, and of significant accounting policies and notes to the consolidated financial statements (the "consolidated financial statements") in compliance with International Financial Reporting Standards ("IFRS").

In preparing the 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 IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's 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 consolidated financial position of the Group, and which enable them to ensure that the consolidated financial statements of the Group comply with IFRS;
- 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 financial statements for the year ended 31 December 2020 were approved by the Supervisory Board of AO UniCredit Bank on 18 March 2021 based on the decision of the Board of Management of AO UniCredit Bank dated 11 March 2021.

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

Moscow

AO Deloitte & Touche CIS
5 Lesnaya Street, Moscow, 125047, Russia
Tel: +7 (495) 787 06 00
Fax: +7 (495) 787 06 01
deloitte.ru

to the Shareholder and the Supervisory Board of AO UniCredit Bank

Opinion

We have audited the consolidated financial statements of AO UniCredit Bank and its subsidiary (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "IESBA Code") together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Russian Federation, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
Assessment of expected credit losses of loans to customers We focused on this area because assessment of significant increase in credit risk and measurement of expected credit losses (ECL) require considerable judgement and involves estimation uncertainties, especially given the changes in the current economic situation under the influence of Covid-19. For collectively assessed loans the measurement of the ECL involves application of a complex risk rating system based on historical data adjusted for relevant forward looking information.	We assessed design and implementation, and tested relevant controls over the management's processes for the assessment, measurement and monitoring the level of ECL for both collectively and individualy assessed loans, including the controls over timely identification of significant increase in credit risk. We challenged the assumptions used in collective credit models and corresponding risk rating system, tested input data and analysed the integrity of those models. Our work included, among others, the following procedures, during which we involved our experts in the field of actuarial calculations:

Independent Auditor's Report (Continued)

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
For individually assessed loans the measurement of ECL is based on estimation of future cash flows, which requires analysis of the borrower's current and future financial performance, collateral value and evaluation of possible outcome in a changing economic situation. In particular we focused on: • The principal assumptions and significant inputs underlying the estimation of ECL and corresponding risk rating system for performing loans and the integrity of the models used in calculations; • Timely identification of significant increase in credit risk based on quantitative and qualitative factors, including the possible impact of the current economic situation on the terms of loan agreements; • The principal assumptions and significant inputs underlying the calculation of discounted cash flows for defaulted loans; • How events of default that have not yet resulted to payment default are identified. See Note 2, 3 and Note 9 to the consolidated financial statements on pages 115-118, 123-124, 130-138 respectively.	• We analysed the methodology used in the impairment model, including the indicators selected by the Group's management to determine a significant increase in credit risk and the sequence in which they were applied, as well as factors that take into account the potential impact of Covid-19 on the impairment assessment; • We analysed management's principal assumptions based on industry practices and the Group's actual experience, as well as taking into account changes in the economic situation; • We tested the integrity of the credit models used to calculate ECL, performed selective recalculations and compared the results. For a sample of collectively assessed loans we ascertain whether the significant increase in credit risk had been identified in a timely manner including, where relevant, how forbearance had been considered. For a sample of individually assessed loans we tested the forecasts of future cash flows prepared by management for measurement of ECLs including challenging the assumptions made, testing input data and comparing estimates to external evidence in respect to the relevant counterparties. We examined a sample of loans, which had not been identified by management as defaulted and formed our own judgement as to whether that was appropriate using external evidence in respect of the relevant counterparties.
Information Technology systems and controls We focused on this area because the Group's financial accounting and reporting systems are heavily dependent on complex information technology (the "IT") systems and the appropriate design and operating effectiveness of automated accounting procedures and technology-dependent manual controls.	We assessed and tested the controls over the continued integrity of the IT systems that are relevant to the financial accounting and reporting process. We examined the Group's IT system's governance and change management environment, in particular the controls over program development and changes, access rights to programs and data and IT operations, including compensating controls where required. Where necessary we also carried out direct tests of certain aspects of the security of the Group's IT systems including access management and segregation of duties. The combination of the tests of internal control system and the direct tests of IT that we carried out gave us sufficient evidence to enable us to rely on the Group's IT systems for the purposes of our audit.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2020 Annual report and the issuer's report for the 1st quarter of 2021, but does not include the consolidated financial statements and our auditor's report thereon. The mentioned reports are expected to be made available to us after the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the 2020 Annual report and the issuer's report for the 1st quarter of 2021, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor’s Report (Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period, and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on procedures performed in accordance with the Federal Law No. 395-1 “On Banks and Banking Activities” dated 2 December 1990

Management of AO UniCredit Bank (the “Bank”) is responsible for compliance with the obligatory ratios established by the Central Bank of Russia, as well as for compliance of the Group’s internal control and risk management systems with the Central Bank of Russia (the “CBRF”) requirements.

According to Article 42 of the Federal Law No. 395-1 “On Banks and Banking Activities” (the “Federal Law”) in the course of our audit of the Bank’s annual financial statements for 2020 we performed procedures with respect to the Bank’s compliance with the obligatory ratios as at January 1, 2021 and compliance of its internal control and risk management systems with the CBRF requirements.

We have selected and performed procedures based on our judgment, including inquiries, analysis and review of documentation, comparison of the Bank’s policies, procedures and methodologies with the CBRF requirements, as well as recalculations, comparisons and reconciliations of numeric values and other information.

We report our findings below:

1. With respect to the Bank’s compliance with the obligatory ratios: the obligatory ratios as at January 1, 2021 were within the limits established by the CBRF.

We have not performed any procedures with respect to the Bank’s financial information other than those we considered necessary to express our opinion on whether the annual financial statements of the Bank present fairly, in all material respects, the financial position of the Bank as at December 31, 2020, its financial performance and its cash flows for 2020 in accordance with IFRSs and Russian reporting rules for annual financial statements of credit organizations.

2. With respect to compliance of the Bank’s internal control and risk management systems with the CBRF requirements:

(a) In accordance with the CBRF requirements and recommendations as at December 31, 2020 the Bank’s internal audit department was subordinated and accountable to the Bank’s Supervisory Board and the Bank’s risk management departments were not subordinated or accountable to the departments undertaking the respective risks, the heads of the Bank’s risk management and internal audit departments comply with qualification requirements established by the CBRF;

(b) As at December 31, 2020, the Bank had duly approved in accordance with the CBRF requirements and recommendations the internal policies regarding identification and management of significant risks, including credit, operating, market, interest rate, legal, liquidity, and reputational risks, as well as regarding performance of stress-testing;

(c) As at December 31, 2020, the Bank had a reporting system with regard to the Bank’s significant credit, operating, market, interest rate, legal, liquidity and reputational risks, and with regard to the Bank’s capital;

(d) Frequency and sequential order of reports prepared by the Bank’s risk management and internal audit departments in 2020 on management of credit, operating, market, interest rate, legal, liquidity and reputational risks were in compliance with the Bank’s internal policies; these reports included results of monitoring by the Bank’s risk management and internal audit departments of effectiveness of the Bank’s respective methodologies and improvement recommendations;

(e) As at December 31, 2020, the authority of the Bank's Supervisory Board and the Bank's executive bodies included control over compliance with the risk limits and capital adequacy ratios established by the Bank. In order to control effectiveness and consistency of application of the Bank's risk management policies, during 2020 the Bank's Supervisory Board and the Bank's executive bodies have regularly discussed reports prepared by the risk management and internal audit departments and have considered proposed corrective measures.

We have carried out the procedures with respect to the Bank's internal control and risk management systems solely to report on the findings related to compliance of the Bank's internal control and risk management systems with the CBRF requirements.

Zdanevich Anna Mikhaylovna,
Engagement partner

18 March 2021

Акционерное общество «Делойт и Туш СНГ»
для аудиторских заключений и отчетов
Россия, г. Москва, ул. Лесная, д. 5

The Entity: AO UniCredit Bank

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

Primary State Registration Number: 1027739082106

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

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

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

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

Consolidated Statement of Financial Position

as at 31 December 2020
(in thousands of Russian Roubles)

	Notes	31 December 2020	31 December 2019
ASSETS			
Cash and cash balances	5	28 949 714	24 268 658
Debt securities held for trading	6		
- held by the Group		1 082 892	-
Derivative financial assets	8	39 606 302	23 884 409
Derivative financial assets designated for hedging	8	18 583 515	9 873 372
Changes in fair value of portfolio hedged items	8	10 214 637	6 559 846
Financial assets at amortized cost			
- Debt securities	11	67 986 636	-
- Amounts due from credit institutions	7	380 383 482	245 812 527
- Loans to customers	9	646 035 934	733 770 527
Financial assets at fair value through other comprehensive income	10,13		
- held by the Group		46 876 408	138 326 977
- pledged under repurchase agreements		-	678 732
Investments in associate	12	9 669 851	8 202 044
Fixed assets	14	12 255 064	12 358 165
Intangible assets	15	7 647 521	8 538 523
Deferred income tax assets	16	3 805 548	609 346
Current income tax assets		672 017	103 747
Other assets	17	8 162 123	13 461 888
TOTAL ASSETS		**1 281 931 644**	**1 226 448 761**
LIABILITIES			
Amounts due to credit institutions	18,20	29 103 365	96 509 472
Amounts due to customers	19	945 130 002	861 626 647
Derivative financial liabilities	8	39 932 210	20 957 225
Derivative financial liabilities designated for hedging	8	30 177 965	15 377 471
Changes in fair value of portfolio hedged items	8	6 446 605	3 742 597
Current income tax liabilities		12 621	9 996
Other liabilities	17	16 609 892	14 996 738
TOTAL LIABILITIES		**1 067 412 660**	**1 013 220 146**

	Notes	31 December 2020	31 December 2019
EQUITY			
Share capital	21	41 787 806	41 787 806
Share premium		437 281	437 281
Cash flow hedge reserve		251 015	(381 731)
Revaluation reserve for financial assets at fair value through other comprehensive income		1 674 972	2 000 726
Foreign currency translation reserve		(4 822)	(71 830)
Fixed assets revaluation reserve		4 231 960	4 294 938
Retained earnings		166 140 772	165 161 425
TOTAL EQUITY		**214 518 984**	**213 228 615**
TOTAL LIABILITIES AND EQUITY		**1 281 931 644**	**1 226 448 761**

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

The accompanying notes on pages 110 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2020
(in thousands of Russian Roubles)

	Notes	2020	2019
Interest income and similar revenues			
Loans to customers		53 320 703	65 343 457
Derivative financial instruments		23 224 785	28 368 331
Amounts due from credit institutions		7 171 365	10 301 641
Margin from derivative financial instruments designated for hedging	8	-	2 662 584
Trading and investment securities		6 797 700	9 499 232
		90 514 553	**116 175 245**
Interest expense and similar charges			
Amounts due to customers		(24 526 173)	(39 931 536)
Derivative financial instruments		(22 125 448)	(26 585 984)
Amounts due to credit institutions		(3 651 227)	(8 580 215)
Margin from derivative financial instruments designated for hedging	8	(770 692)	-
Debt securities issued		-	(3 936)
		(51 073 540)	**(75 101 671)**
Net interest income		**39 441 013**	**41 073 574**
Fee and commission income	25	9 052 484	11 809 180
Fee and commission expense	25	(2 207 119)	(2 852 684)
Net fee and commission income		**6 845 365**	**8 956 496**
Dividend income		23 293	18 757
Losses on financial assets and liabilities held for trading and foreign currencies	24	(1 312 901)	(1 211 396)
Fair value adjustments in portfolio hedge accounting	8	(35 179)	(44 828)
Gains on disposal of:			
- financial assets at amortized cost		1 432 274	1 220 304
- financial assets at fair value through other comprehensive income		2 392 414	1 391 105
OPERATING INCOME		**48 786 279**	**51 404 012**
Allowance for expected credit losses on:			
- financial assets at fair value through other comprehensive income		(34 133)	(61 846)
- financial assets at amortized cost	7,9,11	(15 924 272)	(10 395 838)
- other financial transactions	22	(647 892)	(340 784)
NET INCOME FROM FINANCIAL ACTIVITIES		**32 179 982**	**40 605 544**
Personnel expenses	26	(10 091 732)	(10 237 755)
Other administrative expenses	26	(7 514 493)	(6 574 662)
Depreciation of fixed assets	14	(1 021 945)	(718 684)
Depreciation of right-of-use assets	14	(542 527)	(653 030)
Impairment of fixed assets	14	(35 346)	(26 939)
Amortization of intangible assets	15	(1 940 846)	(1 756 464)
Impairment of intangible assets	15	(1 343 000)	-
Recovery of other provisions		3 429	244 301
Other operating expenses		(133 657)	(91 168)
Operating costs		**(22 620 117)**	**(19 814 401)**
Share of gains of associate	12	1 392 302	1 263 054
Losses on fixed assets measured at fair value		(10 706)	-
Gains on disposal of fixed assets		2 085	4 793

	Notes	2020	2019
PROFIT BEFORE INCOME TAX EXPENSE		**10 943 546**	**22 058 990**
Income tax expense	16	(1 989 639)	(4 357 925)
PROFIT FOR THE YEAR		**8 953 907**	**17 701 065**
OTHER COMPREHENSIVE INCOME/(LOSS)			
Items that will not be reclassified subsequently to profit or loss:			
Fixed assets revaluation reserve	16	83 785	4 294 938
Items that may be reclassified subsequently to profit and loss:			
Cash flow hedge reserve – effective portion of changes in fair value, net of tax:			
- fair value changes	16	474 051	(902 269)
- reclassification adjustment relating to financial assets and liabilities designated for hedging disposed of in the year	16	158 695	373 649
Revaluation reserve for financial assets at fair value through other comprehensive income, net of tax:			
- fair value changes	16	1 325 039	3 267 674
- reclassification adjustment relating to financial assets at fair value through other comprehensive income disposed of in the year	16	(1 659 290)	825 723
Share of other comprehensive income/(loss) of associate:			
- revaluation reserve for financial assets at fair value through other comprehensive income, net of tax	16	8 497	(152)
- foreign currency translation reserve	16	67 008	27 005
Other comprehensive income for the year, net of tax		**457 785**	**7 886 568**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**9 411 692**	**25 587 633**

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

The accompanying notes on pages 110 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2020
(in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve
1 January 2019	**41 787 806**	**437 281**	**146 889**
Total comprehensive income			
Profit for the year	-	-	-
Other comprehensive income			
Change in cash flow hedge reserve, net of tax (Note 16)	-	-	(528 620)
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (Note 16)	-	-	-
Change in foreign currency translation reserve (Note 16)	-	-	-
Change in fixed assets revaluation reserve, net of tax (Note 16)	-	-	-
Total other comprehensive (loss)/income	**-**	**-**	**(528 620)**
TOTAL COMPREHENSIVE (LOSS) / INCOME	**-**	**-**	**(528 620)**
Transactions with owner, directly recorded in equity			
Dividends paid on ordinary shares (Note 21)	-	-	-
Total transactions with owner	**-**	**-**	**-**
31 December 2019	**41 787 806**	**437 281**	**(381 731)**

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

	Share of other comprehensive income/(loss) of associate				
Revaluation reserve for financial assets at fair value through other comprehensive income	**Revaluation reserve for financial assets at fair value through other comprehensive income**	**Foreign currency translation reserve**	**Fixed assets revaluation reserve**	**Retained earnings**	**Total equity**
(2 115 871)	**23 352**	**(98 835)**	**-**	**155 581 682**	**195 762 304**
-	-	-	-	17 701 065	17 701 065
-	-	-	-	-	(528 620)
4 093 397	(152)	-	-	-	4 093 245
-	-	27 005	-	-	27 005
-	-	-	4 294 938	-	4 294 938
4 093 397	**(152)**	**27 005**	**4 294 938**	**-**	**7 886 568**
4 093 397	**(152)**	**27 005**	**4 294 938**	**17 701 065**	**25 587 633**
-	-	-	-	(8 121 322)	(8 121 322)
-	**-**	**-**	**-**	**(8 121 322)**	**(8 121 322)**
1 977 526	**23 200**	**(71 830)**	**4 294 938**	**165 161 425**	**213 228 615**

The accompanying notes on pages 110 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2020
(in thousands of Russian Roubles)

	Share capital	Share premium	Cash flow hedge reserve
1 January 2020	**41 787 806**	**437 281**	**(381 731)**
Total comprehensive income			
Profit for the year	-	-	-
Other comprehensive income			
Change in cash flow hedge reserve, net of tax (Note 16)	-	-	632 746
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (Note 16)	-	-	-
Change in foreign currency translation reserve (Note 16)	-	-	-
Change in fixed assets revaluation reserve, net of tax (Note 16)	-	-	-
Total other comprehensive income/(loss)	**-**	**-**	**632 746**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**-**	**-**	**632 746**
Transfer of revaluation reserve upon depreciation	-	-	-
Transactions with owner, directly recorded in equity			
Dividends paid on ordinary shares (Note 21)	-	-	-
Total transactions with owner	**-**	**-**	**-**
31 December 2020	**41 787 806**	**437 281**	**251 015**

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18 March 2021

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Chief Accountant

Revaluation reserve for financial assets at fair value through other comprehensive income	Share of other comprehensive income/(loss) of associate Revaluation reserve for financial assets at fair value through other comprehensive income	Share of other comprehensive income/(loss) of associate Foreign currency translation reserve	Fixed assets revaluation reserve	Retained earnings	Total equity
1 977 526	**23 200**	**(71 830)**	**4 294 938**	**165 161 425**	**213 228 615**
-	-	-	-	8 953 907	8 953 907
-	-	-	-	-	632 746
(334 251)	8 497	-	-	-	(325 754)
-	-	67 008	-	-	67 008
-	-	-	83 785	-	83 785
(334 251)	**8 497**	**67 008**	**83 785**	**-**	**457 785**
(334 251)	**8 497**	**67 008**	**83 785**	**8 953 907**	**9 411 692**
-	-	-	(146 763)	146 763	-
-	-	-	-	(8 121 323)	(8 121 323)
-	**-**	**-**	**-**	**(8 121 323)**	**(8 121 323)**
1 643 275	**31 697**	**(4 822)**	**4 231 960**	**166 140 772**	**214 518 984**

The accompanying notes on pages 110 to 171 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2020
(in thousands of Russian Roubles)

	Notes	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Interest received		95 559 712	113 850 861
Interest paid		(48 196 684)	(86 490 785)
Fees and commissions received		9 451 896	11 960 695
Fees and commissions paid		(2 107 538)	(2 767 864)
Net receipts from debt securities held for trading		55 476	45 918
Net (payments)/receipts from derivatives and dealing in foreign currencies		(2 820 570)	8 393 284
Salaries and benefits paid		(10 679 349)	(9 961 944)
Other operating expenses paid		(7 487 237)	(7 756 553)
Cash flows from operating activities before changes in operating assets and liabilities		**33 775 706**	**27 273 612**
Net (increase)/decrease in operating assets			
Debt securities held for trading		(1 060 718)	5 344 800
Amounts due from credit institutions		(79 792 838)	111 975 230
Loans to customers		127 908 813	116 388 885
Other assets		4 970 322	(5 674 241)
Net (decrease)/increase in operating liabilities			
Amounts due to credit institutions		(39 564 409)	4 692 546
Financial liabilities held for trading		-	(3 427 071)
Amounts due to customers		(13 411 247)	(141 891 815)
Other liabilities		484 203	(1 058 912)
Net cash from operating activities before income tax		**33 309 832**	**113 623 034**
Income tax paid		(5 847 056)	(5 125 364)
Net cash from operating activities		**27 462 776**	**108 497 670**
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends received		23 293	18 757
Purchase of financial assets at fair value through other comprehensive income		(118 895 347)	(497 467 099)
Proceeds from redemption and sale of financial assets at fair value through other comprehensive income		212 629 156	411 281 055
Purchase of financial assets at amortized cost		(68 298 149)	-
Proceeds from sale of fixed and intangible assets		9 422	21 948
Purchase of fixed and intangible assets		(3 409 862)	(4 224 403)
Net cash from/(used in) investing activities		**22 058 513**	**(90 369 742)**

	Notes	2020	2019
CASH FLOWS FROM FINANCING ACTIVITIES			
Redemption of bonds issued on maturity		-	(45 920)
Repayment of subordinated debt	30	(37 381 559)	-
Cash outflow for lease liabilities		(506 568)	(622 175)
Dividends paid on ordinary shares	21	(8 121 323)	(8 121 322)
Net cash used in financing activities		**(46 009 450)**	**(8 789 417)**
Effect of exchange rates changes on cash and cash balances		1 169 217	(608 701)
Net increase in cash and cash balances		**4 681 056**	**8 729 810**
CASH AND CASH BALANCES, beginning of the year	**5**	**24 268 658**	**15 538 848**
CASH AND CASH BALANCES, ending of the year	**5**	**28 949 714**	**24 268 658**

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

The accompanying notes on pages 110 to 171 are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements

1. Principal activities

These consolidated financial statements include the financial statements of AO UniCredit Bank (hereinafter – the “Bank”) and its subsidiary. AO UniCredit Bank, its subsidiary and associate are hereinafter collectively referred to as the “Group”.

The Bank (the former International Moscow Bank) was established in 1989 as a closed joint-stock company under the laws of the Russian Federation. The Bank operates under General Banking License issued by the Central Bank of Russia (hereinafter – the “CBR”) for banking operations for No. 1, as well as the license of the CBR for operations with precious metals for No. 1, both issued on 22 December 2014. The Bank also possesses licenses of the professional securities market participant for dealing, brokerage and depository activities issued by the Federal Securities Commission on 25 April 2003, as well as authorized to speak to the customs authorities as a guarantor starting from 1 November 2013. On 7 October 2019 the Bank was included in the list of investment advisors. The Bank is a member of the state deposit insurance system in the Russian Federation starting from 16 December 2004. The Bank also possesses cryptographic license starting from 7 April 2015.

As at 31 December 2020 the Group comprises the Bank, the leading operating entity of the Group, LLC UniCredit Leasing, a leasing company as its subsidiary, and holding company BARN B.V. as its associate. LLC UniCredit Leasing owns 100% of the shares in LLC UniCredit Garant. Both companies operate in the financial leasing industry on the local market. BARN B.V. is the holding company based in the Netherlands.

The consolidated financial statements include the following subsidiary and associate:

	Ownership, %			
Entities	2020	2019	Country	Industry
LLC UniCredit Leasing	100%	100%	Russia	Finance
BARN B.V.	40%	40%	Netherlands	Holding / finance

As at 31 December 2020 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, providing finance leases and auxiliary activities in financial services and insurance.

As at 31 December 2020 the Bank had 13 branches and 9 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus (31 December 2019: 13 branches and 10 representative offices throughout the Russian Federation and one representative office in the Republic of Belarus).

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

2. Significant accounting policies

Statement of compliance. These consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter – “IFRS”).

Going concern. These 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.

New and amended IFRS Standards that are effective for the current year

The following amendments and interpretations are effective for the Group starting from 1 January 2020:

Amendments to IFRS 9, IFRS 7	Basic interest rate reform
Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Conceptual Framework	Amendments to References to the Conceptual Framework in IFRS Standards

The above standards and interpretations were reviewed by the Group's management, but did not have a significant effect on the consolidated financial statements of the Group.

In 2019, the Group has early adopted the "Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform" (hereinafter – "the Amendment"). The Amendment solves a potential source of uncertainty on the effects of the Interbank offered rates (IBOR) reform on existing accounting hedge relationships that are affected by the IBOR reform, clarifying that the reform does not require to terminate such hedge relationships. In 2019, the Group has ensured compliance for EURIBOR and €STR/Eonia outstanding contracts. Possible uncertainties, involving other IBORs, with timing and/or fallback rules applied to outstanding stock of assets, liability and derivatives however cannot be excluded. In order to closely follow the developments on IBORs and to proper manage the transition and the discontinuation impacts, the Group will continuously monitor the market and participate in the relevant public consultations.

The application of the new standards and interpretations did not lead to significant changes in the Group's accounting policies affecting the reporting data of the current and prior periods.

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts
Amendments to IFRS 16	Covid-19 Related Rent Concessions
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2
Amendments to IFRS 3	Business combinations - Reference to the Conceptual Framework
Amendments to IAS 16	Property and equipment - Proceeds before Intended Use
Amendments to IAS 37	Provisions, contingent liabilities and contingent assets – Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to IFRS 1, IFRS 9, IAS 41; and illustrative examples accompanying IFRS 16.	Annual Improvements to IFRS 2018-2020 cycles

The management does not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods.

IFRS 17 Insurance Contracts. IFRS 17 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes IFRS 4 Insurance Contracts.

IFRS 17 outlines a general model, which is modified for insurance contracts with direct participation features, described as the variable fee approach. The general model is simplified if certain criteria are met by measuring the liability for remaining coverage using the premium allocation approach.

The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows and it explicitly measures the cost of that uncertainty. It takes into account market interest rates and the impact of policyholders' options and guarantees.

The Standard is effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. It is applied retrospectively unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. An exposure draft Amendments to IFRS 17 addresses concerns and implementation challenges that were identified after IFRS 17 was published. One of the main changes proposed is the deferral of the date of initial application of IFRS 17 by one year to annual periods beginning on or after January 1, 2023 (previously – on or after January 1, 2021).

For the purpose of the transition requirements, the date of initial application is the start if the annual reporting period in which the entity first applies the Standard, and the transition date is the beginning of the period immediately preceding the date of initial application.

The management of the Group does not expect that the application of this standard will have an impact on the consolidated financial statements of the Group in the future, since the Group does not have instruments within the scope of this Standard.

Amendments to IFRS 16 Covid-19 Related Rent Concessions. In May 2020, the IASB issued Covid-19-Related Rent Concessions (Amendment to IFRS 16) that provides practical relief to lessees in accounting for rent concessions occurring as a direct consequence of Covid-19, by introducing a practical expedient to IFRS 16. The practical expedient permits a lessee to elect not to assess whether a Covid-19-related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the Covid-19-related rent concession the same way it would account for the change applying IFRS 16 if the change were not a lease modification.

This amendment is effective for annual reporting periods beginning on or after 1 June 2020

Amendments to IAS 1 Classification of Liabilities as Current or Non-current. The amendments are intended to facilitate the understanding that a liability is classified as non-current if the organization expects and has the authority to refinance the liability or postpone its maturity by at least 12 months after the reporting period under the existing credit line with the previous lender, on equal or similar terms. The amendments only amend the presentation of liabilities in the statement of financial position, i.e. not regarding the amount, the moment of recognition or disclosure of information.

The amendments clarify that the classification should be based on the existence at the end of the reporting period of the right to defer repayment of a liability for at least 12 months. Thus, the amendments explicitly indicate that only those rights that exist “at the end of the reporting period” should affect the classification of the liability. Moreover, the classification does not depend on expectations as to whether the organization will use the right to defer repayment of the liability, which means transferring funds, equity instruments, or other assets or services to a counterparty.

The amendments apply retrospectively to the periods beginning on or after January 1, 2023. Early application is acceptable.

The management of the Group does not expect that the application of these amendments could have an impact on the Group’s financial statements in future periods.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2. The changes in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) relate to the impact of the interest rate benchmark reform on the modification of financial assets, financial liabilities and lease liabilities, hedge accounting requirements, and disclosure requirements applying IFRS 7 to accompany the amendments regarding modifications and hedge accounting.

Modification of financial assets, financial liabilities and lease liabilities. The IASB introduces a practical expedient for changes in contractual cash flows as a direct consequence of the interest rate benchmark reform provided that the new cash flow basis is economically equivalent to the original basis. According to the practical exception these modifications are accounted prospectively for by updating the effective interest rate. All other modifications are accounted for using the current IFRS requirements. A similar practical expedient is proposed for lessee accounting applying IFRS 16.

Disclosure. The amendments require that an entity discloses additional information in order to allow users to understand the nature and extent of risks arising from the IBOR and how the entity manages those risks as well as the entity’s progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

The amendments are effective for annual periods beginning on or after 1 January 2021 and are to be applied retrospectively. Early application is permitted. Restatement of prior periods is not required, however, an entity may restate prior periods if, and only if, it is possible without the use of hindsight.

The management of the Group does not expect that the application of these amendments could have an impact on the Group’s financial statements in future periods.

Amendment to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture. The amendments to IFRS 10 and IAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture.

Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognized in the parent’s profit or loss only to the extent of the unrelated investors’ interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognized in the former parent’s profit or loss only to the extent of the unrelated investors’ interests in the new associate or joint venture.

The effective date has yet to be set; however, earlier application of the amendments is permitted.

The management of the Group expect that the application of these amendments could have an impact on the Group's financial statements in future periods should such transactions occur.

Annual Improvements to IFRS 2018-2020 Cycles. The list of amendments includes amendments to the three standards, as well as annual improvements to the Board, which are changes that clarify the wording or eliminate minor inconsistencies, omissions or contradictions between the requirements in the standards.

- **The amendments to IFRS 3** Business Combinations update the reference in IFRS 3 to the Conceptual Framework for Financial Statements without changing the accounting requirements for a business combination.
- **Amendments to IAS 16** Property, Plant and Equipment prohibit deducting from the value of property, plant and equipment the amounts received from the sale of manufactured goods while preparing the asset for its intended use. Instead, these sales revenue and related costs are recognized in profit or loss.
- **Amendments to IAS 37** "Provisions, Contingent Liabilities and Contingent Assets" determine the costs to be included in assessing whether the contract is unprofitable.
- **Annual improvements** introduce minor amendments to IFRS 1 "First-time Adoption of International Financial Reporting Standards", IFRS 9 "Financial Instruments", IAS 41 "Agriculture" and illustrative examples accompanying IFRS 16 "Leases".

All amendments are effective on January 1, 2022, early application is permitted.

The management of the Group does not expect that the application of these amendments could have an impact on the Group's financial statements in future periods should such transactions occur.

Basis of preparation. These consolidated financial statements are prepared on the historical cost basis except that financial instruments held for trading, financial assets at fair value through other comprehensive income, derivative financial instruments and real estate are stated at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These 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 consolidated financial statements as at year-end are as follows:

	31 December 2020	31 December 2019
RUB/US Dollar	73.8757	61.9057
RUB/Euro	90.6824	69.3406

Basis of consolidation. The consolidated financial statements incorporate the financial statements of the Bank and entities controlled by the Bank (its subsidiaries) made up to 31 December each year. Control is achieved when the Bank:

- Has the power over the investee;
- Is exposed, or has rights, to variable return from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Bank considers all relevant facts and circumstances in assessing whether or not the Bank's voting rights in an investee are sufficient to give it power, including:

- The size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Bank, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Bank obtains control over the subsidiary and ceases when the Bank loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Bank gains control until the date when the Bank ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the owners of the Bank and to the non-controlling interests (NCI). Total comprehensive income of the subsidiaries is attributed to the owners of the Bank and to the NCI even if this results in the NCI having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation, with the exception of foreign currency gains and losses on intragroup monetary items denominated in a foreign currency of at least one of the parties.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the NCI are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the NCI are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Bank.

When the Group loses control of a subsidiary, the gain/loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any NCI. All amounts previously recognised in OCI in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Foreign currencies. For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in Russian roubles which is the functional currency of the Bank, and the presentation currency for the consolidated financial statements.

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Net interest income. Interest income and expense for all financial instruments are recognized in 'Net interest income' as 'Interest income and and similar revenues' and 'Interest expense and similar charges' in the consolidated statement of comprehensive income using the effective interest method. The effective interest rate (hereinafter – "EIR") is the rate that exactly discounts estimated future cash flows of the financial instrument through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The future cash flows are estimated taking into account all the contractual terms of the instrument.

The calculation of the EIR includes all fees and points paid or received between parties to the contract that are incremental and directly attributable to the specific lending arrangement, transaction costs, and all other premiums or discounts. For financial assets held for trading transaction costs are recognized in profit or loss at initial recognition.

The interest income/ interest expense is calculated by applying the EIR to the gross carrying amount of non-impaired financial assets (i.e. at the amortized cost of the financial asset before adjusting for any expected credit loss allowance), or to the amortized cost of financial liabilities. For impaired financial assets, the interest income is calculated by applying the EIR to the amortized cost of the impaired financial assets (i.e. the gross carrying amount less the allowance for expected credit losses).

Interest income and expense in the consolidated statement of comprehensive income also includes the effective portion of fair value changes of derivatives designated as hedging instruments in cash flow hedges of interest rate risk. For fair value hedges of interest rate risk interest income and expense, the effective portion of fair value changes of the designated derivatives as well as the fair value changes of the designated risk of the hedged item are also included in interest income and expense.

Interest income and expenses related to derivative financial instruments is presented as interest income and interest expense from derivative financial instruments.

Fee and commission income/expense. Fee and commission income and expense include fees other than those that are an integral part of EIR (see above). The fees included in this part of the Group's consolidated statement of comprehensive income include among other things fees charged for servicing a loan, non-utilization fees relating to loan commitments when it is unlikely that these will result in a specific lending arrangement and loan syndication fees.

Fee and commission expenses with regards to services are accounted for as the services are received.

Net gains/(losses) on financial assets and liabilities held for trading and foreign currencies. Net gains/(losses) on trading assets and liabilities and foreign currencies includes gains and losses from changes in the fair value of financial assets and financial liabilities held for trading excluding any related interest income/expense, and gains and losses from transactions with foreign currencies.

Dividend income. Dividend income is recognized when the right to receive payment is established. This is the ex-dividend date for listed equity securities, and usually the date when shareholders approve the dividend for unlisted equity securities.

The presentation of dividend income in the consolidated statement of comprehensive income depends on the classification and measurement of the equity investment, i.e.:

- For equity instruments which are held for trading, dividend income is presented as trading income;
- For equity instruments designated at FVTOCI dividend income is presented separately.

Financial assets. The Group recognizes financial assets in its consolidated statement of financial position when it becomes a party to the contractual provisions of the instrument. All regular way purchases of financial assets and liabilities are recognised at the settlement date. All financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as held-for-trading. Transaction costs directly attributable to the acquisition of financial assets classified as held-for-trading are recognized immediately in profit or loss.

All recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- Debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (hereinafter – "SPPI"), are subsequently measured at amortized cost;
- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are SPPI, and equity investments are subsequently measured at fair value through other comprehensive income;
- All other debt instruments (e.g. debt instruments managed on a fair value basis, or held for sale) are subsequently measured at fair value through profit and loss.

However, the Group makes the following irrevocable election / designation at initial recognition of a financial asset on an asset- by-asset basis:

- The Group may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies, in other comprehensive income; and
- The Group may irrevocably designate a debt instrument that meets the amortized cost or fair value through other comprehensive income criteria as measured at fair value through profit and loss if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Debt instruments at amortized cost or at fair value through other comprehensive income. The Group assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset.

For an asset to be classified and measured at amortized cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

For the purpose of SPPI test, principal is the fair value of the financial asset at initial recognition. That principal amount may change over the life of the financial asset (e.g. if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin. The SPPI assessment is made in the currency in which the financial asset is denominated.

Contractual cash flows that are SPPI are consistent with a basic lending arrangement. Contractual terms that introduce exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement, such as exposure to changes in equity prices or commodity prices, do not give rise to contractual cash flows that are SPPI. An originated or an acquired financial asset can be a basic lending arrangement irrespective of whether it is a loan in its legal form.

The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business model does not depend on management's intentions for an individual instrument; therefore, the business model assessment is performed at a higher level of aggregation rather than on an instrument-by-instrument basis.

The Group has more than one business model for managing its financial instruments that reflect how the Group manages its financial assets in order to generate cash flows. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group considers all relevant information available when making the business model assessment. The Group takes into account all relevant evidence available such as:

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and
- How managers of the business are compensated (e.g. whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

At initial recognition of a financial asset, the Group determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period. For the current reporting period, the Group has not identified a change in its business models.

When a debt instrument measured at fair value through other comprehensive income is derecognized, the cumulative gain/loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at fair value through other comprehensive income, the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss but transferred within equity. Debt instruments that are subsequently measured at amortized cost or at fair value through other comprehensive income are subject to impairment.

Financial assets at fair value through profit and loss. Financial assets at fair value through profit and loss are:

- Assets with contractual cash flows that are not SPPI; or/and
- Assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- Assets designated at fair value through profit and loss using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognized in profit or loss.

Reclassifications. If the business model under which the Group holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that result in reclassifying the Group's financial assets. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

Impairment. The Group recognizes loss allowances for expected credit losses (hereinafter – "ECLs") on the financial instruments that are not measured at fair value through profit and loss. No impairment loss is recognized on equity investments.

With the exception of purchased or originated credit-impaired financial assets (which are considered separately below), ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e. lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Group under the contract and the cash flows that the Group expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR.

- For undrawn loan commitments, the ECL is the difference between the present value of the difference between the contractual cash flows that are due to the Group if the holder of the commitment draws down the loan and the cash flows that the Group expects to receive if the loan is drawn down; and
- For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Group expects to receive from the holder, the debtor or any other party.

The Group measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or past due event;
- The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- The disappearance of an active market for a security because of financial difficulties; or
- The purchase of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event instead; the combined effect of several events may have caused financial assets to become credit-impaired. The Group assesses whether debt instruments that are financial assets measured at amortized cost or FVTOCI are credit-impaired at each reporting date. To assess if sovereign and corporate debt instruments are credit impaired, the Group considers factors such as bond yields, credit ratings and the ability of the borrower to raise funding.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted, the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default (see below) includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

Purchased or originated credit-impaired financial assets. Purchased or originated credit-impaired financial assets are treated differently because the asset is credit-impaired at initial recognition. For these assets, the Group recognizes all changes in lifetime ECL since initial recognition as a loss allowance with any changes recognized in profit or loss. A favourable change for such assets creates an impairment gain.

Definition of default. Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (hereinafter – "PD") which affects both the measurement of ECLs and the identification of a significant increase in credit risk.

The Group considers the following as constituting an event of default:
- The borrower is past due more than 90 days on any material credit obligation to the Group; or
- The borrower is unlikely to pay its credit obligations to the Group in full.

The definition of default is appropriately tailored to reflect different characteristics of different types of assets. Overdrafts are considered as being past due once the customer has breached an advised limit or has been advised of a limit smaller than the current amount outstanding.

When assessing if the borrower is unlikely to pay its credit obligation, the Group takes into account both qualitative and quantitative indicators. The information assessed depends on the type of the asset, for example in corporate lending a qualitative indicator used is the breach of covenants, which is not relevant for retail lending. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Group uses a variety of sources of information to assess default, which are either developed internally or obtained from external sources.

<u>Significant increase in credit risk.</u> The Group monitors all financial assets, issued loan commitments and financial guarantee contracts that are subject to the impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12-month ECL.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date based on the remaining maturity of the instrument with the risk of a default occurring that was anticipated for the remaining maturity at the current reporting date when the financial instrument was first recognized. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort, based on the Group's historical experience and expert credit assessment including forward-looking information.

Multiple economic scenarios form the basis of determining the probability of default at initial recognition and at subsequent reporting dates. Different economic scenarios will lead to a different probability of default. The weighting of these different scenarios forms the basis of a weighted average probability of default that is used to determine whether credit risk has significantly increased.

The PDs used are forward looking and the Group uses the same methodologies and data used to measure the loss allowance for ECL.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Group still considers separately some qualitative factors to assess if credit risk has increased significantly. For corporate lending there is particular focus on assets that are included on a 'watch list' given an exposure is on a watch list once there is a concern that the creditworthiness of the specific counterparty has deteriorated. For retail lending the Group considers the expectation of forbearance and payment holidays, credit scores and events such as unemployment, bankruptcy, divorce or death.

Given that a significant increase in credit risk since initial recognition is a relative measure, a given change, in absolute terms, in the PD will be more significant for a financial instrument with a lower initial PD than compared to a financial instrument with a higher PD.

If the asset shows an increase in the probability of default compared to the date of origination of the financial instrument, a problematic change in the contract occurs or an asset becomes 30 days past due, the Group considers that an increase in credit risk has occurred and the asset is in Stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

<u>Modification and derecognition of financial assets.</u> A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

The Group renegotiates loans to customers in financial difficulty to maximize collection and minimize the risk of default. A loan forbearance is granted in cases where although the borrower made all reasonable efforts to pay under the original contractual terms, there is a high risk of default or default has already happened and the borrower is expected to be able to meet the revised terms. The revised terms in most of the cases include an extension of the maturity of the loan, changes to the timing of the cash flows of the loan (principal and interest repayment), reduction in the amount of cash flows due (principal and interest forgiveness) and amendments to covenants. The Group has an established forbearance policy, which applies for corporate and retail lending.

When a financial asset is modified the Group assesses whether this modification results in derecognition. In accordance with the Group's policy a modification results in derecognition when it gives rise to substantially different terms. The Group recognizes the terms as substantially different from the original contractual terms when one of the following criteria is met:
- Changes in terms and parameters that lead to non-compliance with the SPPI criterion;
- Changes in the terms and parameters that were made after the intervention of government agencies and / or agreed with local banking associations (for example, a revision of the terms made after natural disasters, etc.);

- Market-based refinancing of a loan that includes the borrower's right to early repayment without substantial compensation. Such changes to the terms may be made in order to retain customers who are not experiencing financial difficulties. Examples of such changes may be the increase of the period; changes in interest rates, including floating; replacing of floating interest rates with fixed; replacing of fixed interest rates with floating; deferred payment, etc.;
- Change in the currency of the transaction;
- Change in the borrower.

The terms are considered not substantially different if at least one of the following conditions is met:
- Change in the contract for the provision (placement) of funds does not correspond to any of the items listed above;
- Changes in the terms are caused by the deterioration of the borrower's credit quality, since these changes are not carried out on market conditions.

In the case where the financial asset is derecognized the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated credit-impaired asset. This applies only in the case where the fair value of the new loan is recognized at a significant discount to its revised par amount because there remains a high risk of default, which has not been reduced by the modification.

The Group monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Group determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:
- The remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with
- The remaining lifetime PD at the reporting date based on the modified terms.

For financial assets modified as part of the Group's forbearance policy, where modification did not result in derecognition, the estimate of PD reflects the Group's ability to collect the modified cash flows taking into account the Group's previous experience of similar forbearance action, as well as various behavioural indicators, including the borrower's payment performance against the modified contractual terms. If the credit risk remains significantly higher than what was expected at initial recognition the loss allowance will continue to be measured at an amount equal to lifetime ECL.

The loss allowance on forborne loans will generally only be measured based on 12-month ECL when there is evidence of the borrower's improved repayment behaviour following modification leading to a reversal of the previous significant increase in credit risk.

Where a modification does not lead to derecognition the Group calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Group measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

The Group derecognizes a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss, with the exception of equity investment designated as measured at fair value through other comprehensive income, where the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain/loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain/loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts. This does not apply for equity investments designated as measured at fair value through other comprehensive income, as the cumulative gain/loss previously recognized in other comprehensive income is not subsequently reclassified to profit or loss.

Write-off. Loans and debt securities are written off when the Group has no reasonable expectations of recovering the financial asset (either in its entirety or in a portion of it). This is the case when the Group determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Group may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's enforcement activities will result in impairment gains.

Presentation of allowance for ECL in the statement of financial position. Loss allowances for ECL are presented in the statement of financial position as follows:

- For financial assets measured at amortized cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at fair value through other comprehensive income: no loss allowance is recognized in the statement of financial position as the carrying amount is at fair value. However, the loss allowance is included as part of the revaluation amount in the revaluation reserve;
- For loan commitments and financial guarantee contracts: as a provision; and
- Where a financial instrument includes both a drawn and an undrawn component, and the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component is presented as a provision.

Financial liabilities. A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Group or a contract that will or may be settled in the Group's own equity instruments and is a non-derivative contract for which the Group is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Group's own equity instruments.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities at fair value through profit or loss. Financial liabilities are classified as at fair value through profit or loss when the financial liability is (i) held for trading, or (ii) it is designated as at fair value through profit or loss.

A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration that may be paid by an acquirer as part of a business combination may be designated as at fair value through profit or loss upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire hybrid (combined) contract to be designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains/losses arising on remeasurement recognized in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain/loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the "Gains/(losses) on financial assets and liabilities held for trading and foreign currencies" line item in the consolidated statement of comprehensive income.

However, for non-derivative financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognized in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognized in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognized in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability.

For issued loan commitments and financial guarantee contracts that are designated as at fair value through profit or loss all gains and losses are recognized in profit or loss.

In making the determination of whether recognizing changes in the liability's credit risk in other comprehensive income will create or enlarge an accounting mismatch in profit or loss, the Group assesses whether it expects that the effects of changes in the liability's credit risk will be offset in profit or loss by a change in the fair value of another financial instrument measured at fair value through profit or loss. This determination is made at initial recognition.

Other financial liabilities. Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method.The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period.

Derecognition of financial liabilities. The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments. In the normal course of business, the Group enters into various derivative financial instruments including futures, forwards, interest rate swaps and cross-currency interest rate swaps. Such financial instruments are held for trading and are recorded at fair value. The fair values are estimated based on quoted market prices or pricing models that take into account the current market and contractual prices of the underlying instruments and other factors. Derivatives are carried as assets when their fair value is positive and as liabilities when it is negative. Gains and losses resulting from these instruments, except for derivatives designated for hedging, are included in profit or loss as gains or losses on financial assets and liabilities held for trading.

The Group books the credit risk of the counterparty as a fair value adjustment for those over-the-counter derivative trades, where master netting agreement exist. Credit risk expressed in the form of credit value adjustment (hereinafter – "CVA") and debit value adjustment (hereinafter – "DVA") is determined on a portfolio basis with the counterparty. Determining CVA/DVA on a net portfolio basis has resulted in adjustments booked individually for derivative financial assets and derivative financial liabilities held for trading (see Note 8 for details).

Hedge accounting. In hedge accounting, the Group distinguishes between cash flow hedges and fair value hedges. To qualify for hedge accounting, hedges must be highly effective. Derivatives used for hedging purposes are measured at fair value in the consolidated statement of financial position.

At inception of the hedge relationship, the Group formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed for effectiveness on monthly basis. A hedge is regarded as highly effective if the changes in the fair value of cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the hedging period.

Where a derivative is designated as a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised as other comprehensive income in equity. The amount recognised in equity is removed and included in profit or loss in the same period as the hedged cash flows affect profit or loss. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the derivative expires or is sold, terminated, or exercised, or no longer meets the criteria for cash flow hedge accounting, or the designation is revoked, hedge accounting is discontinued and the amount recognised in equity remains in equity until the forecast transaction affects profit or loss. If the forecast transaction is no longer expected to occur, hedge accounting is discontinued and the balance in equity is recognised immediately in profit or loss.

Fair value hedge is defined as a hedge of the exposure to changes in fair value of a recognised asset or liability that is attributable to a particular risk and could affect profit or loss. In a fair value hedge assets or liabilities are hedged against future fair value changes, if those changes affect the Group's results and are caused by a determinable risk. The hedging instrument is stated at its fair value, and any gains or losses on the hedging instrument are recognised in profit or loss as fair value adjustments in portfolio hedge accounting. Gains and losses which are attributable to the hedged risk adjust the carrying value of the hedged item. Changes in the fair value of portfolio hedged items are presented separately in the consolidated statement of financial position and recognized in the consolidated statement of comprehensive income as fair value adjustments in portfolio hedge accounting.

Credit risk expressed in the form of CVA and DVA is also incorporated in the calculation of the fair value of derivative financial assets and derivative financial liabilities designated for hedging (see Note 8 for details).

Embedded derivatives. Derivatives embedded in financial liabilities or other non-financial asset host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss.

Financial guarantee contracts. A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at fair value through profit or loss and not arising from a transfer of a financial asset, are subsequently measured at the higher of:

- The amount of the loss allowance determined in accordance with IFRS 9; and
- The amount initially recognized less, where appropriate, cumulative amount of income recognized in accordance with the Group's revenue recognition policies.

Financial guarantee contracts not designated at fair value through profit or loss are presented as provisions on the consolidated statement of financial position and the remeasurement is presented in other revenue. The Group has not designated any financial guarantee contracts as at fair value through profit or loss.

Cash and cash balances. The Group considers cash and nostro accounts with the CBR to be cash and cash balances. The obligatory reserve deposit with the CBR is not considered to be in this category due to restrictions on its availability.

Obligatory reserve with the CBR. Obligatory reserve with the CBR represent obligatory reserve deposits with the CBR, which are not available to finance the Group's day-to-day operations.

Repossessed assets. In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of carrying amount and fair value less costs to sell.

Fixed assets. Starting from 31 December 2019, land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of that asset.

Depreciation on revalued buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of each reporting period.

Construction in progress is carried at cost, less any recognised impairment loss. Such construction in progress is classified to the appropriate categories of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Freehold land is not depreciated.

Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Depreciation is calculated over the following estimated useful lives:

	Years
Buildings	50
Furniture and fixtures	3-5
Computer equipment	3
Other fixed assets	3-5

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets. Intangible assets include licenses and computer software. Licenses are stated at historical cost net of accumulated amortisation and any accumulated impairment losses. Amortisation is provided so as to write down the cost of an asset on a straight-line basis over its estimated useful economic life. The useful life is currently assessed as not more than 5 years.

Software development costs (relating to the design and testing of new or substantially improved software) are recognised as intangible assets only when the Group can demonstrate the technical feasibility of completing the software so that it will be available for use or sale, its intention to complete and its ability to use the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Other software development costs are recognised as an expense as incurred. Computer software development costs recognised as intangible assets, as well as acquired computer software, are initially recorded at historical cost and are subsequently amortised using the straight-line method over their useful lives, but not exceeding a period of ten years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Taxation. Income tax comprises current and deferred tax. Income tax is recognised in profit or loss except to the extent that it relates to items of other comprehensive income or transactions with shareholders recognised directly in equity, in which case it is recognised within other comprehensive income or directly within equity.

The current income tax expense is calculated in accordance with the regulations of the Russian Federation and of the regions in which the Group has offices, or where its branches, subsidiaries and associates are located. Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income taxes are provided for all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes, except where the deferred income tax arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the reporting date. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefits will be realised.

A deferred tax asset is recorded only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

There are various operating taxes in the Russian Federation that are assessed on the Group's activities. These taxes are included as a component of other administrative expenses in the consolidated statement of comprehensive income.

Fiduciary activities. The Group also provides depositary services to its customers which include transactions with securities on their depositary accounts. Assets accepted and liabilities incurred under the fiduciary activities are not included in the Group's financial statements. The Group accepts the operational risk on these activities, but the Group's customers bear the credit and market risks associated with such operations.

Collateral. The Group obtains collateral in respect of customer liabilities where this is considered appropriate.

The collateral normally takes the form of a lien over the customer's assets and gives the Group a claim on these assets for both existing and future customer liabilities.

Other provisions. Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Retirement and other employee benefit obligations. The Group makes contributions to the State Pension System of the Russian Federation, which requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged in the period the related salaries are earned.

The Group also provides defined contribution pension coverage for employees. The coverage provided does not represent contributions into a separate legal entity, nor are its assets and liabilities segregated from the assets and liabilities of the Group. Contributions accrued by the Group during the period are included in profit or loss as personnel expenses, and related liabilities to employees are recorded within other liabilities.

Share capital. Ordinary shares are classified as equity. Any excess of the fair value of consideration received over the par value of shares issued is recognised as share premium.

Dividends are recognised as a liability and deducted from equity at the reporting date only if they are declared before or on the reporting date. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the consolidated financial statements are authorised for issue.

Segment reporting. An operating segment is a component of a Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same Group); whose operating results are regularly reviewed by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Contingencies. Contingent liabilities are not recognised in the consolidated statement of financial position but are disclosed unless the possibility of any outflow in settlement is remote. A contingent asset is not recognised in the consolidated statement of financial position but disclosed when an inflow of economic benefits is probable.

3. Significant accounting judgements and estimates

In the application of the Group's accounting policies the Group management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results 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.

Recoverability of deferred tax assets. The management of the Group is confident that no valuation allowance against deferred tax assets at the reporting date is considered necessary, because it is more likely than not that the deferred tax asset will be fully realised. As of 31 December 2020 the carrying value of deferred tax assets amounted to RUB 3 805 548 thousand (31 December 2019: 609 346 thousand).

Business model assessment. Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortized cost or fair value through other comprehensive income that are derecognized prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk. As explained in Note 2, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Group takes into account qualitative and quantitative reasonable and supportable forward looking information.

Models and assumptions used. The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. For Group-wide segments the Group uses the UniCredit Group IFRS 9 models. Local PD, LGD, EAD (exposure at default) and TL (transfer logic) models have been developed and implemented for all local segments. ECL is calculated for Group-wide and local segments with IFRS 9 parameters on separate contract level.

Measurement of ECL. The key inputs used for measuring ECL are:
- Probability of default (PD);
- Loss given default (LGD); and
- Exposure at default (EAD).

These figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the likelihood of default over a given time horizon. It is estimated as at a point in time. The calculation is based on statistical rating models, and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors. The estimation is based on current conditions, adjusted to take into account estimates of future conditions that will impact PD.

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from any collateral. The LGD models for secured assets consider forecasts of future collateral valuation taking into account sale discounts, time to realization of collateral, cost of realization of collateral and cure rates (i.e. exit from non-performing status). LGD models for unsecured assets consider time of recovery and recovery rates. The calculation is on a discounted cash flow basis, where the cash flows are discounted by the original EIR of the loan.

EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and expected drawdowns on committed facilities. The Group's modelling approach for EAD reflects expected changes in the balance outstanding over the lifetime of the loan. The Group uses EAD models that reflect the characteristics of the portfolios.

Incorporation of forward-looking information. The Group uses forward-looking information that is provided by Unicredit Group (the parent company). Forward-looking information is accounted for by means of a non-linear scaling approach of the PDs/LGDs to a target PD/LGD level, which integrates the expectations about the future economic conditions. In line with the current best practices in the banking industry, the Group leverages on the Stress Test Models for including macro-economic effects into the expected credit losses.

The stress test models (or satellite models) are set of models aimed at translating the macro-economic conditions into credit risk parameters

(PD/LGD). Within the wider stress testing framework the models serve as basis for calculating the stressed PD/LGD under the Adverse Scenarios adopted for the stress test purposes. They are used both for regulatory and managerial stress test exercises.

Fair value measurement and valuation process. In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available, the Group uses valuation models to determine the fair value of its financial instruments. The valuation of the Group's real estate portfolio includes some degree of uncertainty and is based on assumptions. As at 31 December 2020 and 31 December 2019 buildings are revalued based on the results of an independent appraisal performed by independent appraiser with recognized and relevant professional qualification.

At the end of each reporting period, the Group assesses whether there is any indication that its assets may be impaired. If there is an indication that an asset may be impaired, then the asset's recoverable amount must be calculated. In the fourth quarter of 2020, an impairment test for intangible assets revealed an impairment of the Group's software, mainly due to the upcoming legislation being discussed by Russian Government and the related decision of the Board of Management regarding the reduction of the useful life of intangible assets and their replacement. These events constituted the evidence of impairment of intangible assets in accordance with IAS 36 "Impairment of Assets" par. 12 f (see Note 15 for details).

4. Operating segments

For the management purposes, the Group has four reporting business segments:

Corporate and Investment banking (hereinafter – "CIB") includes corporate lending, project and commodity and corporate structured finance, corporate sight and term deposit services, securities, foreign currency and derivatives trading and custody services.

Retail banking comprises banking services to private individuals and Small and Medium Entities (hereinafter – "SME"), credit and debit card services, retail sight and term deposit services, lending to SME and retail lending (consumer loans, car loans and mortgages).

Leasing represents the leasing activities of the Group.

Other represents the Group's funding activities and other unallocated items.

Information about each segment is measured on the same basis as the information used for decision making purposes for allocating resources to segments and assessing segment performance and is prepared on the same basis as the consolidated financial statements.

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

Segment breakdown of assets and liabilities is set out below:

	31 December 2020	31 December 2019
Assets		
CIB	1 038 155 125	917 766 045
Retail banking	142 833 935	181 838 590
Leasing	35 507 258	33 771 082
Other	65 435 326	93 073 044
Total assets	**1 281 931 644**	**1 226 448 761**
Liabilities		
CIB	716 308 604	650 286 432
Retail banking	339 109 196	321 221 666
Leasing	2 153 258	1 867 789
Other	9 841 602	39 844 259
Total liabilities	**1 067 412 660**	**1 013 220 146**

Segment information for the operating segments for the year ended 31 December 2020 is set out below:

	CIB	Retail Banking	Leasing	Other	Total
Net interest income/(expense) from external customers	25 823 259	12 701 288	1 911 979	(995 513)	39 441 013
Inter-segment (expense)/income	(5 814 440)	(1 007 326)	-	6 821 766	-
Net interest income	**20 008 819**	**11 693 962**	**1 911 979**	**5 826 253**	**39 441 013**
Net fee and commission income from external customers	3 745 402	3 078 483	21 480	-	6 845 365
Dividend income	-	-	-	23 293	23 293
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies from external customers	(2 030 997)	781 451	(1 212)	(62 143)	(1 312 901)
Fair value adjustments in portfolio hedge accounting	-	-	-	(35 179)	(35 179)
Gains on disposals of financial assets	3 791 889	32 799	-	-	3 824 688
Operating income	**25 515 113**	**15 586 695**	**1 932 247**	**5 752 224**	**48 786 279**
Allowance for expected credit losses on loans and other financial transactions	(7 534 684)	(8 533 208)	(538 405)	-	(16 606 297)
Net income from financial activities	**17 980 429**	**7 053 487**	**1 393 842**	**5 752 224**	**32 179 982**
Operating costs including:	(7 857 733)	(13 008 755)	(524 770)	(1 228 859)	(22 620 117)
depreciation of fixed assets and right-of-use-assets and amortization of intangible assets	(1 047 779)	(2 452 008)	(5 531)	-	(3 505 318)
impairment of fixed and intangible assets	(643 831)	(734 515)	-	-	(1 378 346)
Share of gain in associate	-	-	-	1 392 302	1 392 302
Losses on fixed assets measured at fair value	-	-	-	(10 706)	(10 706)
Gains on disposal of fixed assets	-	-	-	2 085	2 085
Profit before income tax expense	**10 122 696**	**(5 955 268)**	**869 072**	**5 907 046**	**10 943 546**
Income tax expense					(1 989 639)
Profit for the year					**8 953 907**
Cash flow hedge reserve					632 746
Revaluation reserve for financial assets at fair value through other comprehensive income					(325 754)
Fixed assets revaluation reserve					83 785
Foreign currency translation reserve					67 008
Total comprehensive income					**9 411 692**

Notes to Consolidated Financial Statements (Continued)

4. Operating segments (Continued)

Segment information for the operating segments for the year ended 31 December 2019 is set out below:

	CIB	Retail Banking	Leasing	Other	Total
Net interest income/(expense) from external customers	29 642 235	11 165 132	1 735 527	(1 469 320)	41 073 574
Inter-segment (expense)/income	(4 519 110)	1 124 945	-	3 394 165	-
Net interest income	**25 123 125**	**12 290 077**	**1 735 527**	**1 924 845**	**41 073 574**
Net fee and commission income from external customers	3 386 364	5 537 139	32 993	-	8 956 496
Dividend income	-	-	-	18 757	18 757
(Losses)/gains on financial assets and liabilities held for trading and foreign currencies from external customers	(2 564 280)	1 364 799	140	(12 055)	(1 211 396)
Fair value adjustments in portfolio hedge accounting	-	-	-	(44 828)	(44 828)
Gains on disposals of financial assets	2 498 516	112 893	-	-	2 611 409
Operating income	**28 443 725**	**19 304 908**	**1 768 660**	**1 886 719**	**51 404 012**
Allowance for expected credit losses on loans and other financial transactions	(6 421 969)	(4 168 978)	(207 521)	-	(10 798 468)
Net income from financial activities	**22 021 756**	**15 135 930**	**1 561 139**	**1 886 719**	**40 605 544**
Operating costs including:	(6 263 523)	(11 396 962)	(431 581)	(1 722 335)	(19 814 401)
depreciation of fixed assets and amortization of intangible assets	(871 083)	(2 253 158)	(3 937)	-	(3 128 178)
impairment of fixed assets	-	(26 939)	-	-	(26 939)
Share of gain in associate	-	-	-	1 263 054	1 263 054
Gains on disposal of fixed assets	-	-	-	4 793	4 793
Profit before income tax expense	**15 758 233**	**3 738 968**	**1 129 558**	**1 432 231**	**22 058 990**
Income tax expense					(4 357 925)
Profit for the year					**17 701 065**
Cash flow hedge reserve					(528 620)
Revaluation reserve for financial assets at fair value through other comprehensive income					4 093 245
Fixed assets revaluation reserve					4 294 938
Foreign currency translation reserve					27 005
Total comprehensive income					**25 587 633**

Information about major customers and geographical areas. The Group operates in the Russian Federation and foreign countries. In presenting geographical information the allocation of net interest income is based on the geographical location of customers and assets.

Geographical information on net interest income and assets for 2020 is presented below:

	Net interest income	Assets
Russian Federation	35 247 319	1 134 265 026
OECD countries	2 740 485	120 770 947
Non-OECD countries	1 453 209	26 895 671
Total	**39 441 013**	**1 281 931 644**

Geographical information on net interest income and assets for 2019 is presented below:

	Net interest income	Assets
Russian Federation	31 527 562	1 029 040 072
OECD countries	7 890 840	171 146 139
Non-OECD countries	1 655 172	26 262 550
Total	**41 073 574**	**1 226 448 761**

5. Cash and cash balances

Cash and cash balances comprise:

	31 December 2020	31 December 2019
Cash on hand	14 704 211	10 973 214
Current accounts with the CBR	14 245 503	13 295 444
Cash and cash balances	**28 949 714**	**24 268 658**

6. Debt securities held for trading

Debt securities held for trading comprise:

	31 December 2020	31 December 2019
RUB denominated		
Russian government bonds	1 082 892	-
Debt securities held for trading	**1 082 892**	**-**

Nominal interest rates and maturities of debt securities held for trading are as follows:

	31 December 2020		31 December 2019	
	%	Maturity	%	Maturity
Russian government bonds	6.0-7.7	2025-2039	-	-

7. Amounts due from credit institutions

Amounts due from credit institutions comprise:

	31 December 2020	31 December 2019
Current accounts with credit institutions	75 968 665	46 028 899
Time deposits	59 436 252	140 059 986
Reverse repurchase agreements with credit institutions	232 800 157	47 973 174
Obligatory reserve with the CBR	12 351 304	11 957 146
Gross amounts due from credit institutions	**380 556 378**	**246 019 205**
Less: allowance for expected credit losses	(172 896)	(206 678)
Total amounts due from credit institutions	**380 383 482**	**245 812 527**

Credit institutions are required to maintain a non-interest earning cash deposit (obligatory reserve) with the CBR, the amount of which depends on the level of funds attracted by the credit institution. The Group's ability to withdraw such deposit is significantly restricted by the statutory legislation.

A reconciliation of the allowance for expected credit losses by stages for the year 2020 is as follows:

	2020		
	Stage 1	Stage 2	Total
Allowance for expected credit losses at the beginning of the period	**206 678**	**-**	**206 678**
(Recovery)/charge for the period	(50 877)	15 452	(35 425)
Effect of exchange rate changes	2 654	(1 011)	1 643
Allowance for expected credit losses at the end of the period	**158 455**	**14 441**	**172 896**

7. Amounts due from credit institutions (Continued)

A reconciliation of the allowance for expected credit losses by stages for the year 2019 in accordance with IFRS 9 is as follows:

	2019		
	Stage 1	**Stage 2**	**Total**
Allowance for expected credit losses at the beginning of the period	**419 789**	**34**	**419 823**
(Recovery)/charge for the period	(208 035)	336	(207 699)
Effect of exchange rate changes	(5 076)	(370)	(5 446)
Allowance for expected credit losses at the end of the period	**206 678**	**-**	**206 678**

The following table shows gross amounts due from credit institutions and related expected credit losses distributed by stages according to IFRS 9 as at 31 December 2020:

	Stage 1	**Stage 2**	**Total**
Gross loans	379 084 348	1 472 030	380 556 378
Allowance for expected credit losses	(158 455)	(14 441)	(172 896)
Total amounts due from credit institutions	**378 925 893**	**1 457 589**	**380 383 482**

The following table shows gross amounts due from credit institutions and related expected credit losses distributed by stages according to IFRS 9 as at 31 December 2019:

	Stage 1	**Stage 2**	**Total**
Gross loans	246 019 205	-	246 019 205
Allowance for expected credit losses	(206 678)	-	(206 678)
Total amounts due from credit institutions	**245 812 527**	**-**	**245 812 527**

As at 31 December 2020 there are three counterparties with balances that individually exceeded 10% of the Group's equity. As at 31 December 2020, the aggregate amount of these balances is RUB 292 497 714 thousand (31 December 2019: two counterparties with aggregate amount of RUB 153 934 130 thousand). As at 31 December 2020, an allowance of RUB 97 177 thousand was recognised against these loans (31 December 2019: RUB 94 952 thousand).

As at 31 December 2020 and 31 December 2019 the Group entered into reverse repurchase agreements with a number of Russian banks. The carrying value of loans and related fair value of assets pledged under these agreements as at 31 December 2020 and 31 December 2019 comprise:

	31 December 2020		31 December 2019	
	Carrying amount of loans	**Fair value of collateral**	**Carrying amount of loans**	**Fair value of collateral**
Russian government bonds	181 856 328	192 666 261	28 475 415	30 804 471
Corporate bonds	41 868 332	48 227 344	10 148 255	11 717 277
Bank bonds	9 075 497	10 344 177	9 349 504	10 275 712
Total	**232 800 157**	**251 237 782**	**47 973 174**	**52 797 460**

As at 31 December 2020 included in government and corporate bonds are securities in the amount of RUB 1 728 806 thousand (31 December 2019: 336 421 thousand) which were repledged under repurchase agreements with credit institutions (see Note 18 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

As at 31 December 2020 86% (31 December 2019: 85%) of amounts due from credit institutions were placed with banks rated not lower than "BBB-".

As at 31 December 2020 the Group had term placements with the CBR in the amount of RUB 2 000 000 thousand (31 December 2019: none). As at 31 December 2020, an allowance of RUB 1 750 thousand was recognised against these loans.

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 year-end 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 December 2020			31 December 2019		
		Fair value			Fair value	
	Notional principal	Asset	Liability	Notional principal	Asset	Liability
Cross-currency interest rate swaps	322 101 001	22 686 500	(23 824 408)	245 993 056	11 294 188	(9 589 482)
Interest rate swaps and options	430 173 912	12 024 043	(11 393 217)	323 171 704	9 022 310	(7 395 456)
Foreign exchange forwards, swaps and options	256 814 962	4 895 759	(4 714 585)	193 016 771	3 567 911	(3 972 287)
Total derivative financial assets/ (liabilities)		**39 606 302**	**(39 932 210)**		**23 884 409**	**(20 957 225)**

The change in fair value of the trading derivative financial instruments attributable to changes in the counterparty credit risk amounts to a loss of RUB 441 174 thousand for the year ended 31 December 2020 (31 December 2019: gain of RUB 329 553 thousand). The change in fair value attributable to changes in credit risk has been calculated by incorporating the current observable credit spreads into the valuation techniques used to value derivative financial instruments by the Group.

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

	31 December 2020			31 December 2019		
		Fair value			Fair value	
	Notional principal	Asset	Liability	Notional principal	Asset	Liability
Cash flow hedge						
Interest rate swaps	267 314 196	6 881 015	(6 226 165)	308 390 052	2 214 494	(2 034 270)
Cross-currency interest rate swaps	88 695 152	1 230 983	(7 468 346)	102 626 167	1 715 392	(1 988 260)
Total cash flow hedge		**8 111 998**	**(13 694 511)**		**3 929 886**	**(4 022 530)**
Fair value hedge						
Interest rate swaps	755 477 864	10 471 517	(16 483 454)	698 733 214	5 943 486	(11 354 941)
Total fair value hedge		**10 471 517**	**(16 483 454)**		**5 943 486**	**(11 354 941)**
Total derivative financial assets/ (liabilities) designated for hedging		**18 583 515**	**(30 177 965)**		**9 873 372**	**(15 377 471)**

Portfolio Fair Value Hedge Accounting (hereinafter – the "PFVHA") is a part of interest rate risk hedging strategy of the Group that helps to avoid discrepancies between the economic substance of deals concluded for hedging purposes and their accounting treatment. PFVHA allows managing interest rate risks associated with a portfolio of financial assets or financial liabilities designated as hedged items.

The Group designates interest rate swaps as hedging instruments. The hedging instruments are stated at their fair value and changes in fair value are recognized in the consolidated statement of comprehensive income.

The hedging instruments to hedge variability of fair value are measured at fair value with negative changes in fair value of RUB 3 769 543 thousand recognised in portfolio hedge accounting as at 31 December 2020 (31 December 2019: negative changes of RUB 2 816 698 thousand), presented as a loss of RUB 952 294 thousand in fair value adjustments in portfolio hedge accounting in the consolidated statement of comprehensive income for the period ended 31 December 2020 (31 December 2019: presented as a loss of RUB 4 450 325 thousand).

The positive changes in the fair value of hedged items (portfolio of financial assets and financial liabilities) that are attributable to the hedged risk are recognised as RUB 3 768 032 thousand as at 31 December 2020 (31 December 2019: positive changes in the amount of RUB 2 817 249 thousand), presented as a profit of RUB 950 783 thousand in fair value adjustments in portfolio hedge accounting in the consolidated statement of comprehensive income for the period ended 31 December 2020 (31 December 2019: presented as a profit of RUB 4 450 876 thousand).

Fair value adjustments in portfolio hedge accounting amounted to a loss of RUB 35 179 thousand for the year ended 31 December 2020 (31 December 2019: loss of RUB 44 828 thousand) and consists of a negative difference between a negative change in fair value of financial instruments designated for hedging purposes and a positive change in fair value of hedged items in the amount of RUB 1 511 thousand (31 December 2019: positive change of RUB 551 thousand) and a negative change in counterparty credit risk attributable to derivative financial instruments designated for hedging purposes in the amount of RUB 33 668 thousand for the year ended 31 December 2020 (31 December 2019: negative change of RUB 45 379 thousand). The change in fair value attributable to changes in credit risk has been calculated by incorporating the current observable credit spreads into the valuation techniques used to value derivative financial instruments by the Group.

Along with PFVHA the Group uses Portfolio Cash Flow hedging. The Group designates certain interest rate swaps and cross-currency interest rate swaps as hedging instruments to hedge variability in cash flows and fair value resulting from interest rate mismatch of the banking book position. The hedged cash flows are expected to occur and to affect the statement of comprehensive income until 2033 for interest rate swaps and cross-currency interest rate swaps. As at 31 December 2020, the positive effective portion of changes in the fair value of derivative financial instruments designated as hedging instruments recognised in equity was RUB 251 015 thousand (31 December 2019: negative amount of RUB 381 731 thousand), net of deferred tax in the amount of RUB 62 754 thousand (31 December 2019: RUB 95 433 thousand).

Margin from derivative financial instruments designated for hedging amounted to a negative amount of RUB 770 692 thousand for the year ended 31 December 2020 (31 December 2019: positive amount of RUB 2 662 584 thousand) and consists of interest income from derivative financial instruments designated for hedging in the amount of RUB 27 376 469 thousand (31 December 2019: RUB 35 860 291 thousand) and interest expenses from derivative financial instruments designated for hedging in the amount of RUB 28 147 161 thousand (31 December 2019: RUB 33 197 707 thousand).

9. Loans to customers

Loans to customers comprise:

	31 December 2020	31 December 2019
Corporate customers	499 985 082	543 100 726
Retail customers, including SME	162 960 416	197 027 967
Lease receivables	32 875 918	30 025 485
Reverse repurchase agreements with companies	2 629 473	7 736 381
Gross loans to customers	**698 450 889**	**777 890 559**
Less: allowance for expected credit losses	(52 414 955)	(44 120 032)
Total loans to customers	**646 035 934**	**733 770 527**

A reconciliation of the allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2020 is as follows:

	Corporate customers	Retail customers	Lease receivables	Reverse repurchase agreements with companies	Total
Allowance for expected credit losses at the beginning of the period	**27 765 422**	**15 372 464**	**719 569**	**262 577**	**44 120 032**
Charge/(recovery) for the period	7 180 668	8 409 584	538 405	(236 792)	15 891 865
Assets sold or recovered through repossession of collateral during the period	(5 779 438)	(3 607 311)	-	-	(9 386 749)
Assets written-off during the period	(1 048 693)	(1 282 045)	(85 261)	-	(2 415 999)
Effect of allowance for accrued interest at Stage 3	1 102 983	1 040 377	34 620	-	2 177 980
Effect of exchange rate changes	1 834 178	193 648	-	-	2 027 826
Allowance for expected credit losses at the end of the period	**31 055 120**	**20 126 717**	**1 207 333**	**25 785**	**52 414 955**

A reconciliation of the allowance for expected credit losses by classes of loans to customers for the year ended 31 December 2019 is as follows:

	Corporate customers	Retail customers	Lease receivables	Reverse repurchase agreements with companies	Total
Allowance for expected credit losses at the beginning of the period	**44 460 812**	**15 610 619**	**628 665**	**36 742**	**60 736 838**
Charge for the period	6 015 319	4 154 862	207 521	225 835	10 603 537
Assets sold or recovered through repossession of collateral during the period	(10 924 569)	(3 945 634)	-	-	(14 870 203)
Assets written-off during the period	(12 106 977)	(1 119 956)	(116 617)	-	(13 343 550)
Effect of allowance for accrued interest at Stage 3	1 689 478	883 351	-	-	2 572 829
Effect of exchange rate changes	(1 368 641)	(210 778)	-	-	(1 579 419)
Allowance for expected credit losses at the end of the period	**27 765 422**	**15 372 464**	**719 569**	**262 577**	**44 120 032**

A reconciliation of the allowance for expected credit losses by stages in accordance with IFRS 9 for the year ended 31 December 2020 is as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at the beginning of the period	**6 344 008**	**3 289 021**	**34 487 003**	**44 120 032**
Transfer to stage 1	302 220	(302 220)	-	-
Transfer to stage 2	(1 039 308)	1 110 194	(70 886)	-
Transfer to stage 3	-	(2 177 165)	2 177 165	-
(Recovery)/charge for the period	(382 428)	7 757 230	8 517 063	15 891 865
Assets sold or recovered through repossession of collateral during the period	(17 755)	-	(9 368 994)	(9 386 749)
Assets written-off during the period	-	-	(2 415 999)	(2 415 999)
Effect of allowance for accrued interest at Stage 3	-	-	2 177 980	2 177 980
Effect of exchange rate changes	397 580	(1 876)	1 632 122	2 027 826
Allowance for expected credit losses at the end of the period	**5 604 317**	**9 675 184**	**37 135 454**	**52 414 955**

Notes to Consolidated Financial Statements (Continued)

9. Loans to customers (Continued)

A reconciliation of the allowance for expected credit losses by stages in accordance with IFRS 9 for the year ended 31 December 2019 is as follows:

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Allowance for expected credit losses at the beginning of the period	**7 599 346**	**2 843 461**	**50 294 031**	**60 736 838**
Transfer to stage 1	425 261	(425 261)	-	-
Transfer to stage 2	(542 587)	628 078	(85 491)	-
Transfer to stage 3	-	(1 260 970)	1 260 970	-
(Recovery)/charge for the period	(845 058)	1 563 627	9 884 968	10 603 537
Assets sold or recovered through repossession of collateral during the period	(39 344)	-	(14 830 859)	(14 870 203)
Assets written-off during the period	-	-	(13 343 550)	(13 343 550)
Effect of allowance for accrued interest at Stage 3	-	-	2 572 829	2 572 829
Effect of exchange rate changes	(253 610)	(59 914)	(1 265 895)	(1 579 419)
Allowance for expected credit losses at the end of the period	**6 344 008**	**3 289 021**	**34 487 003**	**44 120 032**

The tables below analyze information about the significant changes in the gross carrying amount of loans to customers for the year ended 31 December 2020 by stages:

	31 December 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans to customers at the beginning of the period	**716 641 844**	**17 781 963**	**43 466 752**	**777 890 559**
New loans to customers originated	266 356 205	-	-	266 356 205
Transfer to stage 1	1 345 628	(1 345 628)	-	-
Transfer to stage 2	(86 317 287)	86 405 942	(88 655)	-
Transfer to stage 3	-	(22 887 707)	22 887 707	-
Loans to customers that have been derecognized	(353 883 043)	(13 674 376)	(5 932 718)	(373 490 137)
Assets sold or recovered through repossession of collateral during the period	(4 504 845)	-	(12 921 808)	(17 426 653)
Assets written-off during the period	-	-	(2 415 999)	(2 415 999)
Effect of exchange rate changes	43 599 960	1 837 127	2 099 827	47 536 914
Gross loans to customers at the end of the period	**583 238 462**	**68 117 321**	**47 095 106**	**698 450 889**

The tables below analyze information about the significant changes in the gross carrying amount of loans to customers for the year ended 31 December 2019 by stages:

	31 December 2019			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Gross loans to customers at the beginning of the period	**830 946 643**	**23 868 033**	**69 072 867**	**923 887 543**
New loans to customers originated	349 172 948	-	-	349 172 948
Transfer to stage 1	3 585 208	(3 585 208)	-	-
Transfer to stage 2	(23 639 211)	23 742 048	(102 837)	-
Transfer to stage 3	-	(9 893 761)	9 893 761	-
Loans to customers that have been derecognized	(384 145 340)	(14 797 519)	(2 513 453)	(401 456 312)
Assets sold or recovered through repossession of collateral during the period	(22 668 809)	-	(17 479 025)	(40 147 834)
Assets written-off during the period	-	-	(13 343 550)	(13 343 550)
Effect of exchange rate changes	(36 609 595)	(1 551 630)	(2 061 011)	(40 222 236)
Gross loans to customers at the end of the period	**716 641 844**	**17 781 963**	**43 466 752**	**777 890 559**

The following table shows gross loans and related expected credit losses as at 31 December 2020:

	Gross loans	Allowance for expected credit losses	Net loans
Corporate customers			
- Not past due	478 483 197	(13 822 591)	464 660 606
- Past due less than 31 days	1 011 003	(960 453)	50 550
- Past due 31-90 days	1 170 531	(1 036 742)	133 789
- Past due 91-180 days	3 696 244	(2 835 712)	860 532
- Past due over 180 days	15 624 107	(12 399 622)	3 224 485
Total loans to corporate customers	**499 985 082**	**(31 055 120)**	**468 929 962**
Retail customers and SME			
- Not past due	144 945 848	(6 009 056)	138 936 792
- Past due less than 31 days	1 804 268	(646 419)	1 157 849
- Past due 31-90 days	1 717 556	(944 160)	773 396
- Past due 91-180 days	1 343 479	(989 156)	354 323
- Past due over 180 days	13 149 265	(11 537 926)	1 611 339
Total loans to retail customers and SME	**162 960 416**	**(20 126 717)**	**142 833 699**
Lease receivables			
- Not past due	32 011 659	(885 247)	31 126 412
- Past due less than 31 days	279 780	(28 742)	251 038
- Past due 31-90 days	346 967	(119 632)	227 335
- Past due 91-180 days	74 222	(40 743)	33 479
- Past due over 180 days	163 290	(132 969)	30 321
Total lease receivables	**32 875 918**	**(1 207 333)**	**31 668 585**
Reverse repurchase agreements with companies			
- Not past due	2 629 473	(25 785)	2 603 688
Total loans to customers	**698 450 889**	**(52 414 955)**	**646 035 934**

Notes to Consolidated Financial Statements (Continued)

9. Loans to customers (Continued)

The following table shows gross loans and related expected credit losses as at 31 December 2019:

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

The following table shows gross loans to customers and related expected credit losses distributed by stages according to IFRS 9 as at 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
Corporate customers				
Gross loans	431 509 537	37 822 483	30 653 062	499 985 082
Allowance for expected credit losses	(3 610 960)	(4 109 722)	(23 334 438)	(31 055 120)
Net loans to corporate customers	**427 898 577**	**33 712 761**	**7 318 624**	**468 929 962**
Retail customers and SME				
Gross loans	120 271 524	27 230 919	15 457 973	162 960 416
Allowance for expected credit losses	(1 648 315)	(5 236 408)	(13 241 994)	(20 126 717)
Net loans to retail customers and SME	**118 623 209**	**21 994 511**	**2 215 979**	**142 833 699**
Lease receivables				
Gross lease receivables	28 827 928	3 063 919	984 071	32 875 918
Allowance for expected credit losses	(319 257)	(329 054)	(559 022)	(1 207 333)
Net lease receivables	**28 508 671**	**2 734 865**	**425 049**	**31 668 585**
Reverse repurchase agreements with companies				
Gross loans	2 629 473	-	-	2 629 473
Allowance for expected credit losses	(25 785)	-	-	(25 785)
Net reverse repurchase agreements with companies	**2 603 688**	**-**	**-**	**2 603 688**
Total loans to customers	**577 634 145**	**58 442 137**	**9 959 652**	**646 035 934**

The following table shows gross loans to customers and related expected credit losses distributed by stages according to IFRS 9 as at 31 December 2019:

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

The following table provides analysis of minimum lease payments as at 31 December 2020:

	Minimum payments	Present value of minimum payments
Amounts receivable under finance leases		
Up to 12 months	15 271 571	12 696 468
From 1 to 5 years	19 173 801	16 515 605
Over 5 years	2 603 634	2 456 512
	37 049 006	**31 668 585**
Less unearned finance income	(5 380 421)	-
Net investment in the lease	**31 668 585**	**31 668 585**

The following table provides analysis of minimum lease payments as at 31 December 2019:

	Minimum payments	Present value of minimum payments
Amounts receivable under finance leases		
Up to 12 months	15 058 799	12 364 325
From 1 to 5 years	18 174 677	15 447 393
Over 5 years	1 705 260	1 494 198
	34 938 736	**29 305 916**
Less unearned finance income	(5 632 820)	-
Net investment in the lease	**29 305 916**	**29 305 916**

Impaired loans. Interest income on impaired loans for the year ended 31 December 2020 amounted to RUB 879 130 thousand (year ended 31 December 2019: RUB 1 323 647 thousand).

Write-off and sale of loans. The decision to write-off the loan is taken 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 decisions 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 troubled assets.

Collateral. The amount and type of collateral required depends on an assessment of the credit risk of the counterparty as well as on the nature of the transaction. Guidelines regarding the acceptability of types of collateral taking into account valuation parameters of borrower risk level are implemented.

The main types of collateral obtained are as follows:
- For reverse repurchase transactions, securities;
- For commercial lending to corporate customers, pledge over real estate properties, equipment, guarantee of a legal entity with rating not lower than "BBB";
- For retail lending, mortgages over residential properties and motor vehicles;
- For lease receivables, pledge over real estate properties, motor vehicles and equipment.

The primary purpose of collateral arrangements is to reduce the potential credit loss in case of a workout of the credit exposure. Estimates of value are based on the value of collateral assessed at the time of borrowing and regularly reassessed.

The following table summarizes the carrying value of loans, net of expected credit losses, to corporate customers by types of collateral as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Loans to corporate customers		
Real estate	27 962 184	35 635 578
Guarantees	132 571 672	34 187 080
Other collateral	-	37 823
No collateral	308 396 106	445 474 823
Total loans to corporate customers	**468 929 962**	**515 335 304**

The following table summarizes the carrying value of loans, net of expected credit losses, to retail customers and SME by types of collateral as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Loans to retail customers and SME		
Real estate	53 608 833	58 720 486
Motor vehicles	38 789 127	58 290 092
No collateral	50 435 739	64 644 925
Total loans to retail customers and SME	**142 833 699**	**181 655 503**

The following table summarizes the carrying value of lease receivables, net of expected credit losses, by types of collateral as at 31 December 2020 and 31 December 2019:

	31 December 2020	31 December 2019
Lease receivables		
Real estate	312 672	466 972
Motor vehicles	6 524 804	7 817 996
Equipment	24 831 109	21 020 948
Total lease receivables	**31 668 585**	**29 305 916**

The amounts shown in the tables above represent the carrying value of the loans, and do not necessarily represent the fair value of the collateral.

When lending to legal entities belonging to one economic group, the Group normally also obtains guarantees from other group members.

Repossessed collateral. As at 31 December 2020 and 31 December 2019, the Group obtained certain assets by taking control of collateral obtained for derecognized loans to customers. As at 31 December 2020, the repossessed collateral is comprised of real estate, motor vehicles and other assets with carrying amount of RUB 441 015 thousand (31 December 2019: RUB 441 925 thousand). The Group’s policy is to sell these assets as soon as it is practicable.

Reverse repurchase agreements. As at 31 December 2020 and 31 December 2019, the Group entered into reverse repurchase agreements with a number of Russian companies. The carrying value of loans and related fair value of assets pledged under these agreements as at 31 December 2020 and 31 December 2019 comprise:

	31 December 2020		31 December 2019	
	Gross amount of loans	Fair value of collateral	Gross amount of loans	Fair value of collateral
Russian government bonds	-	-	221 864	246 980
Corporate bonds	2 189 776	2 314 893	6 952 893	7 766 442
Bank bonds	439 697	491 169	561 624	609 392
Total	**2 629 473**	**2 806 062**	**7 736 381**	**8 622 814**

As at 31 December 2020 the Group had no securities (31 December 2019: RUB 10 691 thousand) which were repledged under repurchase agreements with customers (see Note 19 for details). The Group has the obligation to return these securities at the maturity of the related reverse repurchase agreements.

Concentration of loans to customers. As at 31 December 2020, the Group had RUB 201 968 446 thousand due from the ten largest borrowers (29% of gross loan portfolio) (31 December 2019: RUB 166 589 729 thousand or 21%). As at 31 December 2020, an allowance of RUB 372 857 thousand was recognised against these loans (31 December 2019: RUB 280 329 thousand).

As at 31 December 2020, the Group had five borrowers or a group of borrowers with aggregate loan amounts that individually exceeded 10% of equity (31 December 2019: three borrowers or a group of borrowers). As at 31 December 2020, the aggregate amount of these loans is RUB 141 151 093 thousand (31 December 2019: RUB 84 312 172 thousand). As at 31 December 2020, an allowance of RUB 272 429 thousand was recognized against these loans (31 December 2019: RUB 95 249 thousand).

Loans to customers are made principally within Russia in the following industry sectors:

	31 December 2020	31 December 2019
Mining and metallurgy	129 323 263	116 070 824
Chemicals	103 529 312	97 052 009
Trade	73 974 564	76 425 130
Energy	43 545 960	34 715 166
Other manufacturing	42 683 283	47 430 313
Machinery construction	34 714 254	42 602 629
Real estate and construction	32 848 492	34 910 178
Agriculture and food	17 663 424	29 784 233
Timber processing	17 646 215	21 828 192
Transportation	14 626 423	17 798 444
Telecommunications	11 833 684	27 111 589
Finance	10 225 660	24 932 186
Other	4 813 991	13 185 202
Gross loans to legal entities	**537 428 525**	**583 846 095**
Gross loans to individuals	161 022 364	194 044 464
Gross loans to customers	**698 450 889**	**777 890 559**

Loans to individuals are divided by products as follows:

	31 December 2020	31 December 2019
Mortgage loans	64 609 512	61 232 934
Consumer loans	45 157 344	61 225 334
Car loans	44 901 738	63 772 753
Other loans	6 353 770	7 813 443
Gross loans to individuals	**161 022 364**	**194 044 464**

10. Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income comprise:

	31 December 2020	31 December 2019
Debt and other fixed income investments		
RUB denominated		
Russian government Bonds	34 394 361	30 830 961
Corporate and bank bonds	12 358 355	12 508 221
Central bank bonds	-	95 542 835
Total debt and other fixed income investments measured at fair value through other comprehensive income	**46 752 716**	**138 882 017**
Equity investments		
Equity investments in financial institutions	123 692	123 692
Total equity investments measured at fair value through other comprehensive income	**123 692**	**123 692**
Total financial assets at fair value through other comprehensive income	**46 876 408**	**139 005 709**

As of 31 December 2020 and 31 December 2019 debt securities classified as financial assets at fair value through other comprehensive income were allocated to Stage 1 in accordance with IFRS 9.

As at 31 December 2020 the Group has are no securities sold under repurchase agreements (31 December 2019: Russian government bonds in the amount of RUB 678 732 thousand) (see Notes 13 and 18 for details).

Nominal interest rates and maturities of these securities are as follows:

	31 December 2020		31 December 2019	
	%	Maturity	%	Maturity
Russian government bonds	6.0-8.15	2024-2033	7.1-8.2	2027-2039
Corporate and bank bonds	5.3-9.75	2021-2050	6.5-9.8	2020-2050
Central bank bonds	-	-	6.3	2020

As at 31 December 2020 95% of debt fixed income investments were rated not lower than “BBB-” with a credit rating of the issue or issuer (31 December 2019: 99%). The remaining 5% (31 December 2019: 1%) were not assigned a credit rating of the issue or issuer.

11. Debt securities measured at amortized costs

In 2020 the Group acquired Russian government bonds in the total nominal amount of RUB 65 120 000 thousand into the portfolio of debt securities measured at amortised cost. Weighted average interest rate is equal to 5.95%, maturities are from 16 July 2025 to 10 April 2030.

Debt securities measured at amortised cost comprise:

	31 December 2020	31 December 2019
RUB denominated		
Russian government bonds	68 054 468	-
Less: allowance for expected credit losses for securities measured at amortised cost	(67 832)	-
Total debt securities measured at amortised cost	**67 986 636**	**-**

As at 31 December 2020 100% of debt fixed income investments were rated not lower than “BBB-” with a credit rating of the issue or issuer.

12. Investments in associate

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

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

The above associate is accounted for using the equity method.

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

	31 December 2020	31 December 2019
Total assets	105 261 280	107 191 578
Total liabilities	81 704 743	87 304 557
Equity	23 556 537	19 887 021
Net profit	3 480 755	3 157 636

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

	31 December 2020	31 December 2019
Net assets of BARN B.V.	23 556 537	19 887 021
Proportion of the Group's ownership interest in BARN B.V.	9 422 616	7 954 809
Goodwill	247 235	247 235
Carrying amount of the Group's interest in BARN B.V.	**9 669 851**	**8 202 044**

The reconciliation of the above financial information to the carrying amount of the interest in associate recognized in the consolidated financial statements is as follows:

Carrying amount of the Group's interest in BARN B.V. as at 1 January 2019	**6 912 137**
Share of post-acquisition net profit of associate for the period	1 263 054
Share of post-acquisition other comprehensive income of associate for the period	26 853
Carrying amount of the Group's interest in BARN B.V. as at 31 December 2019	**8 202 044**
Carrying amount of the Group's interest in BARN B.V. as at 1 January 2020	**8 202 044**
Share of post-acquisition net profit of associate for the period	1 392 302
Share of post-acquisition other comprehensive income of associate for the period	75 505
Carrying amount of the Group's interest in BARN B.V. as at 31 December 2020	**9 669 851**

13. Transfers of financial assets

The Group has transactions to sell securities classified as trading, financial assets at fair value through other comprehensive income under agreements to repurchase (see Notes 10, 18 for details).

The securities sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange. These financial assets may be repledged or resold by counterparties in the absence of default by the Group, but the counterparty has an obligation to return the securities at the maturity of the contract. The Group has determined that it retains substantially all the risks and rewards of these securities and therefore has not derecognised them. These securities are presented as "pledged under repurchase agreements" in Note 10. In addition, the Group recognises a financial liability for cash received as collateral included in deposits and balances due to credit institutions (see Note 18 for details).

These transactions are conducted under terms that are usual and customary to standard lending, as well as requirements determined by exchanges.

As at 31 December 2020 and 31 December 2019 the breakdown by portfolio of transferred financial assets that are not derecognized in their entirety is as follows:

	31 December 2020		31 December 2019	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Financial assets at fair value through other comprehensive income	-	-	678 732	615 053
Total	**-**	**-**	**678 732**	**615 053**

As at 31 December 2020 and 31 December 2019 the breakdown by issuer of transferred financial assets that are not derecognized in their entirety is as follows:

	31 December 2020		31 December 2019	
	Carrying amount of assets	Carrying amount of associated liabilities	Carrying amount of assets	Carrying amount of associated liabilities
Russian government bonds	-	-	678 732	615 053
Total	**-**	**-**	**678 732**	**615 053**

14. Fixed assets

The movements in fixed assets were as follows:

	Buildings	Computers and equipment	Other fixed assets	Right-of-use assets - Buildings	Total
Cost					
1 January 2020	**43 484 725**	**5 832 919**	**950 181**	**2 062 507**	**52 330 332**
Additions	40 071	958 938	145 231	147 288	1 291 528
Disposals	(7 564)	(611 484)	(202 555)	-	(821 603)
Revaluation	6 442 952	-	-	-	6 442 952
31 December 2020	**49 960 184**	**6 180 373**	**892 857**	**2 209 795**	**59 243 209**
Accumulated depreciation and impairment					
1 January 2020	**(34 326 772)**	**(4 448 930)**	**(543 435)**	**(653 030)**	**(39 972 167)**
Depreciation charge	(279 976)	(705 827)	(36 142)	(542 527)	(1 564 472)
Impairment	-	(18 672)	(16 674)	-	(35 346)
Disposals	2 891	604 291	161 984	-	769 166
Revaluation	(6 348 927)	-	-	-	(6 348 927)
Other	-	-	-	163 601	163 601
31 December 2020	**(40 952 784)**	**(4 569 138)**	**(434 267)**	**(1 031 956)**	**(46 988 145)**
Net book value					
As at 31 December 2020	**9 007 400**	**1 611 235**	**458 590**	**1 177 839**	**12 255 064**

As of 31 December 2020 buildings valued at fair value are categorised into Level 3 of the fair value hierarchy.

14. Fixed assets (Continued)

	Buildings	Computers and equipment	Other fixed assets	Right-of-use assets - Buildings	Total
Cost					
31 December 2018	**6 611 550**	**4 987 040**	**1 115 262**	**-**	**12 713 852**
Effect of change in accounting policy for application of IFRS 16	-	-	-	2 062 507	2 062 507
Cost					
1 January 2019	**6 611 550**	**4 987 040**	**1 115 262**	**2 062 507**	**14 776 359**
Additions	-	1 047 941	189 110	-	1 237 051
Disposals	(207 420)	(202 062)	(354 191)	-	(763 673)
Revaluation	37 080 595	-	-	-	37 080 595
31 December 2019	**43 484 725**	**5 832 919**	**950 181**	**2 062 507**	**52 330 332**
Accumulated depreciation and impairment					
1 January 2019	**(2 627 109)**	**(4 121 938)**	**(514 801)**	**-**	**(7 263 848)**
Depreciation charge	(87 473)	(591 746)	(39 465)	(653 030)	(1 371 714)
Impairment	(3 854)	-	(23 085)	-	(26 939)
Disposals	103 586	264 754	33 916	-	402 256
Revaluation	(31 711 922)	-	-	-	(31 711 922)
31 December 2019	**(34 326 772)**	**(4 448 930)**	**(543 435)**	**(653 030)**	**(39 972 167)**
Net book value					
As at 31 December 2019	**9 157 953**	**1 383 989**	**406 746**	**1 409 477**	**12 358 165**

15. Intangible assets

The movements in intangible assets were as follows:

	2020	2019
Cost		
1 January	**17 356 865**	**14 413 931**
Additions	2 393 437	3 019 495
Disposals	(6 428)	(76 561)
31 December	**19 743 874**	**17 356 865**
Accumulated amortisation and impairment		
1 January	**(8 818 342)**	**(7 082 148)**
Amortisation charge	(1 940 846)	(1 756 464)
Impairment of intangible assets	(1 343 000)	-
Disposals	5 835	20 270
31 December	**(12 096 353)**	**(8 818 342)**
Net book value		
As at 31 December	**7 647 521**	**8 538 523**

In December 2020 the Board of Management of AO UniCredit Bank approved a restructuring plan to be executed throughout 2021 – 2025 which mainly envisages the impairment of software.

With specific reference to software the Board of Management has approved:

- The migration from obsolete core-system applications and the gradual transition to software from Russian manufacturers, due to changes in tax legislation regarding transactions for the purchase/sale of software in the Russian Federation, and taking into account other upcoming legislation being discussed by Russian Government and
- The reduction of the residual useful life of software to 4 years (from previous 5 years).

The resolution taken by the Board of Management and, in particular, the reduction in useful life, implies an adverse change in the extent and manner in which assets will be used by the Group thus constituting an evidence of impairment in accordance with IAS 36 par. 12 f.

With reference to the software being subject to the Board of Management resolution a recoverable amount of RUB 571 140 thousand was identified compared with a carrying value of RUB 1 914 140 thousand. As a result, an impairment of RUB 1 343 000 thousand has been recognized. This impairment is reflected in the item "Impairment of intangible assets" within operating costs in the consolidated statement of comprehensive income.

For the estimation of the recoverable amount it was observed that the software doesn't generate autonomous cash flows. As a result, such recoverable amount has been determined at Cash Generating Unit (CGU) level in accordance with IAS 36. A CGU is the smallest identifiable group of assets that generate independent cash inflows with the use of the software being tested. In the case being discussed a CGU is Retail and Corporate business segment of the Bank. Cash flows arising from the CGU have been discounted over estimated time period at an appropriate discount rate.

The discount rate used was the expected rate of return on a long-term asset, derived via capital asset pricing model (CAPM) considering risk-free rate, beta and risk premium. The calculated rate was 11.42%. The intangible assets are expected to be replaced in 4 years.

The Board of Management approved the proportional distribution of the total loss from impairment of relevant intangible assets in the amount of RUB 1 343 000 thousand on the software according to a specific list with subsequent reduction of useful life to 4 years, having in mind stop or gradual decrease of the mentioned software usage within forthcoming 4 years. No significant impairment indicators were identified for the remaining software.

16. Taxation

The corporate income tax expense comprises:

	2020	2019
Current tax charge	5 281 408	5 095 553
Deferred tax charge – reversal of temporary differences	(3 291 769)	(737 628)
Income tax expense	**1 989 639**	**4 357 925**

Russian legal entities must file individual tax declarations. The tax rate for banks and companies for profits other than on state securities was 20% for 2020 and 2019. The tax rate for interest income on state securities was 15% for 2020 and 2019.

The effective income tax rate differs from the statutory income tax rates. A reconciliation of the effective income tax rate and the statutory income tax rate is as follows:

	2020	2019
Profit before tax	**10 943 546**	**22 058 990**
Statutory tax rate	20%	20%
Theoretical income tax expense at the statutory rate	**2 188 709**	**4 411 798**
Effect of income taxed at lower tax rates	(516 254)	(445 868)
Non-deductible costs	317 184	391 995
Income tax expense	**1 989 639**	**4 357 925**

Notes to Consolidated Financial Statements (Continued)

15. Taxation (Continued)

Deferred tax assets and liabilities as at 31 December 2020 and 31 December 2019 comprise:

	Assets		Liabilities		Net	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019	31 December 2020	31 December 2019
Fixed and intangible assets	8 636 056	8 567 449	(11 326 374)	(11 620 323)	**(2 690 318)**	**(3 052 874)**
Debt securities held for trading and derivatives	2 048 811	577 567	(62 754)	-	**1 986 057**	**577 567**
Financial assets at fair value through other comprehensive income	156	10 390	(410 975)	(504 772)	**(410 819)**	**(494 382)**
Loan and credit related commitments allowance for expected credit losses and provisions	4 107 637	2 645 189	(2 335 961)	(2 467 802)	**1 771 676**	**177 387**
Other items	3 148 952	3 401 648	-	-	**3 148 952**	**3 401 648**
Total deferred tax assets/(liabilities)	**17 941 612**	**15 202 243**	**(14 136 064)**	**(14 592 897)**	**3 805 548**	**609 346**

Movement in deferred tax assets and liabilities during the year ended 31 December 2020 is presented in the table below:

	1 January 2020	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2020
Fixed and intangible assets	(3 052 874)	383 502	(20 946)	(2 690 318)
Debt securities held for trading and derivatives	577 567	1 566 676	(158 186)	1 986 057
Financial assets at fair value through other comprehensive income	(494 382)	(2)	83 565	(410 819)
Loan and credit related commitments allowance for expected credit losses and provisions	177 387	1 594 289	-	1 771 676
Other items	3 401 648	(252 696)	-	3 148 952
	609 346	**3 291 769**	**(95 567)**	**3 805 548**

Movement in deferred tax assets and liabilities during the year ended 31 December 2019 is presented in the table below:

	1 January 2019	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2019
Fixed and intangible assets	(1 490 212)	(488 927)	(1 073 735)	(3 052 874)
Debt securities held for trading and derivatives	1 185 086	(733 836)	126 317	577 567
Financial assets at fair value through other comprehensive income	523 130	-	(1 017 512)	(494 382)
Loan and credit related commitments allowance for expected credit losses and provisions	(121 031)	298 418	-	177 387
Other items	1 739 675	1 661 973	-	3 401 648
	1 836 648	**737 628**	**(1 964 930)**	**609 346**

Tax effect relating to components of other comprehensive income comprises:

	2020			2019		
	Amount before tax	Tax expense	Amount net-of-tax	Amount before tax	Tax expense	Amount net-of-tax
Cash flow hedge reserve	790 932	(158 186)	632 746	(654 937)	126 317	(528 620)
Revaluation reserve for financial assets at fair value through other comprehensive income	(409 319)	83 565	(325 754)	5 110 757	(1 017 512)	4 093 245
Foreign currency translation reserve	67 008	-	67 008	27 005	-	27 005
Fixed assets revaluation reserve	104 731	(20 946)	83 785	5 368 673	(1 073 735)	4 294 938
Other comprehensive income	**553 352**	**(95 567)**	**457 785**	**9 851 498**	**(1 964 930)**	**7 886 568**

17. Other assets and liabilities

Other assets comprise:

	31 December 2020	31 December 2019
Advances, prepayments and deferred expenses	6 626 469	6 484 275
Accrued income other than income capitalised in related financial assets	278 433	470 013
VAT receivables on leases	178 077	821 269
Transit accounts	121 301	4 918 808
Other	957 843	767 523
Other assets	**8 162 123**	**13 461 888**

Other liabilities comprise:

	31 December 2020	31 December 2019
Allowance for expected credit losses and provision for off-balance (Note 22)	4 521 052	3 873 160
Accrued compensation expense	3 586 739	4 030 571
Accrued expenses and deferred income	3 065 588	2 878 814
Accounts payable	2 689 406	1 775 850
Transit accounts	713 824	482 337
Taxes payables (other than income tax)	376 600	444 062
Other provisions	222 607	226 036
Other	1 434 076	1 285 908
Other liabilities	**16 609 892**	**14 996 738**

18. Amounts due to credit institutions

Amounts due to credit institutions comprise:

	31 December 2020	31 December 2019
Current accounts	11 781 431	7 316 851
Time deposits and loans	15 657 080	58 494 241
Repurchase agreements with credit institutions (Notes 7, 13)	1 664 854	917 972
Subordinated debt (Note 20, 30)	-	29 780 408
Amounts due to credit institutions	**29 103 365**	**96 509 472**

As at 31 December 2020, the ten largest deposits, excluding subordinated debt, represented 76% of total amounts due to credit institutions (31 December 2019: 83%).

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

As at 31 December 2020 the Group has no securities pledged under repurchase agreements with credit institutions (31 December 2019: fair value of securities pledged under repurchase agreements with credit institutions is RUB 678 732 thousand) (see Notes 10, 13 and 29 for details).

As at 31 December 2020 included in repurchase agreements with credit institutions are agreements in the amount of RUB 1 664 854 thousand (31 December 2019: RUB 302 919 thousand) which are secured by Russian government bonds with fair value of RUB 1 728 806 thousand obtained under reverse repurchase agreements with credit institutions (31 December 2019: RUB 336 421 thousand) (see Note 7 for details).

19. Amounts due to customers

The amounts due to customers include the following:

	31 December 2020	31 December 2019
Current accounts	321 343 242	215 990 365
Time deposits	622 615 443	644 239 121
Repurchase agreements with customers	-	9 857
Lease liabilities under IFRS 16	1 171 317	1 387 304
Amounts due to customers	**945 130 002**	**861 626 647**

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

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

	31 December 2020	31 December 2019
Corporate		
Current accounts	120 161 550	84 173 774
Time deposits	484 824 203	454 966 587
Repurchase agreements with customers	-	9 857
Total corporate accounts	**604 985 753**	**539 150 218**
Retail		
Current accounts	201 181 692	131 816 591
Time deposits	137 791 240	189 272 534
Total retail accounts	**338 972 932**	**321 089 125**
Lease liabilities under IFRS 16	**1 171 317**	**1 387 304**
Amounts due to customers	**945 130 002**	**861 626 647**

Included in retail time deposits are deposits of individuals in the amount of RUB 122 651 211 thousand (31 December 2019: RUB 167 534 866 thousand). In accordance with the Russian Civil Code, the Group is obliged to repay such deposits upon demand of the depositor. In case a term deposit is repaid upon demand of the depositor prior to maturity, the related interest rate on it is paid based on the interest rate for demand deposits, unless a different interest rate is specified in the contract. The remaining part of retail time deposits in the amount of RUB 15 140 029 thousand (31 December 2019: RUB 21 737 668 thousand) is represented by deposits placed by SME.

As at 31 December 2020 the Group has no repurchase agreements with customers (31 December 2019: repurchase agreements with customers in the amount of RUB 9 857 thousand that are secured by bank bonds with fair value of RUB 10 691 thousand obtained under reverse repurchase agreements with customers) (see Note 9 for details).

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

	31 December 2020	31 December 2019
Trade	143 535 287	102 627 855
Energy	143 024 133	148 400 758
Mining and metallurgy	82 811 259	45 832 153
Machinery construction	46 338 505	58 589 867
Real estate and construction	46 136 200	38 968 514
Other manufacturing	45 910 332	26 920 194
Telecommunications	39 870 531	30 858 971
Chemicals	34 089 043	19 316 315
Finance	17 225 124	15 753 466
Transportation	16 076 009	16 989 716
Agriculture and food	11 323 104	3 975 246
Timber processing	8 998 292	3 361 377
Russian regional authorities	94 593	49 322 772
Other	44 566 774	38 059 089
Total legal entities	**679 999 186**	**598 976 293**
Total individuals	**263 959 499**	**261 263 050**
Amounts due to customers	**943 958 685**	**860 239 343**

20. Subordinated debt

	31 December 2020	31 December 2019
UniCredit S.p.A		
USD 480 900 thousand, quarterly interest payment, maturing March 2025	-	29 780 408
Subordinated Debt	**-**	**29 780 408**

The subordinated debt was repaid ahead of schedule in March 2020. In the event of bankruptcy or liquidation of the Group, repayment of this debt is subordinate to the repayments of the Group's liabilities to all other creditors.

21. Shareholder's equity

As at 31 December 2020 and 31 December 2019, the authorised, issued and paid share capital comprises 2 404 181 ordinary shares with a par value of RUB 16 820 each.

In 2020 the Group declared and paid dividends of RUB 3 378 per share on ordinary shares in the total amount of RUB 8 121 323 thousand (year ended 2019: RUB 3 378 per share on ordinary shares in the total amount of RUB 8 121 322 thousand).

22. Commitments and contingencies

Credit related commitments and contingencies comprise:

	31 December 2020	31 December 2019
Undrawn loan commitments	407 463 107	376 971 129
Undrawn commitments to issue documentary instruments	312 940 662	241 762 866
Guarantees issued	159 734 098	151 284 851
Letters of credit	47 894 648	51 852 069
Gross credit related commitments and contingencies	**928 032 515**	**821 870 915**
Allowance for credit related commitments and contingencies according to IFRS 9	(3 124 475)	(2 493 278)
Provision for credit related commitments and contingencies according to IAS 37	(1 396 577)	(1 379 882)
Net credit related commitments and contingencies	**923 511 463**	**817 997 755**

A reconciliation of the allowance for expected credit losses for financial guarantees by stages in accordance with IFRS 9 for the year ended 31 December 2020 is as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at the beginning of the period	**612 400**	**10 423**	**49 668**	**672 491**
Transfer to stage 2	(521 234)	521 234	-	-
Transfer to stage 3	-	(232 895)	232 895	-
Charge/(recovery) for the period	701 279	(10 420)	(49 668)	641 191
Allowance for expected credit losses at the end of the period	**792 445**	**288 342**	**232 895**	**1 313 682**

A reconciliation of the allowance for expected credit losses for other undrawn commitments by stages in accordance with IFRS 9 for the year ended 31 December 2020 is as follows:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at the beginning of the period	**1 588 327**	**100 427**	**132 033**	**1 820 787**
Transfer to stage 1	7 199	(7 199)	-	-
Transfer to stage 2	(413 715)	414 474	(759)	-
Transfer to stage 3	-	(98 558)	98 558	-
Charge/(recovery) for the period	235 011	(121 435)	(123 570)	(9 994)
Allowance for expected credit losses at the end of the period	**1 416 822**	**287 709**	**106 262**	**1 810 793**

The table below analyses information about the significant changes in the gross carrying amount of financial guarantees for the year ended 31 December 2020 by stages:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross financial guarantees at the beginning of the period	**101 278 667**	**263 350**	**100 042**	**101 642 059**
New financial guarantees originated	66 708 183	-	-	66 708 183
Transfer to stage 2	(7 746 364)	7 746 364	-	-
Transfer to stage 3	-	(569 626)	569 626	-
Financial guarantees that have been derecognized	(69 121 803)	(263 112)	(185 075)	(69 569 990)
Effect of exchange rate changes	8 548 895	838 030	32 480	9 419 405
Gross financial guarantees at the end of the period	**99 667 578**	**8 015 006**	**517 073**	**108 199 657**

The table below analyses information about the significant changes in the gross carrying amount of other undrawn commitments for the year ended 31 December 2020 by stages:

	31 December 2020			
	Stage 1	Stage 2	Stage 3	Total
Gross other undrawn commitments at the beginning of the period	**606 346 431**	**12 171 479**	**216 084**	**618 733 994**
New other undrawn commitments originated	296 308 769	-	-	296 308 769
Transfer to stage 1	241 836	(241 836)	-	-
Transfer to stage 2	(29 570 636)	29 571 481	(845)	-
Transfer to stage 3	-	(223 330)	223 330	-
Other undrawn commitments that have been derecognized	(226 025 045)	(20 548 585)	(247 455)	(246 821 085)
Effect of exchange rate changes	48 672 858	3 507 327	1 923	52 182 108
Gross other undrawn commitments at the end of the period	**695 974 213**	**24 236 536**	**193 037**	**720 403 786**

A reconciliation of the allowance for expected credit losses for financial guarantees by stages in accordance with IFRS 9 for the year ended 31 December 2019 is as follows:

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at the beginning of the period	**1 205 945**	**43 546**	**8 073**	**1 257 564**
Transfer to stage 1	22 804	(22 804)	-	-
Transfer to stage 2	(60 092)	60 092	-	-
Transfer to stage 3	-	(49 668)	49 668	-
Recovery for the period	(556 257)	(20 743)	(8 073)	(585 073)
Allowance for expected credit losses at the end of the period	**612 400**	**10 423**	**49 668**	**672 491**

A reconciliation of the allowance for expected credit losses for other undrawn commitments by stages in accordance with IFRS 9 for the year ended 31 December 2019 is as follows:

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Allowance for expected credit losses at the beginning of the period	**1 896 180**	**78 272**	**32 950**	**2 007 402**
Transfer to stage 1	22 949	(22 949)	-	-
Transfer to stage 2	(271 718)	275 962	(4 244)	-
Transfer to stage 3	-	(120 079)	120 079	-
Recovery for the period	(59 084)	(110 779)	(16 752)	(186 615)
Allowance for expected credit losses at the end of the period	**1 588 327**	**100 427**	**132 033**	**1 820 787**

Notes to Consolidated Financial Statements (Continued)

22. Commitments and contingencies (Continued)

The table below analyses information about the significant changes in the gross carrying amount of financial guarantees for the year ended 31 December 2019 by stages:

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross financial guarantees at the beginning of the period	**108 589 061**	**3 585 943**	**16 395**	**112 191 399**
New financial guarantees originated	56 578 126	-	-	56 578 126
Transfer to stage 1	3 194 467	(3 194 467)	-	-
Transfer to stage 2	(459 090)	459 090	-	-
Transfer to stage 3	-	(115 187)	115 187	-
Financial guarantees that have been derecognized	(58 887 825)	(472 029)	(31 540)	(59 391 394)
Effect of exchange rate changes	(7 736 072)	-	-	(7 736 072)
Gross financial guarantees at the end of the period	**101 278 667**	**263 350**	**100 042**	**101 642 059**

The table below analyses information about the significant changes in the gross carrying amount of other undrawn commitments for the year ended 31 December 2019 by stages:

	31 December 2019			
	Stage 1	Stage 2	Stage 3	Total
Gross other undrawn commitments at the beginning of the period	**606 993 965**	**30 765 862**	**40 678**	**637 800 505**
New other undrawn commitments originated	284 954 246	-	-	284 954 246
Transfer to stage 1	4 685 706	(4 685 706)	-	-
Transfer to stage 2	(13 092 195)	13 097 002	(4 807)	-
Transfer to stage 3	-	(831 564)	831 564	-
Other undrawn commitments that have been derecognized	(260 142 179)	(22 775 258)	(651 323)	(283 568 760)
Effect of exchange rate changes	(17 053 112)	(3 398 857)	(28)	(20 451 997)
Gross other undrawn commitments at the end of the period	**606 346 431**	**12 171 479**	**216 084**	**618 733 994**

A reconciliation of the provision for credit related commitments and contingencies in accordance with IAS 37 is as follows:

	31 December 2020	31 December 2019
Provision at the beginning of the period	**1 379 882**	**267 410**
Charge for the period	16 695	1 112 472
Provision at the end of the period	**1 396 577**	**1 379 882**

The following table shows gross financial guarantees and other credit related commitments and contingencies and related expected credit losses under IFRS 9 by stages as of 31 December 2020:

	Stage 1	Stage 2	Stage 3	Total
Gross credit related commitments and contingencies	795 641 791	32 251 542	710 110	828 603 443
Allowance for expected credit losses for credit related commitments and contingencies	(2 209 267)	(576 051)	(339 157)	(3 124 475)
Net credit related commitments and contingencies	**793 432 524**	**31 675 491**	**370 953**	**825 478 968**

The following table shows gross credit related commitments and contingencies and related provision under IAS 37 as of 31 December 2020:

	Performing exposure	Impaired exposure	Total
Gross credit related commitments and contingencies	98 375 844	1 053 228	99 429 072
Provision for credit related commitments and contingencies	(588 805)	(807 772)	(1 396 577)
Net credit related commitments and contingencies	**97 787 039**	**245 456**	**98 032 495**

The following table shows gross financial guarantees and other credit related commitments and contingencies and related expected credit losses under IFRS 9 by stages as of 31 December 2019:

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

The following table shows gross credit related commitments and contingencies and related provision under IAS 37 as of 31 December 2019:

	Performing exposure	Impaired exposure	Total
Gross credit related commitments and contingencies	100 571 088	923 774	101 494 862
Provision for credit related commitments and contingencies	(608 514)	(771 368)	(1 379 882)
Net credit related commitments and contingencies	**99 962 574**	**152 406**	**100 114 980**

The Group issues guarantees and letters of credit on behalf of its customers. These instruments bear a credit risk similar to that of loans issued. With respect to the documentary instruments shown above, as at 31 December 2020, collateral deposits of RUB 3 998 972 thousand were held by the Group (31 December 2019: RUB 6 007 311 thousand).

23. Operating environment

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

Because Russia produces and exports large volumes of oil and gas, its economy is particularly sensitive to the prices of oil and gas on the world market. In March 2020 oil prices dropped for more than 40%, which resulted in immediate weakening of Russian Ruble against major currencies. Decrease of key rate by the Central Bank of Russia from 6.25% to 4.25% is one of the reason of decrease of net interest income in the 2020 year comparing to the 2019 year.

The political situation and new sanctions packages imposed by the U.S. and the E.U. on certain Russian officials, businessmen and companies continue to have a negative impact on Russian economy. In 2020 alone, the United States introduced 47 packages of new restrictions, which continues to hinder the access of the Russian businesses to international capital markets.

Russian consumers and corporations continue to face increasing economic hardship, which heightens the risk of default in the retail and commercial banking sectors. This operating environment has a significant impact on the operations and financial position of the Group. Management takes the necessary measures to ensure the sustainability of the Group's operations. However, the consequences of the current economic situation are difficult to predict and management's current expectations and estimates could differ materially from actual results.

In addition to that, starting from early 2020 a new coronavirus disease ("Covid-19") has begun rapidly spreading all over the world resulting in announcement of the pandemic status by the World Health Organization in March 2020. Responses put in place by many countries to contain the spread of Covid-19 are resulting in significant operational disruption for many companies and have significant impact on global financial markets. Covid-19 has had a significant effect on business of many companies across a wide range of sectors, including, but not limited to such impacts as disruption of business operations as a result of interruption of production or closure of facilities, supply chain disruptions, quarantines of personnel, reduced demand and difficulties in raising financing. In addition, the effects of Covid-19 also appear in the form of its negative impact on the global economy and major financial markets.

At the moment, Russia does not apply strict quarantine measures. However, estimates of the scale and prospects for the end of the pandemic crisis have varied throughout the year, and today a high level of uncertainty remains. There remains high uncertainty about the speed of the global economic recovery, especially given the re-introduction by a number of countries of restrictive measures to prevent the spread of Covid-19, both due to the newly increasing number of diseases and the identification of new strains of the virus. The Bank of Russia and the Government of the Russian Federation have introduced a package of anti-crisis measures aimed at maintaining the credit activity of the population, including providing the banking sector with sources of additional liquidity in the form of concessional lending.

In view of this situation, the Group modelled the potential impact of stress scenarios on the Group's operations and financial performance. These stress scenarios take into account possible negative effect from the implementation of the above events. In 2020, the Group has updated its macroeconomic forecast to reflect expected credit losses by changing the credit risk of borrowers. The Group takes all necessary measures to maintain the sustainability of the business and its development in the current circumstances and taking into account possible risks.

During the year, the Group conducted several stress tests related to liquidity and capital adequacy. Even in the stress situation Liquidity coverage ratio (N26) stays well above required trigger level. Additional measures by Group's management could increase this metric even more:

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

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

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

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

Since March 2020, the Group started to receive applications from corporate clients, including small and medium-sized enterprises, and from individuals, for granting them credit holidays on previously issued loans in accordance with Russian legislation. As of 31 December 2020, the number of applications received is estimated as insignificant in relation to the total number of loans issued. All cases of granting credit holidays are marked as Covid-19, for each case the Group performs an analysis of credit recovery.

Thus, taking into account the stable financial position of the Group, it can be concluded that the current economic situation does not have significant impact on the Group's financial ratios as of 31 December 2020.

Taxation. Laws and regulations affecting business in the Russian Federation continue to change rapidly. Management's interpretation of such legislation as applied to the activity of the Group may be challenged by the relevant regional and federal authorities. Recent events suggest that the tax authorities are taking a more assertive position in their interpretation of the legislation and assessments and as a result, it is possible that transactions and activities that have not been challenged in the past may be challenged. Fiscal periods generally remain open to tax audit by the authorities in respect of taxes for three calendar years preceding the year of tax audit. Under certain circumstances, audits may cover longer periods. Management believes that it has provided adequately for tax liabilities based on its interpretations of tax legislation. However, the relevant authorities may have differing interpretations, and the effects on the financial statements could be significant.

Fiduciary activities. The Group also provides depositary services to its customers. As at 31 December 2020 and 31 December 2019, the Group had customer securities totalling 78 131 210 973 items and 38 574 427 402 items, respectively, in its nominal holder accounts.

Legal proceedings. From time to time and in the normal course of business, customers and counterparties bring claims against the Group. As at 31 December 2020 the provision for legal proceedings in the amount of RUB 188 310 thousand (31 December 2019: RUB 226 036 thousand) was recognized in other liabilities in the consolidated statement of financial position.

24. Losses on financial assets and liabilities held for trading and foreign currencies

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

	2020	2019
Net gains from trading securities	31 821	50 018
Net losses from spot and derivative instruments	(708 502)	(804 596)
Translation of other foreign currency assets and liabilities	(636 220)	(456 818)
Losses on financial assets and liabilities held for trading and foreign currencies	**(1 312 901)**	**(1 211 396)**

25. Fee and commission income and expense

Fee and commission income comprises:

	2020	2019
Customer accounts handling and settlements	2 639 186	2 487 770
Retail services	2 431 587	3 136 489
Documentary business	2 234 301	2 083 762
Agent insurance fee	1 721 072	4 090 566
Other	26 338	10 593
Fee and commission income	**9 052 484**	**11 809 180**

Fee and commission expense comprises:

	2020	2019
Retail services	(1 152 714)	(1 293 008)
Accounts handling and settlements	(779 900)	(1 249 155)
Documentary business	(34 625)	(114 511)
Other	(239 880)	(196 010)
Fee and commission expense	**(2 207 119)**	**(2 852 684)**

26. Personnel and other administrative expenses

Personnel and other administrative expenses comprise:

	2020	2019
Salaries and bonuses	7 515 546	7 666 330
Social security costs	430 724	470 210
Other compensation expenses	232 880	204 640
Other employment taxes	1 912 582	1 896 575
Personnel expenses	**10 091 732**	**10 237 755**
Communication and information services	3 453 211	2 782 792
Deposit insurance	1 232 245	1 704 926
Rent, repairs and maintenance	770 115	582 453
Legal, audit and other professional services	588 206	154 369
Security expenses	424 989	348 977
Advertising and marketing	184 427	212 112
Other taxes	147 344	143 885
Other	713 956	645 148
Other administrative expenses	**7 514 493**	**6 574 662**

27. Capital management

The Group maintains an actively managed capital base to cover risks inherent in the business. The adequacy of capital is monitored using, among other measures, principles and approaches established by Basel II and Basel III, Regulation and Directive of the European Parliament and the Council (CRD IV), the CBR regulation.

The primary objectives of capital management are to ensure that the Group complies with externally imposed capital requirements and that the Group maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

Capital and capital adequacy ratio under the CBR requirements. The CBR requires banks to maintain a capital adequacy ratio of 8% of risk-weighted assets, computed using amounts in statutory financial statements prepared in accordance with Russian banking legislation and regulation of the CBR.

Capital (own funds) under the requirements of the CBR regulation No. 646-P "Calculation of own funds (Basel III) by credit institutions" as at 31 December 2020 and 31 December 2019 was as follows:

	31 December 2020	31 December 2019
Core equity Tier I capital	196 615 263	185 401 373
Tier I capital	196 615 263	185 401 373
Additional capital	10 244 646	38 348 034
Total capital	**206 859 909**	**223 749 407**

Core equity Tier I and Tier I comprise share capital, share premium, reserve fund and retained earnings including current year profit. Additional capital includes subordinated debt, current year profit not included in the main capital and revaluation reserves.

The capital adequacy ratios, computed in accordance with the CBR Regulation No. 199-I "Obligatory banking ratios and premiums to capital adequacy ratios for banks with a universal license" as at 31 December 2020, and with the CBR Regulation No. 180-I "Obligatory banking ratios" as at 31 December 2019 were as follows:

	31 December 2020	31 December 2019
Total capital adequacy ratio N1.0 (minimum 8%)	18.8%	18.1%
Core equity Tier I capital adequacy ratio N1.1 (minimum 4.5%)	18.0%	15.1%
Tier 1 capital adequacy ratio N1.2 (minimum 6%)	18.0%	15.1%

Capital and capital adequacy ratio under Basel II and Basel III requirements (unaudited). Starting from the reporting period as of 1 January 2009 the Group calculates risk weighted assets under Basel II requirements following UniCredit Group internal policies.

Starting from 2017, the Group calculates risk weighted assets in accordance with the requirements of CRD IV. Subordinated loans, received by the Group might be considered as loss absorption capacity of the Bank and as a result can be included in Tier II capital.

The capital and capital adequacy ratios computed in accordance with the Basel II and Basel III requirements as at 31 December 2020 and 31 December 2019 were as follows (unaudited):

	31 December 2020	31 December 2019
Core equity Tier 1 capital	201 293 047	188 977 354
Tier II capital	1 100 103	31 186 341
Total capital	**202 393 150**	**220 163 695**
Risk weighted assets	**862 904 925**	**1 100 992 675**
Core equity Tier 1 capital ratio	23.3%	17.2%
Total capital ratio	23.5%	20.0%

28. Risk management

Management of risk is fundamental to the banking business and is an essential element of the Group's operations. The Group has exposure to risks, which include credit, market (including foreign exchange), liquidity and operational risks. The Group's aim is to maintain an appropriate balance between risks and return and to minimize potential adverse effect on the Group's financial performance.

Risk management structure. The Group's risk management policies aim to identify, analyse, measure and manage the risks taken by the Group, to establish appropriate risk limits and methods of monitoring, and to continuously monitor risk levels and compliance with the established limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice in risk management.

The operational risk management functions are aimed at developing and ensuring proper functioning of internal processes and procedures that minimise the Group's exposure to internal and external risk factors.

The Supervisory Board has the overall responsibility for the oversight of the risk management framework, supervising the management of key risks. It also approves internal documentation for strategic and priority areas of activity, including those concerning management of capital and risk.

The Board of Management has the overall responsibility for monitoring and implementation of risk mitigation measures and making sure that the Group operates within the established risk parameters.

The Chief Risk Officer (hereinafter – "CRO") is responsible for the overall risk management function, ensuring the implementation of common principles and methods for identifying, underwriting, measuring, managing and risk reporting for both financial and non-financial risks. The CRO is a Member of the Board of Management.

The most important risk quantification systems are subject to internal validation by the dedicated independent function within Chief Risk Officer area.

Credit, market and liquidity risks, both at portfolio and transactional levels, are managed through a system of Credit Approval Authorities as well as by the Asset and Liability Management Committee. In order to facilitate efficient decision-making, the Group has established a hierarchy of Credit Approval Authorities, which includes four credit committees, including Credit Committee, Small Credit Committee, Special Credit Committee and Retail Business Credit Committee as well as several levels of joint and single personal approval authority, depending on the amount of exposure, risk type and risk associated with a customer (internal ratings).

The main objective of the risk committee is to analyze and discuss the current risk profile, its compliance with risk appetite and risk strategy approved by the Supervisory Board, also for making operational decisions aimed at achieving the targets set for the risk profile, as well as other issues of risk management quality improvement in the Bank within the framework defined by special rules and procedures.

Credit risk policies and underwriting guidelines are under the CRO's responsibility. Internal local policies, rules, guidelines and operational instructions for lending to individuals and to Small and Medium Enterprises (hereinafter – "SME") are in line with UniCredit Group Credit Policies, agreed with the CRO and approved by the Board of Management/Supervisory Board according to the current Rules of development, agreement and approval of internal documents of the Bank.

The four-eyes principle is applied for the credit decision-making process. Credit approval authority is exercised through the submission and approval of a credit application. For standardized products in the lending process to individuals decision-making is done by the Operations Function, to which the CRO Function delegates authority through respective underwriting guidelines and rules and/or implementation of credit scoring. For standardized products in the lending process to SMEs decision-making is done by the Business Function, to which the CRO Function delegates authority through respective guidelines, rules and decision matrix for applications. All deviations/exceptions from standardized products have to be approved by the CRO.

The Group's risk underwriting, assessment, reporting and control procedures vary by risk type, but share a common principle to be concentrated under the supervision of the CRO.

Credit risk. Credit risk is the risk of financial loss occurring as a result of default by a borrower or counterparty on their obligation to the Group and arises principally from the Group's loans to customers and credit institutions and other credit exposures.

For risk management purposes, credit risk arising from positions in debt securities held for trading is managed and reported on a daily basis.

Credit risk governance. Credit risk management policies, procedures and manuals are approved by the Board of Management/Supervisory Board according to the current Policy and Procedure of Group rules implementation at the Bank.

The following credit committees are responsible for approving corporate and retail credit risk exposures:
- The Credit Committee reviews and approves all loan/credit applications from customers and issuers above RUB 750 million or equivalent in other currencies depending on the rating of the borrower. It is chaired by the Chairman of the Board of Management or the CRO and meets on a weekly basis.
- The Small Credit Committee reviews and approves all loan/credit applications from corporate customers in the amount up to RUB 2 billion or equivalent in other currencies depending on the rating of the borrower. It is chaired by the Head of Credit Underwriting Department or Deputy Head/ Senior Manager of Credit Underwriting Department and meets on a weekly basis.
- The Retail Business Credit Committee is responsible for making decisions on loan applications of SME in the amount up to 73 million RUB (inclusive) and also for making decisions on loan applications of Private Individual clients in the amount up to 100 million RUB (inclusive) or equivalent in other currencies. The Retail Business Credit Committee meets in regular full-time

sessions that are held in cases of necessity, but not less than twice a month in working order.
- The Special Credit Committee for Troubled Assets and Credit Restructuring takes decisions on issues related to work with problematic assets and restructuring of loans within the limits of delegated authority.

All corporate credit applications are considered by collegial bodies (credit committees) except for low risk products (covered guarantees) and products with low limits (up to RUB 100 million) for which there is a system of personal credit approval authorities.

There is also a system of personal credit approval authorities with the four-eyes principle in place. For SME and private individuals lending process proposal is done by business function and approval is done by competent authority body according to decision matrix for applications. In the process of analyzing private individuals, the Bank uses various procedures, including an integrated approach to the assessment of the borrower. This approach establishes rules and checks, including those conducted automatically on the basis of internal and external information, including the assessment of client scoring. The analysis also takes into account the result of scoring obtained for the borrower from the National Credit Bureau.

All credit exposures above EUR 50 million or equivalent in other currencies as well as restructuring/refinancing applications above EUR 25 million have to be approved by authorized bodies of UniCredit Group.

The Group limits concentrations of exposure to individual customers, counterparties and issuers (for securities), as well as groups of related customers. Exposure to credit risk is managed through regular analysis of the borrower's creditworthiness and by changing/adjusting lending limits where appropriate.

The Group's credit policies and product guidelines establish:
- Procedures and standards for approval and review of loan/credit applications;
- Methodology for the credit assessment of borrowers (corporate, retail);
- Methodology for the credit assessment of counterparties, issuers and insurance companies;
- Methodology for the evaluation of collateral;
- Credit documentation requirements;
- Procedures for the ongoing monitoring of loans and other credit exposures.

The first stage in the processing of corporate loan/credit applications is their consideration by the Corporate Lending Department or Financing Department jointly with the relevant relationship managers. The applications could be solely prepared by relationship managers, depending on the respective authority granted to a given relationship manager.

Consideration of credit applications consist of a structured complex analysis focusing on the customer's business, financial performance and risks. The loan/credit applications are then independently reviewed by the Credit Underwriting Department, which checks the compliance with credit policy requirements and conducts an independent risk assessment, then gives a second opinion in respect of risks. The relevant Approval Authority responsible for making a decision on granting a loan/credit reviews the loan/credit application accompanied by the Credit Underwriting Department opinion.

In order to provide better assessment of customers' creditworthiness, separate units specialising on analysis of different industries were created within the Credit Underwriting Department. This business model allows the Group to quickly and thoroughly analyse changes in various industries, adjust strategies and take adequate decisions. Along with the industry divisioning there is also a set of regional risk managers that monitor the situation in the main regions of Group's operations. This allows the Group to manage its credit portfolio both on industry and regional levels.

Credit portfolio diversification by client types (large corporate clients, SME, individual clients) and industries allows to maintain high credit portfolio quality. In order to provide an adequate risk assessment, the Group uses various internal rating models which take into account specifics of different client segments, provides effective differentiation of clients by credit risk level and precise assessment of their probability of default in accordance with Basel II principles. Internal ratings are used in credit decision-making, pricing, capital allocation and risk management processes.

All existing credit deals/approved limits for corporate clients are subject to annual review procedures.

The Group continuously monitors the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Group. As the result of the review, the borrower's internal credit rating may be changed. The Group monitors concentrations of credit risk by industry/sector and by the exposure to top borrowers.

Retail loan applications are approved according to internal local policies, rules, guidelines and operational instructions for lending to individuals and SME. Information is obtained on every customer. The extent of the information required and frequency of its update depend on the regulatory requirements, the customer category, creditworthiness of the customer and type of a transaction. The business unit obtains and analyzes the information from different sources (information from the customer, on-site visits, internal/external sources).

In order to reduce the risk of potential losses in the Group's credit transactions a Monitoring Unit was established which implements procedures for systematic identification and assessment of negative signals, analysis and situation monitoring as well as strategies and action plans for potentially troubled corporate borrowers.

Property risk. Due to the nature of leasing activity, in case of default events, the Group is exposed to property risk which is the risk that it will be impossible to sell property repossessed from defaulted clients or selling price won't cover credit exposure of the client.

The Group minimizes this risk by analyzing the leasing objects as well as lessees before entering into a leasing transaction, in case of increased risk additional collateral is demanded, other measures to handle credit risk are also used.

Settlement risk. The Group's activities may give rise to settlement risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counterparty to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions the Group mitigates this risk by conducting settlements through settlement/clearing agents to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Acceptance of settlement risk on free settlement transactions requires transaction specific and/or counterparty specific settlement limits that form part of the counterparty limit approval/monitoring process described above.

The table below shows the maximum exposure to credit risk for the components of the statement of financial position, including derivatives. The maximum exposure is shown gross, before the effect of mitigation through the use of master netting and collateral agreements.

	Notes	Maximum gross exposure as at 31 December 2020	Maximum gross exposure as at 31 December 2019
Cash and cash balances (excluding cash on hand)	5	14 245 503	13 295 444
Debt securities held for trading:	6		
- held by the Group		1 082 892	-
Derivative financial assets	8	39 606 302	23 884 409
Derivative financial assets designated for hedging	8	18 583 515	9 873 372
Financial assets at amortized cost			
- Debt securities	11	67 986 636	-
- Amounts due from credit institutions	7	380 383 482	245 812 527
- Loans to customers	9	646 035 934	733 770 527
Financial assets at fair value through other comprehensive income	10		
- held by the Group		46 752 716	138 203 285
- pledged under repurchase agreements		-	678 732
Total		**1 214 676 980**	**1 165 518 296**
Financial commitments and contingencies	22	923 511 463	817 997 755
Total credit risk exposure		**2 138 188 443**	**1 983 516 051**

Where financial instruments are recorded at fair value, the amounts shown above represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in fair values.

The following tables provide the analysis of assets based on credit quality of respective counterparts as at 31 December 2020.

		Neither past due nor impaired			
	Notes	High grade	Standard	Past due or impaired	Total
Cash and cash balances (excluding cash on hand)	5	14 245 503	-	-	**14 245 503**
Debt securities held for trading:	6				
- held by the Group		1 082 892	-	-	**1 082 892**
Derivative financial assets	8	37 999 836	1 606 466	-	**39 606 302**
Derivative financial assets designated for hedging	8	18 583 515	-	-	**18 583 515**
Financial assets at amortized cost					
- Debt securities	11	67 986 636	-	-	**67 986 636**
- Amounts due from credit institutions	7	350 178 105	30 205 377	-	**380 383 482**
- Loans to customers	9	323 752 369	310 053 365	12 230 200	**646 035 934**
Financial assets at fair value through other comprehensive income	10				
- held by the Group		44 871 549	1 881 167	-	**46 752 716**
Total		**858 700 405**	**343 746 375**	**12 230 200**	**1 214 676 980**

28. Risk management (Continued)

The following tables provide the analysis of assets based on credit quality of respective counterparts as at 31 December 2019.

	Notes	Neither past due nor impaired		Past due or impaired	Total
		High grade	Standard		
Cash and cash balances (excluding cash on hand)	5	13 295 444	-	-	**13 295 444**
Derivative financial assets	8	21 158 410	2 725 999	-	**23 884 409**
Derivative financial assets designated for hedging	8	9 873 372	-	-	**9 873 372**
Financial assets at amortized cost					
- Amounts due from credit institutions	7	230 329 058	15 483 469	-	**245 812 527**
- Loans to customers	9	334 039 999	387 898 684	11 831 844	**733 770 527**
Financial assets at fair value through other comprehensive income	10				
- held by the Group		136 868 217	1 335 068	-	**138 203 285**
- pledged under repurchase agreement		678 732	-	-	**678 732**
Total		**746 243 232**	**407 443 220**	**11 831 844**	**1 165 518 296**

The High grade category includes not past-due exposures with internal ratings from 1+ to 4+ whose probability of default is up to 0.5% (so-called "Investment grade" in accordance with the UniCredit Group methodology). The Standard grade category includes not past-due exposures with internal ratings from 4 to 8 whose probability of default ranges from 0.5% to 99%. The Past due or impaired category includes exposures whose probability of default equals to 100% or exposures that are past-due.

As at 31 December 2020, 54% of exposures included in the tables above are rated as AAA/AA/A/BBB/BB/B by external rating agencies (Moody's, S&P, Fitch) (31 December 2019: 47%). As at 31 December 2020, 46% of the exposures (31 December 2019: 53%) are not rated due to the fact that small entities and private individuals are not externally rated.

Geographical concentration. Asset and Liability Management Committee (hereinafter – "ALCO") exercises control over the risk in the legislation and regulatory area and assesses its influence on the Group's activity. This approach allows the Group to minimize potential losses from the investment climate fluctuations in the Russian Federation. As at 31 December 2020 and 31 December 2019 assets and liabilities of the Group are concentrated mainly in the Russian Federation except for the amounts due from credit institutions and derivative financial assets and liabilities (including those designated for hedging) which are mainly concentrated in OECD countries.

Liquidity risk and funding management. Liquidity risk refers to the availability of sufficient funds to meet deposit withdrawals and other financial commitments associated with financial instruments as they actually fall due. Liquidity risk exists when the maturities of assets and liabilities do not match. The matching and/or controlled mismatching of the maturities and interest rates of assets and liabilities is fundamental to the management of financial institutions. It is unusual for maturities and interest rates of assets and liabilities of financial institutions ever to be completely matched since a lot of business transactions are of uncertain term and different types. An unmatched position could potentially enhance profitability, but also could increase the risk of failure to meet obligations.

The Group's approach to liquidity management is to ensure, as far as possible, that the Group always has sufficient liquidity to meet its obligations, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group reputation.

ALCO is responsible for management of liquidity risk. ALCO delegates to the Finance Department and Markets Department the responsibility to monitor and maintain the liquidity profile within limits on a daily basis. At the same time Market Risk Unit controls compliance with liquidity limits and informs ALCO in case of limit breaches. Both Finance Department and Market Risk Unit report to local and to the UniCredit Group ALCO on a weekly basis.

According to the liquidity management policy:

1. The approach to funding and structural liquidity is described in the annual funding plan, which is based on the annual budget data. On a monthly basis, the funding plan is updated taking into account the current balance and off-balance sheet positions, changes in the asset and liability mismatches of the Group, available funding sources and market analysis. The Group has adopted contingency funding plans, the UniCredit Group standard risk management instrument, which describes potential funding sources in case of crisis situation. The contingency funding plan is updated in the event of crisis, but at least on a semi-annual basis by Finance Department and approved by ALCO, after annual funding plan approval. In addition to Contingency funding plans UniCredit Group develops Recovery and Resolution Plan which covers extreme stress scenario management.

2. Structural liquidity is analyzed by Finance Department and Market Risk Unit using Net Stable Funding Ratio (hereinafter – "NSFR") and NSFR-based liquidity gap approach and reported to local ALCO and to the UniCredit Group ALCO on weekly basis. Liquidity limits and requirements both established by the UniCredit Group and the CBR are taken into account.

3. Short-term liquidity is monitored on the basis of cash flow models in total and separately by major currencies according to UniCredit Group approach and local approach. Differences in the two approaches are explained by necessity to control liquidity taking into account the Group's strategy and features of the local market environment.
   - Regulatory approach for liquidity monitoring based on Liquidity Coverage Ratio is applied in the Bank following UniCredit Group and the CBR requirements.
   - Stress scenarios (combined – including market crisis, foreign exchange market crisis scenario, etc.) are assessed to stress forecasted future cash flows and corresponding liquidity needs. Market crisis scenario includes "haircuts" to liquid security positions, failure of the Group's counterparties to meet their obligations with regard to money market deals, run on retail deposits, inability to make swaps at reasonable prices, etc. In attempt to reveal possible weaknesses reverse stress testing applied with further development of recovery plan.
   - UniCredit Group sets limits on cash flow positions that depend on available liquidity sources and level of liquid assets (portfolio of assets that can be quickly liquidated to meet obligations without significant price decline). Additionally local ALCO sets limits on liquidity gaps in accordance with local approach to cash flow model.
   - Liquidity control framework is not limited to strict metrics but includes liquidity early warning indicators, which allows ALCO to switch between going-concern and crisis phases.

4. Funding structure concentration is monitored and managed on a constant basis, including structural funding concentration by time bucket, total amount of structural funding in material foreign currencies, etc. Reports on customer funds concentration are presented to the management and analyzed on a weekly basis.

5. Liquidity ratios in line with regulatory requirements established by the CBR are to be monitored and met:
   - Instant liquidity Ratio (N2) is the ratio of liquid assets to sight and overnight liabilities;
   - Current liquidity ratio (N3) is the ratio of liquid assets to liabilities maturing within 30 calendar days;
   - Long-term liquidity ratio (N4) is the ratio of assets maturing after one year to the sum of equity and liabilities maturing after one year;
   - Liquidity coverage ratio (N26) is the ratio of high quality liquid assets and net short-term outflow. Calculated in compliance with actual CBR regulations, it implements "Basel III" standards;
   - Net stable funding ratio (N28) is ratio of stable funding and required stable funding. Calculated in compliance with actual CBR regulations, it implements "Basel III" standards.

Finance Department performs daily N26 and N28 estimation and makes strategic forecasts of these ratios for a one year horizon on a weekly basis. Markets Department makes daily operative forecasts of N26, N2, N3, N4 ratios for a one week horizon. Accounting Department is responsible for independent final calculation of regulatory ratios.

As at 31 December 2020 and 31 December 2019, these ratios were as follows:

	31 December 2020,%	31 December 2019,%
N2 "Instant liquidity Ratio" (minimum 15%)	180.4	196.4
N3 "Current Liquidity Ratio" (minimum 50%)	446.3	306.6
N4 "Long-Term Liquidity Ratio" (maximum 120%)	45.0	44.2
N26 «"Liquidity Coverage Ratio"(minimum 90%)	141.6	160.7
N28 "Net Stable Funding Ratio" (minimum 100%)	138.5	127.9

Notes to Consolidated Financial Statements (Continued)

28. Risk management (Continued)

The table below presents the liquidity gap profile as at 31 December 2020:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	No stated maturity	Total
Assets								
Cash and cash balances	28 949 714	-	-	-	-	-	-	**28 949 714**
Debt securities held for trading:								
- held by the Group	-	-	-	-	-	1 082 892	-	**1 082 892**
Derivative financial assets	1 307 853	954 844	696 684	1 320 790	9 752 068	25 574 063	-	**39 606 302**
Derivative financial assets designated for hedging	2 963	1 046 043	1 523 719	1 367 464	8 006 182	6 637 144	-	**18 583 515**
Financial assets at amortized cost:								
- Debt securities	-	-	-	-	-	67 986 636	-	**67 986 636**
- Amounts due from credit institutions	346 226 140	6 054 476	5 702 100	7 039 262	3 015 210	-	12 346 294	**380 383 482**
- Loans to customers	22 796 444	30 416 343	43 810 985	62 958 925	229 924 714	256 128 523	-	**646 035 934**
Debt securities FVTOCI	-	433 715	-	-	2 887 006	43 431 995	123 692	**46 876 408**
Other financial assets	2 083 593	-	-	-	-	-	-	**2 083 593**
Total financial assets	**401 366 707**	**38 905 421**	**51 733 488**	**72 686 441**	**253 585 180**	**400 841 253**	**12 469 986**	**1 231 588 476**
Liabilities								
Amounts due to credit institutions	23 002 269	2 449 557	588 168	668 547	2 359 875	34 949	-	**29 103 365**
Derivative financial liabilities	1 084 013	987 090	665 010	3 342 727	9 810 423	24 042 947	-	**39 932 210**
Derivative financial liabilities designated for hedging	372 136	1 514 113	1 986 434	5 710 316	12 141 649	8 453 317	-	**30 177 965**
Amounts due to customers	591 485 189	179 511 418	47 646 917	68 713 057	54 704 738	3 068 683	-	**945 130 002**
Other financial liabilities	3 346 451	-	-	-	-	-	-	**3 346 451**
Total financial liabilities	**619 290 058**	**184 462 178**	**50 886 529**	**78 434 647**	**79 016 685**	**35 599 896**	**-**	**1 047 689 993**
Net position	**(217 923 351)**	**(145 556 757)**	**846 959**	**(5 748 206)**	**174 568 495**	**365 241 357**	**12 469 986**	
Accumulated gap	**(217 923 351)**	**(363 480 108)**	**(362 633 149)**	**(368 381 355)**	**(193 812 860)**	**171 428 497**	**183 898 483**	

As shown in the table above, as at 31 December 2020 there is a maximum negative accumulated gap in 6 months to 1 year period that is explained by significant amount of short-term and demand deposits in liabilities. The accumulated gap can be sufficiently covered by refinancing with the CBR (loans secured by assets available for collateral under CBR loans), repurchase agreements and sell of securities while reducing volume of the Group's participation in reverse repurchase agreements.

The table below presents the liquidity gap profile as at 31 December 2019:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 1 year	1 year to 3 years	More than 3 years	No stated maturity	Total
Assets								
Cash and cash balances	24 268 658	-	-	-	-	-	-	**24 268 658**
Derivative financial assets	2 667 388	991 297	1 844 627	739 790	5 922 195	11 719 112	-	**23 884 409**
Derivative financial assets designated for hedging	16 781	2 213	132 636	1 252 153	5 491 986	2 977 603	-	**9 873 372**
Financial assets at amortized cost:								
- Amounts due from credit institutions	212 779 973	5 650 587	4 441 658	5 437 573	5 548 432	-	11 954 304	**245 812 527**
- Loans to customers	42 141 679	46 858 717	45 099 973	93 375 693	203 701 891	302 592 574	-	**733 770 527**
Debt securities FVTOCI	3 040 920	92 726 646	-	-	1 746 233	41 368 218	123 692	**139 005 709**
Other financial assets	6 725 016	-	-	-	-	-	-	**6 725 016**
Total financial assets	**291 640 415**	**146 229 460**	**51 518 894**	**100 805 209**	**222 410 737**	**358 657 507**	**12 077 996**	**1 183 340 218**
Liabilities								
Amounts due to credit institutions	54 766 917	5 987 069	934 149	2 104 304	1 419 330	31 297 703	-	**96 509 472**
Derivative financial liabilities	1 305 797	1 932 396	445 418	483 804	4 082 401	12 707 409	-	**20 957 225**
Derivative financial liabilities designated for hedging	369 249	564 598	1 075 220	1 201 833	6 296 540	5 870 031	-	**15 377 471**
Amounts due to customers	534 832 665	91 255 902	56 451 884	57 222 040	115 583 121	6 281 035	-	**861 626 647**
Other financial liabilities	2 852 290	-	-	-	-	-	-	**2 852 290**
Total financial liabilities	**594 126 918**	**99 739 965**	**58 906 671**	**61 011 981**	**127 381 392**	**56 156 178**	**-**	**997 323 105**
Net position	**(302 486 503)**	**46 489 495**	**(7 387 777)**	**39 793 228**	**95 029 345**	**302 501 329**	**12 077 996**	
Accumulated gap	**(302 486 503)**	**(255 997 008)**	**(263 384 785)**	**(223 591 557)**	**(128 562 212)**	**173 939 117**	**186 017 113**	

Notes to Consolidated Financial Statements (Continued)

28. Risk management (Continued)

Analysis of financial assets and liabilities by remaining contractual maturities. The tables below summarise the maturity profile of financial assets and liabilities as at 31 December 2020 and 31 December 2019 based on contractual undiscounted repayment obligations. Repayments which are subject to notice are treated as if notice were to be given immediately. However, the Group expects that many customers will not request repayment on the earliest date the Group could be required to pay. The tables do not reflect the expected cash flows indicated by the Group's deposit retention history.

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 12 months	1 year to 3 years	More than 3 years	No stated maturity	Total
Financial assets as at 31 December 2020								
Cash and cash balances	28 949 714	-	-	-	-	-	-	**28 949 714**
Debt securities held for trading:								
- held by the Group	1 082 892	-	-	-	-	-	-	**1 082 892**
Derivative financial assets:								
- Contractual amounts payable	(55 004 652)	(31 605 234)	(10 153 610)	(22 326 560)	(80 760 348)	(92 761 513)	-	**(292 611 917)**
- Contractual amounts receivable	55 763 930	32 386 484	11 972 736	23 315 643	88 607 622	112 209 159	-	**324 255 574**
Derivative financial assets designated for hedging:								
- Contractual amounts payable	(27 830)	(14 273 062)	(5 406 184)	(570 800)	(5 194 464)	(2 550 978)	-	**(28 023 318)**
- Contractual amounts receivable	99 888	17 233 001	7 210 446	3 948 359	12 363 635	5 704 586	-	**46 559 915**
Financial assets at amortized cost:								
- Debt securities	208 602	106 500	1 622 856	1 937 958	7 751 831	75 319 337	-	**86 947 084**
- Amounts due from credit institutions	346 672 263	6 186 925	5 873 969	7 379 676	2 999 025	108 984	12 351 304	**381 572 146**
- Loans to customers	30 962 150	38 198 825	58 502 351	87 351 772	299 867 244	357 369 734	-	**872 252 076**
Financial assets at fair value through other comprehensive income:								
- held by the Group	90 725	662 643	1 205 993	1 520 675	8 699 822	58 352 490	-	**70 532 348**
Other financial assets	2 083 593	-	-	-	-	-	-	**2 083 593**
Total undiscounted financial assets	**410 881 275**	**48 896 082**	**70 828 557**	**102 556 723**	**334 334 367**	**513 751 799**	**12 351 304**	**1 493 600 107**
Financial liabilities as at 31 December 2020								
Amounts due to credit institutions	23 022 598	2 469 964	598 679	789 414	2 401 845	35 113	-	**29 317 613**
Derivative financial liabilities:								
- Contractual amounts payable	45 751 756	20 198 498	8 792 596	35 454 712	103 475 653	124 194 655	-	**337 867 870**
- Contractual amounts receivable	(44 608 517)	(19 493 394)	(8 333 429)	(32 965 387)	(97 249 846)	(104 339 548)	-	**(306 990 121)**
Derivative financial liabilities designated for hedging:								
- Contractual amounts payable	685 663	11 314 163	11 512 920	32 511 883	39 616 313	11 023 586	-	**106 664 528**
- Contractual amounts receivable	(405 202)	(9 355 011)	(8 313 623)	(23 198 576)	(28 683 238)	(6 974 699)	-	**(76 930 349)**
Amounts due to customers	591 908 841	180 280 489	48 545 907	70 534 288	57 613 366	3 220 348	-	**952 103 239**
Other financial liabilities	3 346 451	-	-	-	-	-	-	**3 346 451**
Total undiscounted financial liabilities	**619 701 590**	**185 414 709**	**52 803 050**	**83 126 334**	**77 174 093**	**27 159 455**	**-**	**1 045 379 231**

The maturity profile of the financial assets and liabilities at 31 December 2019 was the following:

	Less than 1 month	1 month to 3 months	3 months to 6 months	6 months to 12 months	1 year to 3 years	More than 3 years	No stated maturity	Total
Financial assets as at 31 December 2019								
Cash and cash balances	24 268 658	-	-	-	-	-	-	24 268 658
Derivative financial assets:								
- Contractual amounts payable	(45 250 337)	(24 429 852)	(24 813 900)	(11 452 477)	(56 024 653)	(86 376 053)	-	(248 347 272)
- Contractual amounts receivable	48 264 765	25 115 250	28 498 668	14 952 453	64 529 437	98 190 655	-	279 551 228
Derivative financial assets designated for hedging:								
- Contractual amounts payable	(468 149)	(1 117 646)	(1 558 396)	(22 926 471)	(30 267 040)	(3 250 946)	-	(59 588 648)
- Contractual amounts receivable	434 587	1 792 413	2 185 443	26 175 553	36 093 675	4 857 283	-	71 538 954
Financial assets at amortized cost:								
- Amounts due from credit institutions	213 197 029	5 781 743	4 662 394	5 914 361	5 393 555	-	11 957 146	246 906 228
- Loans to customers	49 561 985	58 387 060	59 899 113	120 651 041	287 362 023	419 074 925	-	994 936 147
Financial assets at fair value through other comprehensive income:								
- held by the Group	3 174 935	93 752 009	1 208 793	1 463 772	7 479 246	69 855 153	-	176 933 908
- pledged under repurchase agreements	-	-	22 685	22 685	90 740	1 312 727	-	1 448 837
Other financial assets	6 725 016	-	-	-	-	-	-	6 725 016
Total undiscounted financial assets	**299 908 489**	**159 280 977**	**70 104 800**	**134 800 917**	**314 656 983**	**503 663 744**	**11 957 146**	**1 494 373 056**
Financial liabilities as at 31 December 2019								
Amounts due to credit institutions	54 844 626	6 958 414	1 869 224	4 018 241	8 859 608	39 562 275	-	116 112 388
Derivative financial liabilities:								
- Contractual amounts payable	56 153 540	41 147 046	11 824 396	9 894 791	31 366 041	111 192 350	-	261 578 164
- Contractual amounts receivable	(53 927 906)	(39 253 405)	(11 236 877)	(6 820 032)	(25 862 526)	(96 933 140)	-	(234 033 886)
Derivative financial liabilities designated for hedging:								
- Contractual amounts payable	1 166 588	7 193 676	14 398 243	31 020 493	47 670 877	13 152 287	-	114 602 164
- Contractual amounts receivable	(1 434 127)	(7 455 394)	(13 014 685)	(26 107 100)	(40 236 410)	(10 137 853)	-	(98 385 569)
Amounts due to customers	535 700 577	92 648 256	56 937 608	58 227 326	122 644 367	6 350 666	-	872 508 800
Other financial liabilities	2 852 290	-	-	-	-	-	-	2 852 290
Total undiscounted financial liabilities	**595 355 588**	**101 238 593**	**60 777 909**	**70 233 719**	**144 441 957**	**63 186 585**	**-**	**1 035 234 351**

The maturity analysis does not reflect the historical pattern of stable balances on current accounts. Withdrawals of current accounts historically are taking place over a longer period than indicated in the tables above. These balances are included in amounts due in less than one month in the tables above.

Included in due to customers are term deposits of individuals. In accordance with the Russian legislation, the Group is obliged to repay such deposits upon demand (please refer to Note 19).

28. Risk management (Continued)

The table below shows the contractual expiry by maturity of financial commitments and contingencies. These commitments and contingencies may result in cash outflows before the contractual maturity dates, depending on the occurrence of contractual events.

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 3 years	More than 3 years	Total
31 December 2020	29 685 893	49 045 485	61 410 116	263 510 291	478 644 623	41 215 055	**923 511 463**
31 December 2019	17 961 491	5 940 372	10 572 255	219 146 735	148 149 478	416 227 424	**817 997 755**

The Group expects that not all of the contingent liabilities or commitments will be drawn before expiry of the commitments.

Market risk. Market risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.

The Group distinguishes the following market risk categories:
1. Interest Rate Risk is the risk that changes in interest rates will affect future cash flows or fair values of financial instruments;
2. Currency Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates;
3. Spread Risk is the risk that changes in credit spreads will affect bond prices;
4. Basis spread risk is the risk that changes in cross-currency basis spread or between different bases (for example, 3 months and overnight) will affect the value of financial instruments;
5. Residual Risk is the risk that a price of a particular instrument will change due to its specific characteristics.

On a daily basis, the Group assesses interest rate, currency and basis spread risks for both the trading portfolio and banking book. Moreover, spread and residual risks are calculated for fixed income positions.

The Group applies a Value-at-Risk (hereinafter – "VaR") methodology for the measuring of all risks mentioned above. VaR methodology adopted by the Group estimates the potential negative change in the market value of a portfolio at a 99% confidence level over a 1-day horizon. The Group distinguishes the following types of VaR:
1. Total VaR is calculated for all risk factors taken in aggregate;
2. Interest Rate VaR is originated from interest rate risk exposure of the portfolio;
3. Foreign exchange VaR is originated from currency risk exposure of the portfolio;
4. Spread VaR is originated from spread risk exposure of the bond portfolio;
5. Residual VaR is originated from other factors exposure of the bond portfolio.

For interest rate risk management and control the Group also uses a Basis Point Value (hereinafter – "BP01") measure, which measures a change of present value of the Group's position if interest rate changes by one basis point. The measure is calculated for all currencies in which the Group has interest rate exposures. In addition, for bonds the Group calculates a Credit Point Value (hereinafter – "CPV") measure that reflects a change of the bond position present value in case of credit spread changes by one basis point.

The Group additionally calculates (and includes in VaR calculation as a component of interest rate risk) the change of present value of the Group's position if cross-currency basis swap rates change by one basis point.

Since monitoring of VaR, BP01 and CPV is an integral part of the risk management procedures, VaR, CPV and BP01 limits have been established and exposures are reviewed daily against the limits by Market Risk Unit (hereinafter – "MRU").

The Group has adopted the following limits:
- VaR limit for Fair Value through Profit and Loss (FVtPL) portfolio;
- VaR limit for Fair Value through Other Comprehensive Income (FVtOCI) portfolio;
- BP01 limit for Fair Value through Profit and Loss (FVtPL) portfolio;
- BP01 limit for Fair Value through Other Comprehensive Income (FVtOCI) portfolio, including BP01 limits for certain currencies and tenors;
- CPV limits for trading and banking book bond positions;
- Position limits for trading and banking book bond positions;
- Open foreign exchange position limits;
- LWL and STWL limits for Fair Value through Profit and Loss (FVtPL) portfolio;
- LWL and STWL limits for Fair Value through Other Comprehensive Income (FVtOCI) portfolio.

Usage of VaR enables management of position taking into consideration complex relationships and interdependencies between different risk factors. Typically, MRU analyses VaR figures and sets BP01 limits which help traders and the Finance Department to optimize risk profiles in volatile market environment.

Verification of applied methodologies is carried out through back- and stress-testing. Bank estimates its own internal models of market risk regarding data quality and risk factor completeness on a regular basis.

In addition, MRU monitors on a daily basis the financial result of the trading operations and thoroughly investigates any significant variances.

The control of economic and regulatory open foreign currency position is performed by MRU on a daily basis against the established limits.

All limit violations are analyzed by MRU on a daily basis, and all limit breaches are escalated and reported to local ALCO and to the relevant UniCredit Group functions.

According to Basel III regulatory standards the Credit Valuation Adjustment (modification of derivatives market value taking into account counterparty credit risk) and corresponding impact on capital are calculated monthly by the Group. Additionally, the requirements of minimum mark-up of derivative transactions with corporate counterparties are applied.

Interest rate risk management of the banking book. The Group uses the active interest rate risk management concept, which aims to minimize the net interest income volatility of the banking book. Risk appetite is generally used for IRRBB limitation for economic value sensitivity and net interest income sensitivity, which are used to define granular metric restriction.

In the banking book interest rate risk position there is a discrepancy between economic (behavioral) and contractual maturities of financial instruments. It concerns both instruments with fixed contractual maturities (loans and time deposits) and instruments without contractual maturities (current accounts, capital). Based on the historical observation, the Group developed models that allowed applying a behavioral approach to such kinds of banking book items for construction of interest rate risk position with the aim of better interest rate risk management by means of preventing over-hedging and encouraging self-hedging.

Behavioral models applied to non-interest bearing current accounts and a prepayment model for retail loans affecting interest rate risk position of the Group. For avoiding an accounting discrepancy between hedged items of the banking book carried at amortised cost and hedging instruments calculated on a mark-to-market basis and, as a result, to stabilize net interest income, the Group uses hedge accounting methodology. Currently, Macro Cash Flow Hedge and Portfolio Fair Value Hedge are used.

Objectives and limitations of VaR methodology (unaudited). The Group uses Basel II compliant VaR methodology based on historical simulations. Historical simulation is a method that allows to calculate VaR without making any assumptions about the statistical distribution of the portfolio value movements. This approach involves the construction of the hypothetical distribution of the yields (profit and losses) of a portfolio of financial instruments directly by means of the historical fluctuations of the market prices. Once the hypothetical distribution has been calculated, the VaR is given by the percentile evaluation with the 99% confidence level.

VaR estimates are based on historical data and therefore have some limitations. The volatility of interest and exchange rates observed in the past might not match the current market conditions, which could lead to an underestimation of future losses. The VaR measure does not account for any losses that may occur beyond the 99% confidence level.

The adequacy of the models used by the Group is controlled using a back-testing method, which compares VaR measures with realized mark-to-market revaluation for traded instruments and mark-to-model revaluation for non-traded instruments. This analysis is provided by MRU on a monthly basis.

One single model is used to estimate VaR for all purposes (regulatory, market risk disclosures, etc.). Changes to VaR model/parameters (if any are required) are validated using the back-testing approach mentioned above. Regulatory requirements for approval, if any, are handled at the UniCredit Group level.

Notes to Consolidated Financial Statements (Continued)

28. Risk management (Continued)

Computational results (unaudited)

The following table shows estimation of the potential losses that could occur on the Fair Value through Other Comprehensive Income (FVtOCI) portfolio as a result of movements in market rates and prices:

	2020	2019
Total VaR	756 069	341 973

The following table shows estimation of the potential losses that could occur on the Fair Value through Profit and Loss (FVtPL) portfolio as a result of movements in market rates and prices:

	2020	2019
Total VaR	154 857	33 739
Interest Rate VaR	174 505	30 886
Spread VaR	19 169	-
Foreign exchange VaR	5 852	4 509

Currency risk. Currency risk is defined as the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group is exposed to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

Strategic Risks Management Department together with Financial Markets Department controls currency risk by management of the open currency position in order to minimize the Group's losses from significant currency rates fluctuations toward its national currency, while also utilizing short-term profit opportunities. The Group does not keep long-term exposures to currency risk. The Group uses spots, swaps and forwards as main instruments of risk hedging.

The Group's exposure to foreign currency exchange rate risk as at 31 December 2020 is presented in the table below:

	RUB	USD	EUR	Other currencies	Total
Non-derivative financial assets					
Cash and cash equivalents	20 938 696	3 289 297	4 352 156	369 565	28 949 714
Debt securities held for trading					
- held by the Group	1 082 892	-	-	-	1 082 892
Financial assets at amortized cost:					
- Debt securities	67 986 636	-	-	-	67 986 636
- Amounts due from credit institutions	223 976 451	128 041 715	25 505 351	2 859 965	380 383 482
- Loans to customers	388 431 177	170 114 624	87 490 133	-	646 035 934
Financial assets at fair value through other comprehensive income:					
- held by the Group	46 869 661	-	6 747	-	46 876 408
Other financial assets	1 079 577	218 044	759 757	26 215	2 083 593
Total non-derivative financial assets	**750 365 090**	**301 663 680**	**118 114 144**	**3 255 745**	**1 173 398 659**
Non-derivative financial liabilities					
Amounts due to credit institutions	23 959 117	1 880 222	3 215 431	48 595	29 103 365
Amounts due to customers	433 425 544	410 674 666	85 871 226	15 158 566	945 130 002
Other financial liabilities	2 212 370	274 161	762 370	97 550	3 346 451
Total non-derivative financial liabilities	**459 597 031**	**412 829 049**	**89 849 027**	**15 304 711**	**977 579 818**
OPEN BALANCE SHEET POSITION	**290 768 059**	**(111 165 369)**	**28 265 117**	**(12 048 966)**	**195 818 841**
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**(107 485 195)**	**111 347 163**	**(28 096 797)**	**12 197 704**	**(12 037 125)**
OPEN POSITION	**183 282 864**	**181 794**	**168 320**	**148 738**	**183 781 716**

The Group's exposure to foreign currency exchange rate risk as at 31 December 2019 is presented in the table below:

	RUB	USD	EUR	Other currencies	Total
Non-derivative financial assets					
Cash and cash equivalents	19 298 216	2 422 229	2 388 452	159 761	24 268 658
Financial assets at amortized cost:					
- Amounts due from credit institutions	102 506 789	117 337 118	22 492 515	3 476 105	245 812 527
- Loans to customers	520 528 632	169 823 768	43 418 123	4	733 770 527
Financial assets at fair value through other comprehensive income:					
- held by the Group	138 320 230	-	6 747	-	138 326 977
- pledged under repurchase agreements	678 732	-	-	-	678 732
Other financial assets	2 270 662	209 815	4 191 437	53 102	6 725 016
Total non-derivative financial assets	**783 603 261**	**289 792 930**	**72 497 274**	**3 688 972**	**1 149 582 437**
Non-derivative financial liabilities					
Amounts due to credit institutions	57 610 906	34 619 119	4 233 851	45 596	96 509 472
Amounts due to customers	488 625 703	292 698 204	70 381 997	9 920 743	861 626 647
Other financial liabilities	1 971 969	228 823	598 568	52 930	2 852 290
Total non-derivative financial liabilities	**548 208 578**	**327 546 146**	**75 214 416**	**10 019 269**	**960 988 409**
OPEN BALANCE SHEET POSITION	**235 394 683**	**(37 753 216)**	**(2 717 142)**	**(6 330 297)**	**188 594 028**
OPEN POSITION ON DERIVATIVE FINANCIAL INSTRUMENTS	**(50 282 726)**	**38 167 101**	**2 992 795**	**6 468 942**	**(2 653 888)**
OPEN POSITION	**185 111 957**	**413 885**	**275 653**	**138 645**	**185 940 140**

The following table presents sensitivities of profit and loss and equity to changes in exchange rates applied at the reporting date by 10%, with all other variables held constant:

	2020 impact	2019 impact
USD strengthening by 10%	18 179	41 389
USD weakening by 10%	(18 179)	(41 389)
EUR strengthening by 10%	16 832	27 565
EUR weakening by 10%	(16 832)	(27 565)

Management believes that sensitivity analysis does not necessarily reflect currency risk adherent to the Group due to the fact that amounts as of the end of reporting periods do not reflect the amounts throughout the year.

Operational risk

Operational risk definition and risk management principles. The Group defines as "operational" the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The definition of Operational Risk includes legal risk but excludes strategic and reputation risks. Legal risk includes but is not limited to exposure to fines, penalties or punitive damages resulting from supervisory actions as well as private settlements.

The management of operational risk as defined above is based on the following fundamental principles:
- Involvement of corporate governing bodies in all the relevant decisions regarding the operational risk management framework;
- Independence of operational risk management function from the risk taking functions;
- Effective system of controls at different control levels (line, second level and third level);
- Clear separation between the operational risk management framework development and validation functions;
- Involvement of operational risk management function in the evaluation of the risks within new products, processes, systems and markets;
- Effective and efficient escalation and decision-making process;
- Adequate and periodical disclosure and reporting process.

Operational risk management framework. The Group is fully compliant with the UniCredit Group's operational risk management framework in its guiding standards and principles, the requirements of the Basel Committee on Banking Supervision and the Central Bank of Russia, as well as with the legislation of the Russian Federation. The Bank is also working to bring Operational Risk management system into compliance with the requirements of the Regulation of the Bank of Russia No. 716-P "Requirements for the Operational Risk Management System in a Credit Institution and Banking Group".

The implementation of the standards and principles is substantially supported by the exhaustive set of internally approved normative documents being constantly maintained and updated in accordance with both external and internal requirements.

The Board of Management holds the responsibility for the establishment, governance and continuous monitoring of the effective and efficient operational risk management system. The Board of Management establishes the general policies of the Group's operational risk management system and has control over its due implementation and its actual operations including but not limiting to:

- Approval of the operational risk framework and any essential changes to it as well as all internal normative documents of the Group guiding the operational risk management system;
- Establishment of an operational risk management function being of appropriate independence of judgement and having the adequate personnel and other resources;
- Assurance that the tasks and responsibilities of the functions involved in the operational risk management system are assigned in a clear and appropriate manner with special regard to avoidance of conflicts of interest;
- Establishment of informing and reporting system providing accurate, complete and timely information on operational risk exposure and other significant operational risk management issues.

For further enforcement of the operational risk management system, Operational Risk Committee being a governing body primarily is responsible for making decisions on operational risk topics and ongoing monitoring of developments affecting the Group's business and promoting the exchange of information among the divisions and individual operating functions (Retail Banking, CIB, CFO, GBS, Legal, HR, Security) representing line of controls.

The Operational Risk Management Unit (hereinafter – "ORM Unit") performing the second level controls is fully independent from risk taking functions performing the line level controls. The ORM Unit's main methodologies, tools and activities to identify, assess, monitor and mitigate operational risk are focused on but not limited to:

- Loss data collection and validation including general ledger analysis, accounts reconciliation, transitory and suspense accounts monitoring, data quality control;
- Operational risk indicators;
- Scenario analysis;
- Risk & Control Self Assessment on Processes;
- ELOR monitoring;
- Insurance coverage;
- Capital at risk allocation according to the Basel II Standardized Approach;
- New products/processes analysis from the operational risk impact perspective;
- Credit bureaus cooperation;
- Reporting and escalating any of the essential Operational Risk issues to the Board of Management, Internal Audit Department and competent UniCredit Group functions;
- Granting to the Operational Risk Committee information of the relevant operational risk events having significant effect on the Group's risk profile.

In order to assure and sustain the efficacy of the Operational Risk identification and mitigation processes, a Permanent Workgroup is operating which aims at identifying the source of Operational Risk taking measures for prevention of the operational risks and reduce the Operational Risk exposure, leveraging mainly on the expertise of the ORM Unit, Internal Audit Department and the invited experts from relevant divisions of the Bank.

The Internal Audit Department performing the third level controls cooperates with the ORM Unit in terms of setting, development, implementation and maintenance of the operational risk management system, operational risk identification and the inherent local internal validation process.

29. Fair values of financial instruments

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The Group follows methodology adopted by the UniCredit Group, which belongs to the income approach family – Discounted Cash Flow model. It is defined as the sum of the present value of expected future cash flow specific to the instrument, discounted using a rate that incorporates all risk factors, mainly leveraging on market inputs rather than on internal parameters. Main inputs for calculating fair value include:

- Cash flows;
- Risk-free interest rates;
- Credit spreads;
- Risk neutral cumulative default probability;
- Risk premium;
- Correlations;
- Internal cumulative probability of default;
- Loss given default.

In the case of the presence of liquid instruments in the market, an estimate of the credit spread can be derived from market quotes.

For fair value computation of financial liabilities own credit spread is used, determined on the basis of the prices of Group's unsecured senior bonds.

In addition, for financial reporting purposes, fair value measurements are categorised 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.

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

	31 December 2020		31 December 2019	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
- Debt securities	67 986 636	68 007 750	-	-
- Amounts due from credit institutions	380 383 482	382 992 187	245 812 527	246 692 408
- Loans to customers	646 035 934	664 533 755	733 770 527	734 299 930
Financial liabilities				
Amounts due to credit institutions	29 103 365	29 342 712	96 509 472	97 279 889
Amounts due to customers	945 130 002	948 204 657	861 626 647	872 989 818

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

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
- Debt securities	58 195 150	9 812 600	-	68 007 750
- Amounts due from credit institutions	-	-	382 992 187	382 992 187
- Loans to customers	-	-	664 533 755	664 533 755
Financial liabilities				
Amounts due to credit institutions	-	-	29 342 712	29 342 712
Amounts due to customers	-	-	948 204 657	948 204 657

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

Notes to Consolidated Financial Statements (Continued)

29. 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, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

	31 December 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value				
Debt securities held for trading				
- held by the Group	1 082 892	-	-	1 082 892
Derivative financial assets	-	39 606 302	-	39 606 302
Derivative financial assets designated for hedging	-	18 583 515	-	18 583 515
Financial assets at fair value through other comprehensive income:				
- held by the Group	34 394 360	12 358 356	-	46 752 716
Total	**35 477 252**	**70 548 173**	**-**	**106 025 425**
Financial liabilities at fair value				
Derivative financial liabilities	-	39 932 210	-	39 932 210
Derivative financial liabilities designated for hedging	-	30 177 965	-	30 177 965
Total	**-**	**70 110 175**	**-**	**70 110 175**

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

The table above does not include financial assets at fair value through other comprehensive income equity investments of RUB 123 692 thousand (31 December 2019: RUB 123 692 thousand) which do not have a quoted market price in an active market.

During the year ended 31 December 2020 there were no transfers between fair value levels for financial assets at fair value through other comprehensive income (31 December 2019: transfer from level 2 to level 1 amounted to RUB 8 533 345 thousand).

During the year ended 31 December 2020 and the year ended 31 December 2019 there were no transfers between fair value levels for trading securities.

30. Related party disclosures

As at 31 December 2020 the sole shareholder of the Group is the UniCredit S.p.A. UniCredit S.p.A. issues publicly available financial statements.

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

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

	31 December 2020	Weighted average interest rate, %	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	799 215	4.8	649 707	6.5
- In EUR	741 212	0.0	460 795	0.0
- In USD	43 723 320	0.8	95 838 180	2.3
Derivative financial assets	11 256 449		10 504 983	
Derivative financial assets designated for hedging	16 414 444		9 222 110	
Other assets	111 514		103 486	
Amounts due to credit institutions				
- In Russian Roubles	515 610	0.0	129 183	0.0
- In EUR	434 893	1.8	448 711	1.8
- In USD	163 503	3.1	30 327 115	11.8
Derivative financial liabilities	32 754 421		11 094 170	
Derivative financial liabilities designated for hedging	23 278 243		10 896 528	
Other liabilities	498 426		563 430	
Commitments and guarantees issued	14 543 230		10 885 422	
Commitments and guarantees received	12 710 326		10 972 433	

Commitments and guarantees issued contain guarantees under which UniCredit S.p.A. is the beneficiary.

	2020	2019
Interest income and similar revenues	14 193 194	24 662 338
Interest expense and similar charges	(10 459 507)	(16 253 977)
Fee and commission income	10 095	19 883
Fee and commission expense	(61 765)	(134 733)
(Losses)/gains on financial assets and liabilities held for trading	(26 808 141)	19 505 827
Fair value adjustments in portfolio hedge accounting	(874 299)	(2 773 372)
Personnel expenses	(37 940)	(10 441)
Other administrative costs	(110 914)	(68 043)

Notes to Consolidated Financial Statements (Continued)

30. Related party disclosures (Continued)

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

	31 December 2020	Weighted average interest rate, %	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	6 997 853	4.5	649 714	6.5
- In EUR	9 499 028	0.0	11 665 800	0.0
- In USD	3 644 303	0.0	2 341 480	0.0
- In other currencies	14 760	0.0	153 918	0.0
Derivative financial assets	562 324		1 518 492	
Derivative financial assets designated for hedging	1 216 591		651 020	
Loans to customers				
- In Russian Roubles	77 289	8.2	705 797	5.8
Intangible assets	139 502		125 428	
Other assets	184 046		165 993	
Amounts due to credit institutions				
- In Russian Roubles	3 475 336	2.6	4 307 486	3.5
- In EUR	2 294 519	2.5	3 397 399	2.1
- In USD	328 789	2.1	1 699 138	3.0
Derivative financial liabilities	2 097 210		3 007 703	
Derivative financial liabilities designated for hedging	3 297 093		1 606 352	
Amounts due to customers				
- In Russian Roubles	1 202 089	3.8	695 312	4.0
Other liabilities	741 372		279 833	
Commitments and guarantees issued	29 496 110		28 581 450	
Commitments and guarantees received	18 864 963		16 090 783	

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

	2020	2019
Interest income and similar revenues	953 406	678 566
Interest expense and similar charges	(2 270 052)	(1 663 384)
Fee and commission income	321 742	108 338
Fee and commission expense	(109 671)	(82 787)
(Losses)/gains on financial assets and liabilities held for trading	(133 765)	420 666
Fair value adjustments in portfolio hedge accounting	21 380	730 532
Other income	485	485
Personnel expenses	(7 000)	(5 230)
Other administrative expenses	(335 566)	(259 677)

Balances and transactions with associate are as follows:

	31 December 2020	Weighted average interest rate, %	31 December 2019	Weighted average interest rate, %
Amounts due from credit institutions				
- In Russian Roubles	10 120 399	8.0	11 251 984	8.2
Derivative financial assets	24 460		58 196	
Financial assets at fair value through other comprehensive income	804 658	7.7	795 401	7.7
Amounts due to credit institutions				
- In Russian Roubles	9 022	0.0	12 996	0.0
- In EUR	12 351	0.0	4 777	0.0
- In USD	3 785	0.0	1 843	0.0
Derivative financial liabilities	884 888		341 546	
Investments in associate	9 669 851		8 202 044	
Commitments and guarantees issued	215 085		177 735	

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

	2020	2019
Interest income and similar revenues	1 571 156	1 968 978
Interest expense and similar charges	(842 404)	(722 648)
Fee and commission income	5 632	17 994
Losses on financial assets and liabilities held for trading	(751 596)	(731 832)
Share of gains of associate	1 392 302	1 263 054

Balances and transactions with key management personnel are as follows:

	31 December 2020	Weighted average interest rate, %	31 December 2019	Weighted average interest rate, %
Amounts due to customers	254 535	2.0	464 854	3.8
Other liabilities				
- accrued liabilities on remuneration	266 142		296 161	
- other liabilities	35 984		90 142	

	2020	2019
Interest expense	(8 673)	(17 702)
Personnel expenses, including:	(320 993)	(301 540)
short-term benefits	(264 527)	(241 201)
long-term benefits	(52 290)	(54 991)
post-employment benefits	(4 176)	(5 348)

Subordinated loans from the members of the UniCredit Group were as follows for 2020 and 2019:

	31 December 2020	31 December 2019
	UniCredit S.p.A	UniCredit S.p.A
Subordinated loans at the beginning of the year	**29 780 408**	**33 517 157**
Accrual of interest, net of interest paid	-	(98 789)
Effect of exchange rates changes	7 601 151	(3 637 960)
Redemption of subordinated debt	(37 381 559)	-
Subordinated loans at the end of the year	**-**	**29 780 408**