

CREDIT BANK OF MOSCOW
(public joint-stock company)

Consolidated Interim Condensed
Financial Statements
for the six-month period
ended 30 June 2016

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Auditors' Report on Review of Consolidated Interim Condensed Financial Information

To the Shareholders and Supervisory Board
CREDIT BANK OF MOSCOW (public joint-stock company)

Introduction

We have reviewed the accompanying consolidated interim condensed statement of financial position of CREDIT BANK OF MOSCOW (public joint-stock company) and its subsidiaries (the Group) as at 30 June 2016, and the related consolidated interim condensed statements of profit or loss and other comprehensive income for the three- and the six-month periods ended 30 June 2016, and the related consolidated interim condensed statements of changes in equity and cash flows for the six-month period ended 30 June 2016, and notes to the consolidated interim condensed financial information (the consolidated interim condensed financial information). Management is responsible for the preparation and presentation of this consolidated interim condensed financial information in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this consolidated interim condensed financial information based on our review.

Scope of Review

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

Audited entity: Credit Bank of Moscow (public joint-stock company).

Registered by the Central Bank of the Russian Federation on 18 August 1999, Registration No.1978.

Entered in the Unified State Register of Legal Entities on 18 November 2002 by the Department of Federal Tax Service, Registration No. 1027739555282, Certificate series 77 No. 004840877.

Address of audited entity: 2 (building 1), Lukov pereulok, Moscow, Russian Federation, 107045.

Independent auditor: JSC "KPMG", a company incorporated under the Laws of the Russian Federation, a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Registered by the Moscow Registration Chamber on 25 May 1992, Registration No. 011.585.

Included in the Unified State Register of Legal Entities on 13 August 2002 by the Moscow Inter-Regional Tax Inspectorate No.39 of the Ministry for Taxes and Duties of the Russian Federation, Registration No. 1027700125626, Certificate series 77 No. 005721432.

Member of the Self-regulated organization of auditors "Audit Chamber of Russia" (Association). The Principal Registration Number of the Entry in the State Register of Auditors and Audit Organisations: No.10301000804.



Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the consolidated interim condensed financial information as at 30 June 2016 and for the three- and the six-month periods ended 30 June 2016 is not prepared, in all material respects, in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.



Kolosov A.E.
Director (Power of attorney dated 24 March 2016 No. 12/16)
JSC "KPMG"

19 August 2016
Moscow, Russian Federation

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income
for the three- and the six-month periods ended 30 June 2016

	Notes	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Interest income	4	55 975 909	38 699 742	28 481 838	19 897 851
Interest expense	4	(35 513 680)	(28 278 339)	(17 165 354)	(14 373 131)
Net interest income	4	20 462 229	10 421 403	11 316 484	5 524 720
Provision for impairment of loans	12	(16 229 223)	(8 482 034)	(9 080 517)	(3 914 640)
Net interest income after provision for impairment of loans		4 233 006	1 939 369	2 235 967	1 610 080
Fee and commission income	5	6 313 824	4 299 639	3 302 976	2 479 791
Fee and commission expense	5	(995 827)	(1 311 340)	(519 142)	(916 295)
Net gain on financial instruments at fair value through profit or loss		374 938	608 953	481 168	606 071
Net realized gain on available-for-sale assets		361 918	24 825	393 292	15 996
Net foreign exchange gains		2 162 092	1 275 294	1 351 483	466 063
State deposit insurance scheme		(396 038)	(337 886)	(211 198)	(166 509)
Operating lease income		361 813	7 478	339 830	2 779
Other operating income (expense), net		418 025	(181 094)	236 301	(328 337)
Non-interest income		8 600 745	4 385 869	5 374 710	2 159 559
Operating income		12 833 751	6 325 238	7 610 677	3 769 639
Salaries and employment benefits	6	(3 801 177)	(2 593 514)	(1 904 130)	(1 227 302)
Administrative expenses	6	(2 182 652)	(1 481 264)	(1 228 324)	(908 372)
Depreciation of property and equipment		(545 601)	(291 810)	(365 619)	(147 218)
Recovery of (provision for) impairment of other assets and credit related commitments		17 139	(444 567)	130 781	(336 904)
Operating expense		(6 512 291)	(4 811 155)	(3 367 292)	(2 619 796)
Profit before income taxes		6 321 460	1 514 083	4 243 385	1 149 843
Income tax	7	(1 254 079)	(319 334)	(833 525)	(244 100)
Profit for the period		5 067 381	1 194 749	3 409 860	905 743

The consolidated interim condensed statements of profit or loss and other comprehensive income are to be read in conjunction with the notes, forming an integral part of the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statements of Profit or Loss and Other Comprehensive Income
for the three- and the six-month periods ended 30 June 2016 (continued)

Notes	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Profit for the period	5 067 381	1 194 749	3 409 860	905 743
Other comprehensive income				
<i>Items that are or may be reclassified subsequently to profit or loss:</i>				
Revaluation reserve for available-for-sale securities:				
- net change in fair value	1 798 192	1 876 360	796 544	675 779
- net change in fair value transferred to profit or loss	(524 154)	(220 142)	(388 651)	(147 656)
Exchange differences on translation	2 661	-	2 661	-
Income tax related to other comprehensive income	(255 141)	(331 244)	(81 912)	(105 625)
Other comprehensive income for the period, net of income tax	1 021 558	1 324 974	328 642	422 498
Total comprehensive income for the period	6 088 939	2 519 723	3 738 502	1 328 241
Basic and diluted earnings per share (in RUB per share)	0.21	0.08	0.14	0.06

Chairman of the Management Board

Acting Chief Accountant



Vladimir A. Chubar

Ekaterina V. Toloka

The consolidated interim condensed statements of profit or loss and other comprehensive income are to be read in conjunction with the notes, forming an integral part of the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Financial Position as at 30 June 2016

	Notes	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
ASSETS			
Cash and cash equivalents	8	189 439 010	138 014 586
Obligatory reserves with the Central Bank of the Russian Federation		7 706 567	5 936 111
Deposits in credit and other financial institutions	9	266 036 417	277 295 869
Financial instruments at fair value through profit or loss	10	62 477 158	72 136 989
- <i>Pledged under sale and repurchase agreements</i>	10	696 633	2 654 432
Available-for-sale securities	11	89 199 987	87 402 909
- <i>Pledged under sale and repurchase agreements</i>	11	12 138 025	2 115 753
Loans to customers	12	574 817 327	593 065 265
- <i>Loans to corporate clients</i>	12	471 797 567	482 423 222
- <i>Loans to individuals</i>	12	103 019 760	110 642 043
Property and equipment		23 178 113	7 004 418
Other assets		8 916 702	27 344 481
Total assets		1 221 771 281	1 208 200 628
LIABILITIES AND EQUITY			
Deposits by the Central Bank of the Russian Federation		-	4 044 647
Deposits by credit and other financial institutions	13	67 714 801	84 659 913
Deposits by customers	14	941 812 959	898 692 231
- <i>Corporate customers</i>	14	731 482 510	697 763 224
- <i>Individuals</i>	14	210 330 449	200 929 007
Debt securities issued	15	107 479 518	121 154 765
Deferred tax liability		518 474	2 380 552
Other liabilities		5 818 128	4 930 058
Total liabilities		1 123 343 880	1 115 862 166
Equity			
Share capital	16	24 741 640	24 741 640
Additional paid-in capital		35 047 463	35 047 463
Revaluation surplus for buildings		769 176	769 176
Revaluation reserve for available-for-sale securities		1 239 300	220 070
Currency translation reserve		2 328	-
Retained earnings		36 627 494	31 560 113
Total equity		98 427 401	92 338 462
Total liabilities and equity		1 221 771 281	1 208 200 628

Commitments and Contingencies 17-18

Chairman of the Management Board

Acting Chief Accountant



Vladimir A. Chubar

Ekaterina V. Toloka

The consolidated interim condensed statement of financial position is to be read in conjunction with the notes, forming an integral part of the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Cash Flows
for the six-month period ended 30 June 2016

Notes	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Interest receipts	51 595 164	35 339 141
Interest payments	(32 999 622)	(25 801 697)
Fees and commission receipts	6 360 701	4 016 549
Fees and commission payments	(995 827)	(1 311 340)
Net receipts from operations with securities	519 469	419 792
Net receipts from foreign exchange	3 347 946	2 806 396
State deposit insurance scheme contributions payments	(390 395)	(324 002)
Net other operating income receipts (expense payments)	485 870	(97 857)
Salaries and employment benefits paid	(3 536 310)	(2 566 824)
Administrative expenses paid	(1 962 246)	(971 418)
Income tax paid	(2 067 214)	(153 711)
Operating cash flows before changes in operating assets and liabilities	20 357 536	11 355 029
(Increase) decrease in operating assets		
Obligatory reserves with the Central Bank of the Russian Federation	(1 770 456)	(515 710)
Deposits in credit and other financial institutions	(22 742 196)	(111 410 690)
Financial instruments at fair value through profit or loss	9 168 925	(7 662 178)
Loans to customers	(19 436 688)	(66 116 360)
Other assets	187 146	648 679
Increase (decrease) in operating liabilities		
Deposits by the Central Bank of the Russian Federation	(3 814 530)	68 673 570
Deposits by credit and other financial institutions except syndicated and subordinated loans	(3 766 243)	36 740 731
Deposits by customers except subordinated loans	99 795 671	71 658 903
Promissory notes issued	(1 059 000)	3 845 392
Other liabilities	139 730	88 457
Net cash from operations	77 059 895	7 305 823
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of available-for-sale securities	(19 600 345)	(8 217 608)
Sale of available-for-sale securities	8 771 598	4 716 007
Net purchase of property and equipment	(425 617)	(130 256)
Net cash used in investing activities	(11 254 364)	(3 631 857)

The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes, forming an integral part of the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Cash Flows
for the six-month period ended 30 June 2016

	Notes	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from placement and issuance of bonds		3 963 672	3 000 000
Repayments of bonds		(7 690 750)	(7 000 000)
Repayment of subordinated borrowings		(375 451)	-
Issuance of common stock		-	13 175 654
Proceeds from syndicated borrowings		-	251 237
Repayment of syndicated borrowings		-	(18 680 858)
Net cash used in financing activities		(4 102 529)	(9 253 967)
Effect of exchange rates changes on cash and cash equivalents		(10 278 578)	(1 885 953)
Change in cash and cash equivalents		51 424 424	(7 465 954)
Cash and cash equivalents, beginning of the period		138 014 586	118 696 921
Cash and cash equivalents, end of the period	8	189 439 010	111 230 967

Chairman of the Management Board

Vladimir A. Chubar

Acting Chief Accountant

Ekaterina V. Toloka



The consolidated interim condensed statement of cash flows is to be read in conjunction with the notes, forming an integral part of the consolidated interim condensed financial statements.

CREDIT BANK OF MOSCOW (public joint-stock company)
Consolidated Interim Condensed Statement of Changes in Equity
for the six-month period ended 30 June 2016

	Share capital	Additional paid-in capital	Shares in the process of issue	Revaluation surplus for buildings	Revaluation reserve for available-for-sale securities	Currency translation reserve	Retained earnings	Total equity
	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000	RUB'000
1 January 2015	15 329 692	9 768 757	5 000 000	1 115 928	(1 277 529)	-	30 050 642	59 987 490
Total comprehensive income for the period (Unaudited)	-	-	-	-	1 324 974	-	1 194 749	2 519 723
Issued shares (Unaudited)	1 272 265	3 727 735	(5 000 000)	-	-	-	-	-
Shares in the process of issue (Unaudited)	-	-	13 175 654	-	-	-	-	13 175 654
30 June 2015 (Unaudited)	16 601 957	13 496 492	13 175 654	1 115 928	47 445	-	31 245 391	75 682 867
1 January 2016	24 741 640	35 047 463	-	769 176	220 070	-	31 560 113	92 338 462
Total comprehensive income for the period (Unaudited)	-	-	-	-	1 019 230	2 328	5 067 381	6 088 939
30 June 2016 (Unaudited)	24 741 640	35 047 463	-	769 176	1 239 300	2 328	36 627 494	98 427 401

Chairman of the Management Board

Acting Chief Accountant



Vladimir A. Chubar

Ekaterina V. Toloka

The consolidated interim condensed statement of changes in equity is to be read in conjunction with the notes, forming an integral part of consolidated interim condensed financial statements.

1 Background

Principal activities

These consolidated interim condensed financial statements include the financial statements of CREDIT BANK OF MOSCOW (public joint-stock company) (the Bank) and its subsidiaries (together referred to as the Group).

The Bank was formed on 5 August 1992 as an open joint-stock company, then re-registered as a limited liability company under the legislation of the Russian Federation. On 18 August 1999 the Bank was reorganized as an open joint-stock company. On 16 May 2016 the Bank was reregistered as a public joint-stock company under the legislation of the Russian Federation. The Bank's registered legal address is 2 (bldg. 1) Lukov pereulok, Moscow, Russia. The Bank operates under a general banking license from the Central Bank of the Russian Federation (the CBR), renewed on 21 January 2013. In December 2004 the Bank was admitted to the state program for individual deposit insurance.

The Bank is among the 15 largest banks in Russia by assets and conducts its business in Moscow and the Moscow region with a branch network comprising 69 branches, 965 ATMs and 5 473 payment terminals.

The Group operates in industry where significant seasonal or cyclical variations in operating income are not experienced during the financial year.

The principal subsidiaries of the Group are as follows:

Name	Country of incorporation	Principal activities	Degree of control, %	
			30 June 2016 (unaudited)	31 December 2015
CBOM Finance p.l.c.	Ireland	Raising finance	100%	100%
MKB-Leasing Group	Russia	Finance leasing	100%	100%
CJSC Mortgage Agent MKB	Russia	Raising finance	100%	100%
INKAKHRAN Group	Russia	Cash handling	100%	100%
CBM Ireland Leasing Limited	Ireland	Operating leasing	100%	-

The Bank does not have any direct or indirect shareholdings in the subsidiaries "CBOM Finance p.l.c." and CJSC "Mortgage Agent MKB". "CBOM Finance p.l.c." was established to raise capital by the issue of debt securities and to use the proceeds of each such issuance to advance loans to the Bank. CJSC "Mortgage Agent MKB" was established for the purposes of the mortgage loans securitization program launched by the Bank in 2014. CBM Ireland Leasing Limited was established for operating leasing of aircrafts.

Shareholders

The Bank's shareholders as at 30 June 2016 are:

- LLC Concern Rossium – 56.83%
- RegionFinanceResurs, JSC – 8.69%
- LLC IC Algoritm – 6.93%
- European Bank for Reconstruction and Development (EBRD) – 4.54%
- RBOF Holding Company I Ltd – 2.79%
- International Finance Corporation (IFC) – 1.75%
- LLC NTI – 1.34%
- Powerboom Investments Limited – 1.32%
- PJSC IC Rosgosstrakh – 1.32%
- Other shareholders – 14.49%.

The majority participant of Concern Rossium, LLC, is Roman I. Avdeev, who is an ultimate controlling party of the Group.

Related party transactions are detailed in note 20.

Russian business environment

The Group's operations are primarily located in the Russian Federation. Consequently, the Group is exposed to the economic and financial markets of the Russian Federation, which display emerging-market characteristics. Legal, tax and regulatory frameworks continue to be developed, but are subject to varying interpretations and frequent changes that, together with other legal and fiscal impediments, contribute to the challenges faced by entities operating in the Russian Federation.

The conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a depreciation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities, including banks, may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine. Management of the Group believes that it takes all the necessary efforts to support the economic stability of the Group in the current environment.

The consolidated interim condensed financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Group. The future business environment may differ from management's assessment.

2 Basis of preparation

Statement of compliance

The accompanying consolidated interim condensed financial statements are prepared in accordance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. They do not include all of the information required for full consolidated financial statements, and should be read in conjunction with the consolidated financial statements as at and for the year ended 31 December 2015, as these consolidated interim condensed financial statements provide an update of previously reported financial information.

Basis of measurement

The consolidated interim condensed financial statements are prepared on the historical cost basis except that financial instruments at fair value through profit or loss and available-for-sale securities are stated at fair value and buildings are stated at revalued amounts.

Functional and presentation currency

The functional currency of the Bank and the majority of its subsidiaries is the Russian Rouble (RUB) as, being the national currency of the Russian Federation, it reflects the economic substance of the majority of underlying events and circumstances relevant to them.

The RUB is also the presentation currency for the purposes of these consolidated interim condensed financial statements.

Financial information presented in RUB is rounded to the nearest thousand.

Foreign currencies, particularly USD and euro, play significant role in determination of economic parameters for many business operations conducted in the Russian Federation. The table below sets out exchange rates for USD and euro against RUB, defined by the CBR:

	30 June 2016	31 December 2015	30 June 2015
USD	64.2575	72.8827	55.5240
Euro	71.2102	79.6972	61.5206

Use of estimates and judgments

The preparation of consolidated interim condensed financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from those estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these consolidated interim condensed financial statements the critical judgments made by management in applying the accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31 December 2015.

3 Significant accounting policies

The accounting policies applied by the Group in the preparation of these consolidated interim condensed financial statements are consistent with those applied by the Group in the consolidated financial statements for the year ended 31 December 2015.

Certain amendments to IFRS became effective from 1 January 2016 and have been adopted by the Group since that date. These changes do not have a significant effect on the Group's consolidated interim condensed financial statements.

4 Net interest income

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Interest income				
Loans to customers	40 336 626	30 964 944	18 893 949	15 587 309
Financial instruments at fair value through profit or loss and available-for-sale securities	6 762 059	4 046 500	3 073 791	2 247 222
Deposits in credit and other financial institutions and the Central Bank of the Russian Federation	8 877 224	3 688 298	6 514 098	2 063 320
	55 975 909	38 699 742	28 481 838	19 897 851
Interest expense				
Deposits by customers	(27 274 475)	(20 662 845)	(13 575 820)	(10 494 463)
Debt securities issued	(5 416 337)	(5 785 136)	(2 568 786)	(2 825 518)
Deposits by credit and other financial institutions and the Central Bank of the Russian Federation	(2 822 868)	(1 830 358)	(1 020 748)	(1 053 150)
	(35 513 680)	(28 278 339)	(17 165 354)	(14 373 131)
Net interest income	20 462 229	10 421 403	11 316 484	5 524 720

5 Net fee and commission income

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Fee and commission income				
Cash handling	1 282 731	606 478	637 557	310 303
Guarantees and letters of credit	1 138 837	950 912	587 551	620 764
Plastic cards	1 079 591	874 766	564 311	458 071
Other cash operations	775 749	309 397	405 361	158 014
Settlements and wire transfers	766 500	625 470	409 269	318 283
Insurance contracts processing	709 432	451 448	435 543	365 522
Opening and maintenance of bank accounts	266 260	139 363	102 454	48 947
Currency exchange commission	213 871	147 595	116 404	80 356
Other	80 853	194 210	44 526	119 531
	6 313 824	4 299 639	3 302 976	2 479 791
Fee and commission expense				
Settlements, wire transfers and plastic cards	(908 318)	(669 263)	(471 751)	(351 911)
Other	(87 509)	(642 077)	(47 391)	(564 384)
	(995 827)	(1 311 340)	(519 142)	(916 295)
Net fee and commission income	5 317 997	2 988 299	2 783 834	1 563 496

6 Salaries, employment benefits and administrative expenses

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Three-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Salaries	2 942 590	1 962 999	1 497 442	945 918
Social security costs	808 193	567 741	383 398	251 454
Other	50 394	62 774	23 290	29 930
Salaries and employment benefits	3 801 177	2 593 514	1 904 130	1 227 302
Occupancy	501 203	396 951	259 460	179 662
Security	283 074	118 277	155 837	71 617
Advertising and business development	250 337	293 489	198 926	237 419
Property maintenance	236 451	140 679	157 671	90 626
Operating taxes	218 791	213 654	136 968	133 349
Write-off of low-value fixed assets	180 788	49 846	106 413	43 596
Transport	170 630	60 691	18 395	35 698
Insurance	94 340	50 760	40 961	27 506
Computer maintenance and software expenses	78 881	53 737	56 349	34 508
Communications	76 157	36 476	46 471	22 469
Other	92 000	66 704	50 873	31 922
Administrative expenses	2 182 652	1 481 264	1 228 324	908 372

The Group does not have pension arrangements separate from the State pension system of the Russian Federation. The Russian Federation system requires current contributions by the employer calculated as a percentage of current gross salary payments; such expense is charged to profit or loss in the period the related compensation is earned by the employee.

7 Income tax

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Current tax charge	3 371 298	996 704
Deferred taxation	(2 117 219)	(677 370)
Income tax expense	1 254 079	319 334

Russian legal entities must report taxable income and remit income taxes thereon to the appropriate authorities. The statutory income tax rate for the Bank is 20% in 2016 and 2015.

8 Cash and cash equivalents

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Cash on hand	12 270 316	17 344 885
Correspondent account with the Central Bank of the Russian Federation	31 675 328	27 453 843
Nostro accounts with other banks		
rated from AA+ to AA-	1 144 322	5 328 877
rated from A+ to A-	1 905 490	5 690 810
rated from BBB+ to BBB-	6 017 188	6 830 951
rated from BB+ to BB-	1 124 167	882 723
rated from B+ to B-	96 020	184 616
not rated	150 397	877 347
Total nostro accounts with other banks	10 437 584	19 795 324
Deposits in credit and other financial institutions with maturity of less than 1 month		
rated from A+ to A-	20 771 485	17 618 251
rated from BBB+ to BBB-	29 487 465	6 385 399
rated from BB+ to BB-	31 370 931	12 850 750
rated from B+ to B-	35 553 063	21 887 770
Rated from CCC+ to CCC-	12 536 375	-
not rated	5 336 463	14 678 364
Total deposits in credit and other financial institutions with maturity of less than 1 month	135 055 782	73 420 534
Total cash and cash equivalents	189 439 010	138 014 586

Ratings are based on Fitch, Moody's and Standard & Poor's rating system.

No cash and cash equivalents are impaired or past due.

The correspondent account with the Central Bank of the Russian Federation represents balances held with the Central Bank of the Russian Federation related to settlement activity, and was available for withdrawal at the period end.

As at 30 June 2016, receivables under reverse sale and repurchase agreements included in cash and cash equivalents are RUB 94 770 124 thousand (31 December 2015: RUB 50 735 211 thousand).

As at 30 June 2016, the fair value of securities that serve as collateral under reverse sale and repurchase agreements is RUB 119 437 837 thousand (31 December 2015: RUB 56 143 699 thousand).

As at 30 June 2016, not rated deposits in credit and other financial institutions with maturity of less than 1 month includes receivables under reverse sale and repurchase agreements secured by highly liquid debt securities in the amount of RUB 5 336 463 thousand (31 December 2015: RUB 14 478 366 thousand).

As at 30 June 2016, the Group has three counterparties (31 December 2015: one counterparty) whose nostro accounts and deposits with maturity of less than 1 month exceed 10% of total cash and cash equivalents. The gross value of these balances as at 30 June 2016 is RUB 68 518 633 thousand (31 December 2015: RUB 17 618 251 thousand).

9 Deposits in credit and other financial institutions

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Term deposits in credit and other financial institutions		
rated from BBB+ to BBB-	-	44 132 015
Rated from BB+ to BB-	5 261 743	22 211 830
rated from B+ to B-	39 953 234	26 076 109
Rated from CCC+ to CCC-	12 750 959	27 792 362
not rated	208 070 481	157 083 553
Total deposits in credit and other financial institutions	266 036 417	277 295 869

No amounts deposits in credit and other financial institutions are impaired or past due.

As at 30 June 2016 not rated and rated from CCC+ to CCC- deposits in credit and other financial institutions includes receivables under reverse sale and repurchase agreements secured by highly liquid debt securities in the amount of RUB 216 396 773 thousand (31 December 2015: RUB 181 062 949 thousand).

As at 30 June 2016, the Group has one counterparty (31 December 2015: three counterparties) whose whose deposit balances exceed 10% of total deposits in credit and other financial institutions. The gross value of these balances as at 30 June 2016 is RUB 203 645 814 thousand (31 December 2015: RUB 210 587 665 thousand).

10 Financial instruments at fair value through profit or loss

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
<u>Held by the Group</u>		
Government and municipal bonds		
Russian Government Federal bonds (OFZ)	3 770 117	508 810
Moscow Government bonds	-	223 936
Regional authorities and municipal bonds	4 965 962	3 391 004
Corporate bonds		
rated AAA	-	170 475
from BBB+ to BBB-	14 937 503	22 847 946
from BB+ to BB-	19 513 277	20 382 401
from B+ to B-	10 097 491	15 260 063
not rated	7 611 571	5 771 732
Derivative financial instruments	884 604	926 190
Total held by the Group	61 780 525	69 482 557

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	30 June 2016	31 December 2015
	RUB'000	RUB'000
	(Unaudited)	
<u>Pledged under sale and repurchase agreements</u>		
Government and municipal bonds		
Regional authorities and municipal bonds	-	2 303 352
Corporate bonds		
from BBB+ to BBB-	696 633	219 288
from BB+ to BB-	-	131 792
Total pledged under sale and repurchase agreements	696 633	2 654 432
Total financial instruments at fair value through profit or loss	62 477 158	72 136 989

No financial instruments at fair value through profit or loss are past due.

As at 30 June 2016, debt instruments at fair value through profit or loss in the amount of RUB 49 862 854 thousand (31 December 2015: RUB 64 464 969 thousand) are qualified to be pledged against borrowings from the Central Bank of the Russian Federation.

Derivative financial instruments

The table below summarises, by major currencies, the contractual amounts of spot and forward exchange contracts outstanding as at 30 June 2016 and 31 December 2015 with details of the contractual exchange rates and remaining periods to maturity. Foreign currency amounts presented below are translated at rates ruling at the reporting date. The resulting unrealised gains and losses on these unmatured contracts are recognized in profit or loss and in financial instruments at fair value through profit or loss or other liabilities, as appropriate.

	Notional amount		Weighted average contractual exchange rates	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	RUB'000	RUB'000	RUB'000	RUB'000
	(Unaudited)		(Unaudited)	
Buy RUB sell USD				
Less than 3 months	41 524 636	46 951 167	65.0915	72.0062
Between 3 months and 6 months	66 828	-	70.4500	-
Buy USD sell RUB				
Less than 3 months	27 043 258	14 527 633	63.9227	73.8118
Between 3 months and 6 months	193 599	-	67.4164	
Between 6 months and 9 months	7 270 635	-	70.7865	-
Between 1 year and 2 years	-	7 078 650	-	70.7865
Buy USD sell EUR				
Less than 3 months	12 817 836	3 984 860	1.1257	0.9109
Between 3 months and 6 months	5 714 915	3 984 860	1.1388	0.8768
Between 6 months and 9 months	-	3 984 860	-	0.8677
Buy RUB sell EUR				
Less than 3 months	2 372 937	16 503 696	74.4540	79.1222

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	Notional amount		Weighted average contractual exchange rates	
	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Buy EUR sell USD				
Less than 3 months	714 057	885 689	1.1105	1.0938
Buy CNY sell EUR				
Less than 3 months	6 999	-	9.6400	-
Buy CHF sell USD				
Less than 3 months	6 426	-	0.9755	-
Buy EUR sell RUB				
Less than 3 months	-	11 869 556	-	79.0982
Buy GBP sell RUB				
Less than 3 months	-	5 940	-	108.0000

11 Available-for-sale securities

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
<u>Held by the Group</u>		
Corporate bonds		
from BBB+ to BBB-	23 106 837	23 519 257
from BB+ to BB-	34 949 710	40 615 035
from B+ to B-	1 518 225	5 827 315
from CCC+ to CCC-	17 199	121 821
not rated	6 592 815	3 159 347
Promissory notes		
from BB+ to BB-	7 579 242	8 389 557
from B+ to B-	3 186 272	3 543 557
Equity investments	111 662	111 267
Total held by the Group	77 061 962	85 287 156
<u>Pledged under sale and repurchase agreements</u>		
Corporate bonds		
from BBB+ to BBB-	2 139 558	249 696
from BB+ to BB-	9 998 467	1 866 057
Total pledged under sale and repurchase agreements	12 138 025	2 115 753
Total available-for-sale securities	89 199 987	87 402 909

No available-for-sale securities are past due.

As at 30 June 2016, debt instruments available for sale in the amount of RUB 63 978 285 thousand (31 December 2015: RUB 62 223 479 thousand) are qualified to be pledged against borrowings from the Central Bank of the Russian Federation.

12 Loans to customers

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to corporate clients	509 322 390	510 205 763
Impairment allowance	(37 524 823)	(27 782 541)
Total loans to corporate clients, net	471 797 567	482 423 222
Loans to individuals		
Auto loans	1 746 823	3 307 156
Mortgage loans	23 951 165	21 559 432
Credit card loans	3 797 065	4 141 275
Other loans to individuals	82 226 855	90 725 254
Impairment allowance	(8 702 148)	(9 091 074)
Total loans to individuals, net	103 019 760	110 642 043
Total gross loans to customers	621 044 298	629 938 880
Impairment allowance	(46 226 971)	(36 873 615)
Net loans to customers	574 817 327	593 065 265

Credit quality of loan portfolio

The following table provides information on credit quality of the loan portfolio as at 30 June 2016 and 31 December 2015:

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to customers		
- Not past due	558 053 210	562 343 490
- Not past due but impaired	10 626 322	21 794 590
- Overdue less than 31 days	3 832 892	7 398 954
- Overdue 31-60 days	2 056 817	4 356 496
- Overdue 61-90 days	15 225 071	1 606 736
- Overdue 91-180 days	3 538 323	10 882 199
- Overdue 181-360 days	13 743 696	18 205 851
- Overdue more than 360 days	13 967 967	3 350 564
Total gross loans to customers	621 044 298	629 938 880
Impairment allowance	(46 226 971)	(36 873 615)
Total net loans to customers	574 817 327	593 065 265

As at 30 June 2016, the gross amount of overdue loans with payments that are overdue at least for one day totals RUB 52 364 766 thousand, which represents 8.4% of the gross loan portfolio (31 December 2015: RUB 45 800 800 thousand and 7.3%, respectively).

Non-performing loans (NPLs), or loans with payments that are overdue over ninety days, amount to RUB 31 249 986 thousand or 5.0% of the gross loan portfolio (31 December 2015: RUB 32 438 614 thousand and 5.1%, respectively).

As at 30 June 2016, the ratio of total impairment allowance to overdue loans equals 88.3%, the ratio of total impairment allowance to NPLs equals 147.9% (31 December 2015: 80.5%, 113.7%, respectively).

Movements in the loan impairment allowance for the six-month periods ended 30 June 2016 and 30 June 2015 are as follows:

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Balance at the beginning of the period	36 873 615	16 176 196
Net charge	16 229 223	8 482 034
Net write-offs	(6 875 867)	(3 050 118)
Balance at the end of the period	46 226 971	21 608 112

As at 30 June 2016, net interest accrued on overdue and impaired loans amounts to RUB 1 428 091 thousand (31 December 2015: RUB 803 123 thousand).

Credit quality of loans to corporate clients portfolio

The following table provides information on credit quality of loans to corporate clients as at 30 June 2016 and 31 December 2015:

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to corporate clients		
- Not past due	459 395 503	456 119 669
- Not past due but impaired	10 626 322	21 794 590
- Overdue less than 31 days	1 856 738	5 906 042
- Overdue 31-60 days	691 849	3 180 256
- Overdue 61-90 days	14 283 800	213 323
- Overdue 91-180 days	1 604 800	7 965 233
- Overdue 181-360 days	9 529 361	14 148 922
- Overdue more than 360 days	11 334 017	877 728
Total gross loans to corporate clients	509 322 390	510 205 763
Impairment allowance	(37 524 823)	(27 782 541)
Total net loans to corporate clients	471 797 567	482 423 222

As at 30 June 2016, the Group estimates loan impairment for loans to corporate clients based on an analysis of future cash flows for impaired loans and based on its internal credit rating adjusted for the value of collateral for portfolios of loans for which no indications of impairment have been identified. The key assumptions used in the analysis of future cash flows for impaired loans are based on the assessment of the value of collateral pledged to secure these loans when applicable. To estimate net realizable value of collateral for sale, management generally relies on market prices and professional judgment of internal appraisers, applying discount where appropriate.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by plus/minus two percent, the impairment allowance as at 30 June 2016 would decrease/increase by RUB 9 435 951 thousand (31 December 2015: RUB 9 648 464 thousand).

Analysis of collateral

Corporate loans are secured by the following types of collateral, depending on the type of transaction: real estate and other property, equipment and motor vehicles, inventories, receivables, securities, promissory notes, and also by guarantees and sureties.

The following table provides information on collateral securing loans to corporate customers, net of impairment, by types of collateral as at 30 June 2016 and 31 December 2015:

	30 June 2016	31 December 2015
	RUB'000	RUB'000
	(Unaudited)	
Securities	80 967 411	83 371 235
Real estate	73 428 714	82 071 384
Goods in turnover	22 797 264	28 178 103
Equipment and motor vehicles	14 926 364	14 548 057
Claims for contract receivables	6 623 742	3 105 425
Guaranteed deposits	4 992 040	4 992 040
Bank's own debt securities	940 372	8 471 000
Corporate sureties and no collateral	<u>267 121 660</u>	<u>257 685 978</u>
	<u>471 797 567</u>	<u>482 423 222</u>

The Group generally does not consider corporate sureties for impairment assessment purposes.

The amounts in the table above represent the carrying value of the related loan, and do not necessarily represent the fair value of the collateral.

The recoverability of loans which are neither past due nor impaired is primarily dependent on the creditworthiness of the borrowers rather than the value of collateral, and the Group does not necessarily update the valuation of collateral as at each reporting date.

For loans secured by multiple types of collateral, collateral that is most relevant for impairment assessment is disclosed. Sureties received from individuals, such as shareholders of SME borrowers, are not considered for impairment assessment purposes. Accordingly, such loans and unsecured portions of partially secured exposures are presented as loans without collateral or other credit enhancement.

Management estimates that the impairment allowance for loans to corporate customers would have been approximately RUB 1 913 490 thousand higher without any collateral as at 30 June 2016 (31 December 2015: RUB 8 901 305 thousand).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance for loans to corporate clients for the six-month periods ended 30 June 2016 and 30 June 2015 are as follows:

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Balance at the beginning of the period	27 782 541	8 366 428
Net charge	12 675 207	5 108 519
Net write-offs	(2 932 925)	(300 799)
Balance at the end of the period	37 524 823	13 174 148

Credit quality of loans to individuals

The following table provides information on the credit quality of loans to individuals as at 30 June 2016:

RUB'000 (Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
- Not past due	1 616 034	20 999 229	3 355 659	72 686 785	98 657 707
- Overdue less than 31 days	29 792	193 698	36 747	1 715 917	1 976 154
- Overdue 31-60 days	7 538	122 947	-	1 234 483	1 364 968
- Overdue 61-90 days	12 558	158 693	24 335	745 685	941 271
- Overdue 91-180 days	23 910	251 381	58 274	1 599 958	1 933 523
- Overdue 181-360 days	42 407	1 074 739	170 792	2 926 397	4 214 335
- Overdue more than 360	14 584	1 150 478	151 258	1 317 630	2 633 950
Gross loans to individuals	1 746 823	23 951 165	3 797 065	82 226 855	111 721 908
Impairment allowance	(76 939)	(1 398 347)	(362 672)	(6 864 190)	(8 702 148)
Net loans to individuals	1 669 884	22 552 818	3 434 393	75 362 665	103 019 760

The following table provides information on the credit quality of loans to individuals as at 31 December 2015:

RUB'000	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
- Not past due	3 138 330	18 746 326	3 439 798	80 899 367	106 223 821
- Overdue less than 31 days	23 724	221 695	98	1 247 395	1 492 912
- Overdue 31-60 days	9 525	78 073	39 944	1 048 698	1 176 240
- Overdue 61-90 days	9 985	125 636	33 930	1 223 862	1 393 413
- Overdue 91-180 days	33 199	1 085 725	122 832	1 675 210	2 916 966
- Overdue 181-360 days	57 814	461 521	331 872	3 205 722	4 056 929
- Overdue more than 360	34 579	840 456	172 801	1 425 000	2 472 836
Gross loans to individuals	3 307 156	21 559 432	4 141 275	90 725 254	119 733 117
Impairment allowance	(113 863)	(902 046)	(545 475)	(7 529 690)	(9 091 074)
Net loans to individuals	3 193 293	20 657 386	3 595 800	83 195 564	110 642 043

Management estimates loan impairment based on historical loss experience for these types of loans using historical loss migration patterns for the past twenty four months. The significant assumptions used by management in determining the impairment losses for loans to individuals is that loss migration rates and recovery rates are stable and can be estimated based on the historic loss migration pattern for the past twenty four months.

Changes in these estimates could affect the loan impairment allowance. For example, to the extent that the net present value of the estimated cash flows differs by three percent, the impairment allowance as at 30 June 2016 would increase/decrease by RUB 3 090 593 thousand (31 December 2015: RUB 3 319 261 thousand).

Analysis of collateral

Mortgage loans are secured by the underlying housing real estate. Auto loans are secured by the underlying car. Credit card overdrafts and other loans to individuals are not secured.

For the allowance on a portfolio basis, management does not estimate loan impairment based on a specific analysis of the fair value of collateral but instead applies actual historical loss experience.

As at 30 June 2016, impaired mortgage loans in the gross amount of RUB 2 951 936 thousand are secured by collateral with a fair value of RUB 2 073 291 thousand (31 December 2015: RUB 2 813 106 thousand and RUB 2 065 408 thousand, respectively).

Analysis of movements in the impairment allowance

Movements in the loan impairment allowance by classes of loans to individuals for the six-month period ended 30 June 2016 are as follows:

RUB'000 (Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Balance at the beginning of the period	113 863	902 046	545 475	7 529 690	9 091 074
Net charge	11 117	516 028	134 358	2 892 513	3 554 016
Net write-offs	(48 041)	(19 727)	(317 161)	(3 558 013)	(3 942 942)
Balance at the end of the period	76 939	1 398 347	362 672	6 864 190	8 702 148

Movements in the loan impairment allowance by classes of loans to individuals for the six-month period ended 30 June 2015 are as follows:

RUB'000 (Unaudited)	Auto loans	Mortgage loans	Credit card loans	Other loans to individuals	Total
Balance at the beginning of the period	120 461	305 563	618 437	6 765 307	7 809 768
Net charge	80 025	160 879	299 305	2 833 306	3 373 515
Net write-offs	(77 822)	-	(300 626)	(2 370 871)	(2 749 319)
Balance at the end of the period	122 664	466 442	617 116	7 227 742	8 433 964

Industry and geographical analysis of the loan portfolio

Loans to customers were issued primarily to customers located within the Russian Federation, who operate in the following economic sectors:

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Loans to individuals	111 721 908	119 733 117
Oil and industrial chemicals	93 296 212	95 427 480
Services	63 690 922	61 159 187
Financial	49 288 065	46 866 680
Food and farm products	47 425 306	63 578 011

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	30 June 2016	31 December 2015
	RUB'000	RUB'000
	(Unaudited)	
Automotive, motorcycles and spare parts	45 023 490	42 089 711
Metallurgical	43 764 659	39 150 165
Residential and commercial construction and development	38 642 016	38 573 473
Property rental	35 498 958	30 297 150
Industrial and infrastructure construction	26 246 533	24 808 966
Pharmaceutical and medical products	15 517 906	12 742 011
Industrial equipment and machinery	13 682 246	6 098 559
Clothing, shoes, textiles and sporting goods	11 333 277	10 503 336
Construction and decorative materials, furniture	10 957 149	10 017 245
Consumer electronics, appliances and computers	6 914 251	10 325 576
Paper, stationery and packaging products	2 986 876	2 916 325
Electric utility	2 140 030	2 002 940
Consumer chemicals, perfumes and hygiene products	1 122 338	2 689 256
Books, video, print and copy	653 451	323 184
Gardening and pet products	351 461	329 515
Telecommunications	201 850	4 023 846
Products for home, gifts, jewelry and business accessories	68 166	184 218
Equipment leasing	31 854	32 812
Other	485 374	6 066 117
	621 044 298	629 938 880
Impairment allowance	(46 226 971)	(36 873 615)
	574 817 327	593 065 265

13 Deposits by credit and other financial institutions

	30 June 2016	31 December 2015
	RUB'000	RUB'000
	(Unaudited)	
Payables under repurchase agreements or collateralized loans	51 495 661	22 602 592
Term deposits	13 160 454	52 523 973
Deposits withdrawable on demand	2 072 052	8 043 136
Subordinated debt	986 634	1 490 212
Total deposits by credit and other financial institutions	67 714 801	84 659 913

Payables under repurchase agreements or collateralized loans included in deposits by credit and other financial institutions are payables secured by highly liquid rated debt securities under agreement to sell (repo) that are included in the Lomabrd list of the Central Bank of the Russian Federation.

14 Deposits by customers

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Corporate customers		
Term deposits	658 336 173	645 758 476
Current accounts and demand deposits	52 483 911	25 832 712
Subordinated debt	19 354 675	21 885 357
Term notes	1 307 751	4 286 679
Total corporate customers	731 482 510	697 763 224
Individuals		
Term deposits	197 889 598	189 047 958
Current accounts and demand deposits	12 440 851	11 881 049
Total individuals	210 330 449	200 929 007
Total deposits by customers	941 812 959	898 692 231

15 Debt securities issued

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Promissory notes issued at nominal value	-	1 059 000
Accrued interest	-	265
Unamortized discount	-	(14 706)
Total promissory notes issued	-	1 044 559
Bonds	64 850 610	73 901 654
Subordinated bonds	42 628 908	46 208 552
Total bonds issued	107 479 518	120 110 206
Total debt securities issued	107 479 518	121 154 765

16 Share capital

Share capital consists of ordinary shares and was contributed by the shareholders in Roubles. The shareholders are entitled to dividends and capital distributions. Issued, outstanding and paid share capital at 30 June 2016 comprises 23 879 709 866 shares (31 December 2015: 23 879 709 866 shares) with par value of 1 RUB per share. In addition, at 30 June 2016 the Bank has 12 396 448 142 authorized ordinary shares with an aggregate nominal value of RUB 12 396 million. The total hyperinflation adjustment related to equity as at 31 December 2002 was RUB 861 930 thousand.

In 2015 the Bank issued 8 139 683 500 additional ordinary shares with a par value of 1 RUB per share under initial and secondary public offerings. The Bank raised RUB 29 690 654 thousand during these offerings.

17 Commitments

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Guarantees and letters of credit	64 071 402	65 895 955
Undrawn loan commitments	10 221 932	6 449 869
Other contingent liabilities	137 258	137 258
	74 430 592	72 483 082

The total outstanding contractual commitments above do not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

18 Contingencies

Insurance

The insurance industry in the Russian Federation is in a developing state and many forms of insurance protection common in other parts of the world are not yet generally available. The Group does not have full coverage for its premises and equipment, business interruption, or third party liability in respect of property or environmental damage arising from accidents on property or relating to operations. Until the Group obtains adequate insurance coverage, there is a risk that the loss or destruction of certain assets could have a material adverse effect on operations and financial position.

Litigation

In the ordinary course of business, the Group is subject to legal actions and complaints. Management believes that the ultimate liability, if any, arising from such actions or complaints will not have a material adverse effect on the financial condition or the results of future operations.

Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterized by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances, a tax year may remain open for a longer period. Recent events in the Russian Federation suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

Starting from 1 January 2012 new transfer pricing rules came into force in Russia. These provide the possibility for tax authorities to make transfer pricing adjustments and impose additional tax liabilities in respect of controllable transactions if their prices deviate from the market range or profitability range. According to the provisions of transfer pricing rules, the taxpayer should sequentially apply five market price determination methods prescribed by the Tax Code.

Tax liabilities arising from transactions between companies are determined using actual transaction prices. It is possible, with the evolution of the interpretation of transfer pricing rules in the Russian Federation and changes in the approach of the Russian tax authorities, that such transfer prices could be challenged. Since the current Russian transfer pricing rules became effective relatively recently, the impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Group.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on the financial position, if the authorities were successful in enforcing their interpretations, could be significant.

19 Related party transactions

The outstanding balances with related parties and related average interest rates as at 30 June 2016 and 31 December 2015 are as follows:

	30 June 2016 (Unaudited)		31 December 2015	
	Amount RUB'000	Average effective interest rate	Amount RUB'000	Average effective interest rate
Loans to customers				
Under control of majority beneficiary	3 903 901	17.3%	991 190	17.4%
Management	41 590	16.5%	114 800	16.4%
Total loans to customers	3 945 491		1 105 990	
Deposits by customers				
Term deposits by customers				
Parent company	1 914 843	9.0%	14 207	10.0%
Under control of majority beneficiary	501 482	10.0%	266 381	10.8%
Management	210 278	6.5%	191 100	7.8%
Majority beneficiary	162 390	6.1%	282 176	13.2%
Total term deposits by customers	2 788 993		753 864	
Current accounts by customers				
Parent company	657 608		41 817	
Under control of majority beneficiary	123 986		210 502	
Management	8 589		8 485	
Majority beneficiary	917		355	
Total current accounts by customers	791 100		261 159	
Total deposits by customers	3 580 093		1 015 023	
Guarantees issued				
Under control of majority beneficiary	1 475 778		4 287 052	
Total guarantees	1 475 778		4 287 052	

Amounts included in profit or loss and other comprehensive income for the six-month periods ended 30 June 2016 and 30 June 2015 in relation to transactions with related parties are as follows:

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Interest income on loans to customers		
Under control of majority beneficiary	119 212	52 472
Management	4 827	2 028
Majority beneficiary	-	95 726
Total interest income	124 039	150 226
Interest expense on deposits by customers		
Under control of majority beneficiary	213 948	4 590
Parent company	35 124	65 306
Majority beneficiary	9 028	13 144
Management	4 147	7 020
Total interest expense	262 247	90 060

Total remuneration of the Supervisory Board and the Management Board included in employee compensation for the six-month periods ended 30 June 2016 and 30 June 2015 (refer to note 6) is as follows:

	Six-Month Period Ended 30 June 2016 RUB'000 (Unaudited)	Six-Month Period Ended 30 June 2015 RUB'000 (Unaudited)
Members of the Supervisory Board	40 229	33 750
Members of the Management Board	47 718	44 143
	87 947	77 893

20 Capital management

The CBR sets and monitors capital requirements for the Group.

The Group defines as capital those items defined by statutory regulation as capital for credit institutions. The Group calculates the amount of capital in accordance with Provision of the CBR dated 28 December 2012 No 395-P On methodology of calculation of own funds (capital) of the credit organizations (Basel III) (Provision of the CBR No 395-P).

As at 30 June 2016 minimum level of main capital ratio (ratio N20.2) is 6.0%, basic capital ratio (ratio N20.1) is 4.5%, own funds (capital) ratio (ratio N20.0) is 8.0% (31 December 2015: 6.0%, 5.0%, 10.0%, respectively).

Management believes that the Group maintains capital adequacy at the level appropriate to the nature and volume of its operations.

The Group provides the territorial CBR offices that supervise the Bank with information on mandatory ratios in accordance with regulatory requirements. Accounting department controls on a daily basis compliance with capital adequacy ratios.

In case capital adequacy ratios become close to limits set by the CBR and the Group's internal limits this information is communicated to the Management Board and the Supervisory Board. The Group is in compliance with the statutory capital ratios as at 30 June 2016 and 31 December 2015.

The capital adequacy ratio of the Group calculated in accordance with the Basel III requirements as adopted in the Russian Federation, based on the consolidated IFRS financial statements as at 30 June 2016 and 31 December 2015 is as follows:

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
Tier 1 capital		
Share capital and additional paid-in capital	59 789 103	59 789 103
Retained earnings	36 627 494	31 560 113
Intangible assets	(304 318)	(354 719)
Core tier 1	96 112 279	90 994 497
Total tier 1 capital	96 112 279	90 994 497
Tier 2 capital		
Revaluation surplus for buildings	769 176	769 176
Revaluation reserve for investments available-for-sale	1 239 300	220 070
Subordinated loans		
Subordinated loans	39 594 998	42 291 275
Subordinated bonds	22 512 571	28 277 204
Total tier 2 capital	64 116 045	71 557 725
Total capital	160 228 324	162 552 222
Risk-weighted assets		
Banking book	685 085 663	749 365 459
Trading book	165 517 827	179 465 196
Operational risk	57 449 960	57 449 960
Total risk weighted assets	908 053 450	986 280 615
Total capital expressed as a percentage of risk-weighted assets (total capital ratio) (%)	17.6	16.5
Total tier 1 capital expressed as a percentage of risk-weighted assets (Core tier 1 capital ratio) (%)	10.6	9.2
Total tier 1 capital expressed as a percentage of risk-weighted assets (tier 1 capital ratio) (%)	10.6	9.2

Included in subordinated bonds in tier 2 capital are subordinated bonds in the amount of RUB 17 544 528 thousand (31 December 2015: RUB 23 398 755 thousand) which are fully in compliance with Basel III requirements as adopted in the Russian Federation. Subordinated loans are subject to accelerated amortization, following the transition rules applied by the CBR for inclusion in tier 2 capital of subordinated loans received before March 2013.

In June 2015 the State Corporation “Deposit Insurance Agency” provided a subordinated loan of RUB 20 231 000 thousand to the Bank in a form of federal loan bonds (OFZ). The Bank has an obligation to return securities received back to the lender at the maturity of the agreement. The Bank pays charges equal to coupons on the bonds transferred plus a fixed margin. The contract also includes certain restrictions on ability of the Bank to sell or pledge securities received. The arrangement is a securities lending transaction. The Group does not recognize securities received and a subordinated obligation to return them to the lender in the consolidated interim condensed statement of financial position of the Group. The obligation to return securities received to the State Corporation “Deposit Insurance Agency” is subordinated to other ordinary obligations of the Group, and the terms of the loan satisfy the criteria for inclusion of the loan into the regulatory capital of the Bank in accordance with Russian banking legislation. As such, the Bank includes the amount of the subordinated loan described above into its Tier 2 capital for the purpose of statutory

regulatory capital and capital calculated for capital management purposes in accordance with Basel III.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees.

21 Analysis by segment

The Group has four reportable segments, as described below, which are strategic business units. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Chairman of the Management Board reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the reportable segments:

- **Corporate banking:** comprises corporate lending, overdraft lending, factoring, leasing, letters of credit, guaranties, corporate deposit taking, settlements and money transfer, currency conversion
- **Retail banking:** comprises retail demand and term deposit services; retail lending, including car loans, mortgages and other loans to individuals, money transfers and private banking services; banking card products, settlement and money transfer, currency conversion for individuals
- **Treasury:** comprises interbank lending and borrowings from banks, securities trading and brokerage in securities, repo transactions, foreign exchange services, issuance of domestic bonds and promissory notes
- **Cash operations:** comprises all operations connected with cash, cash handling, calculation and transportation.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, which is calculated based on consolidated financial information prepared in accordance with IFRS, as included in the internal management reports that are reviewed by the Chairman of the Management Board. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to others who operate within these industries. Inter-segment pricing is determined on an arm's length basis.

CREDIT BANK OF MOSCOW (public joint-stock company)
Notes to, and forming part of, the Consolidated Interim Condensed Financial Statements
for the six-month period ended 30 June 2016

The segment breakdown of assets and liabilities is set out below:

	30 June 2016 RUB'000 (Unaudited)	31 December 2015 RUB'000
ASSETS		
Corporate banking	477 783 064	487 032 141
Retail banking	104 740 830	111 969 235
Treasury	594 882 256	557 505 468
Cash operations	12 270 316	17 344 885
Unallocated assets	32 094 815	34 348 899
Total assets	1 221 771 281	1 208 200 628
LIABILITIES		
Corporate banking	731 482 510	697 763 224
Retail banking	210 330 449	200 929 007
Treasury	175 194 319	209 859 325
Unallocated liabilities	6 336 602	7 310 610
Total liabilities	1 123 343 880	1 115 862 166

Segment information for the main reportable segments for the six-month period ended 30 June 2016 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	30 327 465	10 009 161	15 639 283	-	-	55 975 909
Fee and commission income	1 708 793	2 444 689	101 862	2 058 480	-	6 313 824
Net gain on securities	-	-	736 856	-	-	736 856
Net foreign exchange gains	302 124	58 452	1 801 516	-	-	2 162 092
Other operating income, net	647 966	102 946	28 926	-	-	779 838
Revenue (expenses) from other segments	4 507 767	3 731 345	(8 434 073)	194 961	-	-
Revenue	37 494 115	16 346 593	9 874 370	2 253 441	-	65 968 519
Impairment losses on loans	(12 675 207)	(3 554 016)	-	-	-	(16 229 223)
Interest expense	(18 110 704)	(9 163 771)	(8 239 205)	-	-	(35 513 680)
Fee and commission expense	(842 590)	(105 108)	(48 129)	-	-	(995 827)
General administrative and other expenses	(2 220 412)	(2 017 592)	(122 735)	(815 308)	(1 732 282)	(6 908 329)
Expense	(33 848 913)	(14 840 487)	(8 410 069)	(815 308)	(1 732 282)	(59 647 059)
Segment result	3 645 202	1 506 106	1 464 301	1 438 133	(1 732 282)	6 321 460

Segment information for the main reportable segments for the six-month period ended 30 June 2015 is set below:

RUB'000 (Unaudited)	Corporate banking	Retail banking	Treasury	Cash operations	Unallocated	Total
External interest income	20 659 998	10 304 946	7 734 798	-	-	38 699 742
Fee and commission income	1 280 426	1 765 242	73 552	1 180 419	-	4 299 639
Net gain on securities	-	-	633 778	-	-	633 778
Net foreign exchange gains	389 770	159 555	725 969	-	-	1 275 294
Other operating expenses, net	(28 161)	(89 685)	(55 770)	-	-	(173 616)
(Expenses) revenue from other segments	(1 376 173)	384 529	855 090	136 554	-	-
Revenue	20 925 860	12 524 587	9 967 417	1 316 973	-	44 734 837
Impairment losses on loans	(5 108 519)	(3 373 515)	-	-	-	(8 482 034)
Interest expense	(10 363 879)	(10 298 966)	(7 615 494)	-	-	(28 278 339)
Fee and commission expense	(682 431)	(582 263)	(46 646)	-	-	(1 311 340)
General administrative and other expenses	(592 895)	(2 024 391)	(99 453)	(720 728)	(1 711 574)	(5 149 041)
Expense	(16 747 724)	(16 279 135)	(7 761 593)	(720 728)	(1 711 574)	(43 220 754)
Segment result	4 178 136	(3 754 548)	2 205 824	596 245	(1 711 574)	1 514 083

Information about major customers and geographical areas

The majority of revenues from external customers relate to residents of the Russian Federation. The majority of non-current assets are located in the Russian Federation.

22 Financial assets and liabilities: fair values and accounting classifications

Accounting classifications and fair values

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 30 June 2016:

RUB'000 (unaudited)	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	189 439 010	-	-	189 439 010	189 439 010
Obligatory reserves with the CBR	-	7 706 567	-	-	7 706 567	7 706 567
Deposits in credit and other financial institutions	-	266 036 417	-	-	266 036 417	266 036 417
Financial instruments at fair value through profit or loss	62 477 158	-	-	-	62 477 158	62 477 158
Available-for-sale securities	-	-	89 199 987	-	89 199 987	89 199 987
Loans to customers	-	574 817 327	-	-	574 817 327	575 183 178
Other financial assets	-	3 603 206	-	-	3 603 206	3 603 206
	62 477 158	1 041 602 527	89 199 987	-	1 193 279 672	1 193 645 523
Deposits by credit and other financial institutions	-	-	-	67 714 801	67 714 801	67 714 801
Deposits by customers	-	-	-	941 812 959	941 812 959	950 268 998
Debt securities issued	-	-	-	107 479 518	107 479 518	110 199 533
Other financial liabilities	659 043	-	-	522 700	1 181 743	1 181 743
	659 043	-	-	1 117 529 978	1 118 189 021	1 129 365 075

The main assumptions used by management to estimate the fair values of financial instruments as at 30 June 2016 are:

- discount rates from 11.9% to 20.0% (roubles) and from 4.4% to 10.0% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 13.0% to 27.9% (roubles) and from 11.1% to 14.6% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 9.0% to 11.0% (roubles) and from 1.0% to 2.3% (foreign currency) are used for discounting future cash flows from retail deposits;
- discount rates from 5.3% to 13.9% (roubles) and from 0.4% to 4.9% (foreign currency) are used for discounting future cash flows from corporate deposits.

The table below sets out the carrying amounts and fair values of financial assets and financial liabilities as at 31 December 2015:

RUB'000	Held for trading	Loans and receivables	Available-for-sale	Other amortised cost	Total carrying amount	Fair value
Cash and cash equivalents	-	138 014 586	-	-	138 014 586	138 014 586
Obligatory reserves with the CBR	-	5 936 111	-	-	5 936 111	5 936 111
Deposits in credit and other financial institutions	-	277 295 869	-	-	277 295 869	277 295 869
Financial instruments at fair value through profit or loss	72 136 989	-	-	-	72 136 989	72 136 989
Available-for-sale securities	-	-	87 402 909	-	87 402 909	87 402 909
Loans to customers	-	593 065 265	-	-	593 065 265	598 244 308
Other financial assets	-	2 433 915	-	-	2 433 915	2 433 915
	72 136 989	1 016 745 746	87 402 909	-	1 176 285 644	1 181 464 687
Deposits by the CBR	-	-	-	4 044 647	4 044 647	4 044 647
Deposits by credit and other financial institutions	-	-	-	84 659 913	84 659 913	84 659 913
Deposits by customers	-	-	-	898 692 231	898 692 231	912 243 118
Debt securities issued	-	-	-	121 154 765	121 154 765	119 441 817
Other financial liabilities	782 834	-	-	911 320	1 694 154	1 694 154
	782 834	-	-	1 109 462 876	1 110 245 710	1 122 083 649

The main assumptions used by management to estimate the fair values of financial instruments as at 31 December 2015 are:

- discount rates from 12.1% to 15.5% (roubles) and from 4.5% to 10.8% (foreign currency) are used for discounting future cash flows from corporate loans;
- discount rates from 13.3% to 28.2% (roubles) and from 10.4% to 19.0% (foreign currency) are used for discounting future cash flows from loans to individuals;
- discount rates from 8.0% to 12.0% (roubles) and from 1.3% to 3.0% (foreign currency) are used for discounting future cash flows from retail deposits;
- discount rates from 9.5% to 12.0% (roubles) and from 2.0% to 4.9% (foreign currency) are used for discounting future cash flows from corporate deposits.

The estimates of fair value are intended to approximate 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. However, given the uncertainties and the use of subjective judgment, the fair value should not be interpreted as being realizable in an immediate sale of the assets or transfer of liabilities.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using other valuation techniques.

Valuation techniques include net present value and discounted cash flow models and comparison to similar instruments for which market-observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates used in estimating discount rates and foreign currency exchange rates.

The Group uses widely recognized valuation models to determine the fair value of common and more simple financial instruments, such as interest rate and currency swaps that use only observable market data and require little management judgment and estimation. Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange-traded derivatives, and simple over-the-counter derivatives such as interest rate swaps.

There is no active market for loans to customers. The estimation of fair value for loans to customers is based on management's assumptions.

Fair value hierarchy

The Group measures fair values for financial instruments recorded in the consolidated interim condensed statement of financial position using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e, as prices) or indirectly (i.e, derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The following tables show an analysis of financial instruments recorded at fair value and financial instruments recorded at amortized cost for which fair value does not approximate their carrying amount as at 30 June 2016 and 31 December 2015:

30 June 2016 (Unaudited)	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Valuation technique used for Level 2 and 3	Total RUB'000
Financial assets at fair value through profit or loss	61 592 554	884 604	-	Discounted cash flows	62 477 158
Available-for-sale securities	78 322 811	10 877 176	-	Discounted cash flows	89 199 987
Loans to customers	-	-	575 183 178	Discounted cash flows	575 183 178
Deposits by customers	-	950 268 998	-	Discounted cash flows	950 268 998
Debt securities issued	110 199 533	-	-	Discounted cash flows	110 199 533
Other financial liabilities - Derivatives	-	659 043	-	Discounted cash flows	659 043

31 December 2015	Level 1 RUB'000	Level 2 RUB'000	Level 3 RUB'000	Valuation technique used for Level 2 and 3	Total RUB'000
Financial assets at fair value through profit or loss	71 210 799	926 190	-	Discounted cash flows	72 136 989
Available-for-sale securities	74 338 170	13 064 739	-	Discounted cash flows	87 402 909
Loans to customers	-	-	598 244 308	Discounted cash flows	598 244 308
Deposits by customers	-	912 243 118	-	Discounted cash flows	912 243 118
Debt securities issued	118 397 258	1 044 559	-	Discounted cash flows	119 441 817
Other financial liabilities - Derivatives	-	782 834	-	Discounted cash flows	782 834

During six-month periods ended 30 June 2016 and 30 June 2015 there were no transfers of assets between Level 1 and Level 2.

23 Earnings per share

Basic earnings per share are calculated by dividing profit for the period by the weighted average number of ordinary shares in issue during the period.

Basic earnings per share are calculated as follows:

	30 June 2016 RUB'000 (Unaudited)	30 June 2015 RUB'000 (Unaudited)
Profit for the period	5 067 381	1 194 749
Weighted average number of ordinary shares in issue	23 879 709 866	15 339 368 444
Basic and diluted earnings per share (in RUB per share)	0.21	0.08

24 Events subsequent to the reporting date

In July 2016 the Bank paid out the fourth coupon in the amount of RUB 305.40 million or RUB 61.08 per bond on domestic bonds series BO-10. The issue was originally placed on 10 July 2014 with a maturity of 5 years. The nominal value of the issue is RUB 5 billion.

In July 2016 the Bank paid out the fourth coupon on the amount RUB 658.543 million or RUB 59.84 per bond on domestic bonds series BO-11. The issue was originally placed on 10 July 2014 with a maturity of 5 years. The nominal value of the issue is RUB 15 billion.

Chairman of the Management Board

Vladimir A. Chubar

Acting Chief Accountant

Ekaterina V. Toloka

19 August 2016

