AO UniCredit Bank

Consolidated Financial Statements and
Independent Auditor's Report
For the Year Ended 31 December 2020

AO UniCredit Bank

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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	**G. Chernysheva**
Chairman of the Board of Management	Chief Accountant

18 March 2021
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

INDEPENDENT AUDITOR'S REPORT

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. 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 23-27, 36-37 and 46-55 respectively.	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: • 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

Why the matter was determined to be a key audit matter	How the matter was addressed in the audit
	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.

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

The Entity: AO UniCredit Bank

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

Primary State Registration Number: 1027739082106

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

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

Audit Firm: AO "Deloitte & Touche CIS"

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

Primary State Registration Number: 1027700425444

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

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

AO UniCredit Bank

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**
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

G. Chernysheva
Chief Accountant

18 March 2021

The accompanying notes 1-30 are an integral part of these consolidated financial statements.

AO UniCredit Bank

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
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

G. Chernysheva
Chief Accountant

18 March 2021

Акционерное общество "ЮниКредит Банк" ОГРН 1027739082106 ИНН 7710030411 АО UniCredit Bank г. МОСКВА

The accompanying notes 1-30 are an integral part of these consolidated financial statements.

AO UniCredit Bank

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	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	Foreign currency translation reserve	Fixed assets revaluation reserve	Retained earnings	Total equity
1 January 2019	**41 787 806**	**437 281**	**146 889**	**(2 115 871)**	**23 352**	**(98 835)**	-	**155 581 682**	**195 762 304**
Total comprehensive income									
Profit for the year	-	-	-	-	-	-	-	17 701 065	**17 701 065**
Other comprehensive income									
Change in cash flow hedge reserve, net of tax (Note 16)	-	-	(528 620)	-	-	-	-	-	**(528 620)**
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (Note 16)	-	-	-	4 093 397	(152)	-	-	-	**4 093 245**
Change in foreign currency translation reserve (Note 16)	-	-	-	-	-	27 005	-	-	**27 005**
Change in fixed assets revaluation reserve, net of tax (Note 16)	-	-	-	-	-	-	4 294 938	-	**4 294 938**
Total other comprehensive (loss)/income	**-**	**-**	**(528 620)**	**4 093 397**	**(152)**	**27 005**	**4 294 938**	**-**	**7 886 568**
TOTAL COMPREHENSIVE (LOSS) / INCOME	**-**	**-**	**(528 620)**	**4 093 397**	**(152)**	**27 005**	**4 294 938**	**17 701 065**	**25 587 633**
Transactions with owner, directly recorded in equity									
Dividends paid on ordinary shares (Note 21)	-	-	-	-	-	-	**-**	(8 121 322)	**(8 121 322)**
Total transactions with owner	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8 121 322)**	**(8 121 322)**
31 December 2019	**41 787 806**	**437 281**	**(381 731)**	**1 977 526**	**23 200**	**(71 830)**	**4 294 938**	**165 161 425**	**213 228 615**

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

The accompanying notes 1-30 are an integral part of these consolidated financial statements.

AO UniCredit Bank

Consolidated Statement of Changes in Equity
for the Year Ended 31 December 2020
(in thousands of Russian Roubles)

					Share of other comprehensive income/(loss) of associate				
	Share capital	Share premium	Cash flow hedge reserve	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
1 January 2020	**41 787 806**	**437 281**	**(381 731)**	**1 977 526**	**23 200**	**(71 830)**	**4 294 938**	**165 161 425**	**213 228 615**
Total comprehensive income									
Profit for the year	-	-	-	-	-	-	-	8 953 907	**8 953 907**
Other comprehensive income									
Change in cash flow hedge reserve, net of tax (Note 16)	-	-	632 746	-	-	-	-	-	**632 746**
Change in revaluation reserve for financial assets at fair value through other comprehensive income, net of tax (Note 16)	-	-	-	(334 251)	8 497	-	-	-	**(325 754)**
Change in foreign currency translation reserve (Note 16)	-	-	-	-	-	67 008	-	-	**67 008**
Change in fixed assets revaluation reserve, net of tax (Note 16)	-	-	-	-	-	-	83 785	-	**83 785**
Total other comprehensive income/(loss)	**-**	**-**	**632 746**	**(334 251)**	**8 497**	**67 008**	**83 785**	**-**	**457 785**
TOTAL COMPREHENSIVE INCOME/(LOSS)	**-**	**-**	**632 746**	**(334 251)**	**8 497**	**67 008**	**83 785**	**8 953 907**	**9 411 692**
Transfer of revaluation reserve upon depreciation	-	-	-	-	-	-	(146 763)	146 763	-
Transactions with owner, directly recorded in equity									
Dividends paid on ordinary shares (Note 21)	-	-	-	-	-	-	-	(8 121 323)	**(8 121 323)**
Total transactions with owner	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(8 121 323)**	**(8 121 323)**
31 December 2020	**41 787 806**	**437 281**	**251 015**	**1 643 275**	**31 697**	**(4 822)**	**4 231 960**	**166 140 772**	**214 518 984**

K. Zhukov-Emelyanov
Chairman of the Board of Management

18 March 2021

G. Chernysheva
Chief Accountant

The accompanying notes 1-30 are an integral part of these consolidated financial statements.

AO UniCredit Bank

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)**
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

Акционерное общество "ЮниКредит Банк" ОГРН 1027739082106 ИНН 7710030411 АО UniCredit Bank г. Москва

The accompanying notes 1-30 are an integral part of these consolidated financial statements.

(Thousands of Russian Roubles)

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.

(Thousands of Russian Roubles)

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

(Thousands of Russian Roubles)

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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).

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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

2. Significant accounting policies (continued)

- 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.

2. Significant accounting policies (continued)

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.

Significant increase in credit risk. 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.

2. Significant accounting policies (continued)

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.

Modification and derecognition of financial assets. 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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

<u>Write-off.</u> 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.

<u>Presentation of allowance for ECL in the statement of financial position.</u> 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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

2. Significant accounting policies (continued)

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.

3. Significant accounting judgements and estimates (continued)

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.

3. Significant accounting judgements and estimates (continued)

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.

(Thousands of Russian Roubles)

4. Operating segments (continued)

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**

(Thousands of Russian Roubles)

4. Operating segments (continued)

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**

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

4. Operating segments (continued)

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	-	-

(Thousands of Russian Roubles)

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**

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**

(Thousands of Russian Roubles)

7. Amounts due from credit institutions (continued)

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.

(Thousands of Russian Roubles)

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		
	Notional principal	Fair value Asset	Fair value Liability	Notional principal	Fair value Asset	Fair value 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		
	Notional principal	Fair value Asset	Fair value Liability	Notional principal	Fair value Asset	Fair value 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.

8. Derivative financial instruments (continued)

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).

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

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 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**

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**

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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**

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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**

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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**

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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.

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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**

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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.

(Thousands of Russian Roubles)

9. Loans to customers (continued)

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**

(Thousands of Russian Roubles)

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.

(Thousands of Russian Roubles)

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:

		Place of incorporation and principal place of business	Proportion of ownership interest by the Group	
Name	**Principal activity**		**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**

(Thousands of Russian Roubles)

12. Investments in associate (continued)

The reconciliation of the above financial information to the carrying amount of the interest in associate recognized in the consolidated financial statements is as follows:

Carrying amount of the Group's interest in BARN B.V. as at 1 January 2019	**6 912 137**
Share of post-acquisition net profit of associate for the period	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**

(Thousands of Russian Roubles)

13. Transfers of financial assets (continued)

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.

(Thousands of Russian Roubles)

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**

15. Intangible assets (continued)

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.

(Thousands of Russian Roubles)

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**

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**

(Thousands of Russian Roubles)

16. Taxation (continued)

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**

(Thousands of Russian Roubles)

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).

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

19. Amounts due to customers (continued)

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.

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

22. Commitments and contingencies (continued)

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**

(Thousands of Russian Roubles)

22. Commitments and contingencies (continued)

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**

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**

(Thousands of Russian Roubles)

22. Commitments and contingencies (continued)

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**

(Thousands of Russian Roubles)

22. Commitments and contingencies (continued)

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.

23. Operating environment (continued)

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.

(b) Additionally there are contingency measures envisaged in Contingency Funding Plan which includes, in particular, increase in Counterbalance capacity pool and disposal of syndicated loans.

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

(Thousands of Russian Roubles)

23. Operating environment (continued)

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)**

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

27. Capital management (continued)

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.

28. Risk management (continued)

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.

28. Risk management (continued)

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.

28. Risk management (continued)

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.

28. Risk management (continued)

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.

(Thousands of Russian Roubles)

28. Risk management (continued)

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.

	Notes	Neither past due nor impaired		Past due or impaired	Total
		High grade	Standard		
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**

(Thousands of Russian Roubles)

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 High grade	Neither past due nor impaired Standard	Past due or impaired	Total
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.

28. Risk management (continued)

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.

(Thousands of Russian Roubles)

28. Risk management (continued)

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

(Thousands of Russian Roubles)

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.

(Thousands of Russian Roubles)

28. Risk management (continued)

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**	

(Thousands of Russian Roubles)

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**

(Thousands of Russian Roubles)

28. Risk management (continued)

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.

(Thousands of Russian Roubles)

28. Risk management (continued)

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).

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.

28. Risk management (continued)

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.

(Thousands of Russian Roubles)

28. Risk management (continued)

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.

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

(Thousands of Russian Roubles)

28. Risk management (continued)

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**

(Thousands of Russian Roubles)

28. Risk management (continued)

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.

28. Risk management (continued)

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.

28. Risk management (continued)

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.

(Thousands of Russian Roubles)

29. Fair values of financial instruments (continued)

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

(Thousands of Russian Roubles)

29. Fair values of financial instruments (continued)

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

	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

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**

(Thousands of Russian Roubles)

29. Fair values of financial instruments (continued)

	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.

(Thousands of Russian Roubles)

30. Related party disclosures (continued)

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)

(Thousands of Russian Roubles)

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)

(Thousands of Russian Roubles)

30. Related party disclosures (continued)

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)

(Thousands of Russian Roubles)

30. Related party disclosures (continued)

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**

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Партнер
АО «Делойт и Туш СНГ»

Зданевич А.