

Bank JSC MMA

**Condensed Interim Financial
Statements
for the six months ended 30 June 2017
(Unaudited)**

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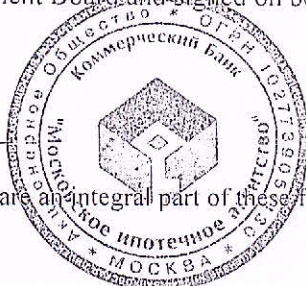
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Interim Statement of Financial Position

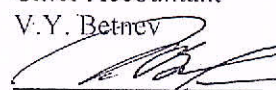
	Note	As at 30 June 2017 (unaudited)	As at 31 December 2016
Assets			
Cash and cash equivalents	4	1 476 733	8 102 026
Obligatory reserves with the CBR		116 720	73 354
Due from other banks	5	234 406	1 682 400
Loans to customers	6	10 212 173	10 826 883
Financial assets available for sale without encumbrance	7	8 048 326	10 421 267
pledged	7	1 066 458	-
Current income tax assets		294 406	87 638
Long-term assets held for trading		153 573	150 513
Investment property		523	523
Deferred tax asset	18	77 317	84 435
Property, equipment and intangible assets		331 663	379 838
Other assets		32 550	38 137
Total assets		22 044 848	31 847 014
Liabilities			
Due to other banks	8	4 186 211	82 423
Customer accounts	9	9 850 860	17 812 003
Debt securities issued	10	62 378	5 734 042
Other liabilities		47 311	48 106
Total liabilities		14 146 760	23 676 574
Equity			
Share capital		5 537 679	5 537 679
Share premium		601 615	601 615
Revaluation reserve for financial assets available for sale		59 284	(803)
Retained earnings		1 699 510	2 031 949
Total Equity		7 898 088	8 170 440
Total liabilities and equity		22 044 848	31 847 014

Authorized by the Management Board and signed on behalf of the Management Board on 29 August 2017

Acting Director General
I.A. Voloshin

Chief Accountant
V.Y. Betnev



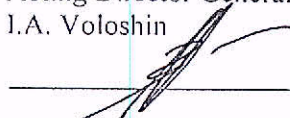
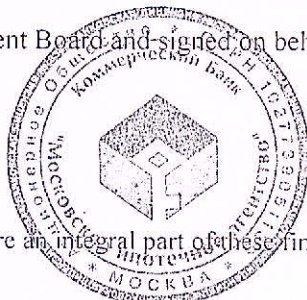
Notes on pages 7 through 30 are an integral part of these financial statements.

Interim Statement of Other Comprehensive Income

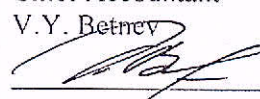
(unaudited)	Note	For the six months ended 30 June	
		2017	2016
Interest income	12	1 073 072	1 390 321
Interest expenses	12	(637 436)	(1 098 673)
Net interest income		435 636	291 648
Fee and commission income	13	162 118	112 751
Fee and commission expense	13	(12 052)	(26 172)
Net fee and commission income		150 066	86 579
Gains less losses from financial assets and liabilities transactions	14	56 134	108 530
Gains less losses from foreign currency transactions		365 388	1 493 897
Gains less losses from foreign currency revaluation		(159 483)	(1 042 944)
Changes in provision for contingent liabilities		-	(10 572)
Changes in provision for impairment	15	(684 085)	(229 392)
Other operating income	16	728	38 811
Operating income		164 384	736 557
Operating expenses	17	(492 634)	(330 076)
Profit (loss) before tax		(328 250)	406 481
Income tax expenses	18	(4 189)	(80 595)
Profit (loss) after tax and before other comprehensive income		(332 439)	325 886
Other comprehensive income			
Items that can be subsequently reclassified to profit or loss			
Income from revaluation of financial assets available for sale		75 109	91 219
Income tax attributable to other comprehensive income		(15 022)	(18 244)
Other comprehensive income net of tax		60 087	72 975
Total comprehensive income (loss) for the period		(272 352)	398 861

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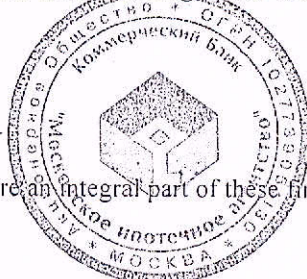
Notes on pages 7 through 30 are an integral part of these financial statements.

Interim Statement of Changes in Equity

	Share capital	Share premium	Revaluation reserve for financial assets available for sale	(accumulated deficit)/ Retained earnings	Total equity
Balance as at 31 December 2015	5 537 679	601 615	(43 852)	1 448 516	7 543 958
Comprehensive income for the period (unaudited)	-	-	72 975	325 886	398 861
Balance as at 30 June 2016 (unaudited)	5 537 679	601 615	29 123	1 774 402	7 942 819
Balance as at 31 December 2016	5 537 679	601 615	(803)	2 031 949	8 170 440
Comprehensive income for the period (unaudited)	-	-	60 087	(332 439)	(272 352)
Balance as at 30 June 2017 (unaudited)	5 537 679	601 615	59 284	1 699 510	7 898 088

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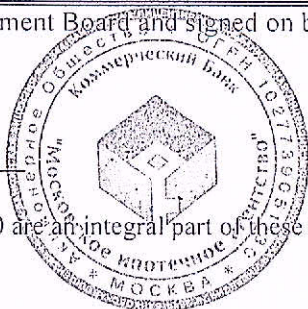
Interim Statement of Cash Flows

(unaudited)	For the six months ended 30 June	
	2017	2016
Cash flows from operating activities		
Interest received	1 067 295	1 320 794
Interest paid	(358 952)	(595 083)
Fee and commission received	163 691	112 589
Fee and commission paid	(12 699)	(24 611)
Gains less losses from operations with financial assets at fair value through profit or loss	-	10 357
Gains less losses from foreign currency transactions	366 910	1 492 003
Other operating income	681	12 627
Operating expenses paid	(374 922)	(298 195)
Income taxes paid	(218 861)	(73 595)
Cash flows from operating activities before changes in operating assets and liabilities	633 143	1 956 886
Increase/decrease in operating assets and liabilities		
Increase/decrease in operating assets and liabilities:	(43 366)	(30 224)
- Net decrease/ (net increase) in required reserves with the CBR	1 447 600	5 869 944
- Net decrease in due from other banks	(157 116)	670 917
- Net increase in loans to customers	(4 206)	(6 310)
- Net increase in other assets	4 103 898	862 474
- Net increase /(net decrease) in due to other banks	(7 982 417)	(11 123 655)
- Net increase in customer accounts	(7 792)	9 892
Net cash flows used in operating activities	(2 010 256)	(1 790 076)
Cash flows from investing activities		
Purchase of financial assets available for sale	(9 922 583)	(9 943 098)
Proceeds from disposal of financial assets available for sale	11 262 155	12 158 295
Purchase of property, equipment and intangible assets	(84)	(46 096)
Net cash flows from investing activities	1 339 488	2 169 101
Cash flows from financing activities		
Proceeds from issuance of debt securities	9 546	3 940 234
Repayment of debt securities	(5 589 711)	(4 734 855)
Paid interest on issued of securities	(347 799)	(525 835)
Net cash flows used in financing activities	(5 927 964)	(1 320 456)
Effects of changes in exchange rate of the CBR on cash and cash equivalents	(26 561)	(282 232)
Net increase/decrease in cash and cash equivalents	(6 625 293)	(1 223 663)
Cash and cash equivalents as at the beginning of the reporting period	8 102 026	4 292 790
Cash and cash equivalents as at the end of the reporting period (Note 4)	1 476 733	3 069 127

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Selected Notes to the Condensed Interim Financial Statements

1. Primary activity of the Bank

Bank JSC MMA (hereinafter referred to as – the Bank) is a credit organization established in the form of open joint-stock company according to the legislation of the Russian Federation in 2000.

The bank carries out the activity on the basis of the following licenses:

- The license for banking operations with means in rubles and foreign currency (without the right of attraction of money from individuals in deposits) No. 3344 of 25.06.2015, without limitation as to period of validity .
- The license for attraction of funds from individuals in deposits in rubles and foreign currency No. 3344 of 25.06.2015, without limitation as to period of validity .

The Bank is included in the register of the banks participating in the deposit insurance system since May 30, 2012 under number 994. The state deposit insurance system guarantees payment of compensation for deposits of individuals in the sum up to 1 400 thousand rubles per one individual in case of a recall of the Bank's license or a moratorium on payments imposed by the Bank of Russia.

The Bank carries out activity in various sectors of the Russian financial markets, including interbank and retail deposits, currency exchange transactions and operations on the stock exchange with debt instruments and bonds, service of private and corporate clients. The bank provides the clients with a wide range of banking services in Russian rubles and foreign currency.

The Bank is located at: 107045, Moscow, Seliverstov Lane, 4, building 1.

The Bank has no branches and representations in the territory of the Russian Federation and foreign countries. The Bank has two supplementary offices in Moscow "Mortgage Centre on Baumanskaya" and "MMFC of Moscow".

The Bank does not participate in the banking consolidated group (bank holding).

As at 30 June 2017 and as at 30 June 2016 the shareholder of Bank (voting stock of 100%) is the city of Moscow represented by Moscow Department of City Property.

The Bank was rated by one of three leading international rating agencies MOODY'S INVESTOR'S SERVICE. The rating of the international rating agency is based on data of the financial statements of the Bank prepared according to International Financial Reporting Standards.

The bank was rated as follows:

- 1) long-term and short-term international ratings of bank deposits in foreign and national currency –, Ba3 and Not Prime (NP) (Moody's) respectively,
- 2) outlook on long-term ratings of bank deposits and FSR – «stable» (Moody's).

2. Operating Environment of the Bank

The Bank operates primarily in the Russian Federation.

The economy of Russia is demonstrating some characteristics inherent to emerging markets. National economy is especially sensitive to the volatile oil and gas prices. The legislation, fiscal and administrative frameworks proceed developing though allow ambiguity.

Low oil prices and further international sanctions imposed in 2014 proceed affecting the economic situation in Russia negatively during the first half of the 2017.

At the same time, there were positive changes in the economy for the six months ended 30 June 2017:

- inflation has decreased to 4,4% in June 2017, while it was 7,5% in June 2016, and 5,4% in December 2016;
- the key interest rate of the Central Bank of the Russian Federation has decreased from 10,0% to 9,0% per annum;
- international rating agencies improved the outlook for the sovereign credit ratings of the Russian Federation: Moody's changed its outlook from "negative" to "stable", keeping the rating at Ba1, Standard & Poor's changed the outlook from "stable" to "positive", keeping the rating at BB + agency Fitch Ratings confirmed the rating at the level of BBB- and "stable" outlook.

According to the estimates of the experts, the rates of economic growth will be low in 2017-2018 despite the positive tendencies in overall recovery.

The management of the Bank believes that it takes all necessary measures for maintenance of financial stability of the Bank under these circumstances. At the same time, subsequent development of conditions of carrying out of financial and economic activities can differ from the management estimates.

3. Basis of preparation and summary of significant accounting policies

This Condensed Interim Financial Statements has been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" and should be read in conjunction with the annual financial statements of the Bank for the year ended 31 December 2016.

These condensed interim financial statements do not contain all the notes that are required to be disclosed in the complete financial statements and are unaudited.

As the results of the Bank's activities depend on changing market conditions, the results of the Bank's activities for the interim reporting period are not always indicative for the year.

Estimates and Judgements of the Management

The judgments and estimates made by the Bank's management in the application of the accounting policy are consistent with the judgments described in the annual financial statements of the Bank for the year ended 31 December 2016. Management has not applied new estimates and professional judgments.

Functional currency and currency of representation

Functional currency of the Bank is Russian Ruble (RUR). These financial statements are presented in Russian Rubles with figures rounded to the nearest thousand.

The official exchange rate used for the revaluation of foreign currency accounts balances was:

	30 June 2017	31 December 2016
USD	59,0855	60,6569
EURO	67,4993	63,8111

Principles of Accounting Policies

In preparing these Condensed Interim Financial Statements, the Bank used the principal accounting policies applied in the preparation of the financial statements for the year ended 31 December 2016.

Since 1 January 2017, a number of amendments to IFRS have come into force. The Bank has started applying these amendments since they took effect. These amendments do not have a significant impact on the condensed interim financial statements of the Bank.

4. Cash and cash equivalents

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Cash on hand	65 854	401 004
Cash balances with the CBR (other than obligatory reserves)	553 050	6 968 947
Correspondent accounts and overnight deposits with banks	623 954	143 230
- the Russian Federation	604 575	120 638
- other countries	19 379	22 592
Other placements in financial institutions	233 875	588 845
Total cash and cash equivalents	1 476 733	8 102 026

5. Due from other banks

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Current loans and deposits in other banks	-	1 500 415
Discounted bills in other banks	232 016	180 125
Other placements with banks	2 390	1 860
Total due from other banks	234 406	1 682 400

6. Loans and Advances to Customers

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Corporate loans to legal entities secured	7 070 110	6 549 822
Loans to individuals	5 469 370	6 113 074
Other receivables	193 242	-
Total loans to customers before provision for impairment	12 732 722	12 662 896
Provision for impairment	(2 520 549)	(1 836 013)
Total loans to customers, net of provision	10 212 173	10 826 883

Movements in provision for impairment of loans and advances to customers was the following:

	Corporate loans to legal entities secured	Loans to individuals	Other receivables	Total
Balance at 31 December 2015	(1 136 769)	(237 770)	-	(1 374 539)
(Allocation)/Recovery of provision for the year (unaudited)	(189 580)	36 702	-	(152 878)
Balance As at 30 June 2016 (unaudited)	(1 326 349)	(201 068)	-	(1 527 417)
Balance at 31 December 2016	(1 614 423)	(221 590)	-	(1 836 013)
(Allocation)/Recovery of provision for the year (unaudited)	(481 757)	(9 537)	(193 242)	(684 536)
Balance As at 30 June 2017 (unaudited)	(2 096 180)	(231 127)	(193 242)	(2 520 549)

As at reporting date 30 June 2017 5 804 156 thousand rubles or 45,6% of the gross loan portfolio of the Bank before provision for impairment account for ten largest borrowers (31 December 2016: 5 272 134 thousand rubles or 41,6%).

The following table provides information on collaterals as at 30 June 2017:

	Corporate loans to legal entities secured	Loans to individuals	Other receivables net of provision	Total
(unaudited)				
Loans unsecured	-	299 768	-	299 768
Loans secured:				
Estate property	3 461 971	4 042 478	-	7 504 449
Proprietary rights	2 464 297	1 113 716	193 242	3 771 255
Motor vehicles	356 305	-	-	356 305
Guarantees	678 027	13 408	-	691 435
Other collateral	109 510	-	-	109 510
Total loans and advances to customers before provision for impairment	7 070 110	5 469 370	193 242	12 732 722

6. Loans to customers (continued)

The following table provides information on the collaterals as at 30 June 2016:

	Corporate loans to legal entities secured	Loans to individuals	Total
Loans unsecured	-	308 356	308 356
Loans secured:			
Estate property	2 690 811	4 325 724	7 016 535
Proprietary rights	2 402 935	1 478 994	3 881 929
Securities	300 000	-	300 000
Motor vehicles	221 426	-	221 426
Equipment	818 168	-	818 168
Guarantees	116 482	-	116 482
Total loans and advances to customers before provision for impairment	6 549 822	6 113 074	12 662 896

Information on the quality of the loans and advances to customers estimated regarding those individually determined to be impaired as at 30 June 2017:

(unaudited)	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Corporate loans to legal entities secured:	7 070 110	(2 096 180)	4 973 930	29.6%
special mention	4 982 134	(149 466)	4 832 668	3.0%
Doubtful	288 289	(147 027)	141 262	51.0%
Loss	1 799 687	(1 799 687)	-	100.0%
Loans to individuals:	403 221	(166 851)	236 370	41.4%
substandard	197 129	(7 749)	189 380	3.9%
Doubtful	61 994	(29 126)	32 868	47.0%
Loss	144 098	(129 976)	14 122	90.2%
Other receivables:	193 242	(193 242)	-	100.0%
Loss	193 242	(193 242)	-	100.0%
Total loans and advances to customers estimated regarding impairment on an individual basis	7 666 573	(2 456 273)	5 210 300	

6. Loans to customers (continued)

Information on the quality of the loans and advances to customers estimated regarding those collectively determined to be impaired as at 30 June 2017:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
(unaudited)				
Loans to individuals:				
Performing	3 854 926	(18 027)	3 836 899	0.5%
special mention	1 105 215	(30 332)	1 074 883	2.7%
substandard	103 009	(14 417)	88 592	14.0%
Doubtful	2 999	(1 500)	1 499	50.0%
Total loans and advances to customers estimated regarding impairment on aggregated basis	5 066 149	(64 276)	5 001 873	1.27%

Information on the quality of the loans and advances to customers estimated regarding those individually determined to be impaired as at 31 December 2016:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Corporate loans to legal entities secured:	6 549 822	(1 614 423)	4 935 399	24.6%
special mention	4 236 318	(84 728)	4 151 590	2.0%
substandard	351 540	(87 885)	263 655	25.0%
doubtful	1 043 968	(523 814)	520 154	50.2%
loss	917 996	(917 996)	-	100.0%
Loans to individuals:	430 390	(153 544)	276 846	35.7%
substandard	205 613	(8 682)	196 931	4.2%
doubtful	116 165	(46 882)	69 283	40.4%
loss	108 612	(97 980)	10 632	90.2%
Total loans and advances to customers estimated regarding impairment on an individual basis	6 980 212	(1 767 967)	5 212 245	

6. Loans to customers (continued)

Information on the quality of loans and advances to customers estimated regarding those collectively determined to be impaired as at 31 December 2016:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Loans to individuals:	5 682 684	(68 046)	5 614 638	1.20%
Performing	4 122 024	(18 898)	4 103 126	0.5%
special mention	1 492 205	(40 399)	1 451 806	2.7%
substandard	68 455	(8 749)	59 706	12.8%
Total loans and advances to customers estimated regarding impairment on aggregated basis	5 682 684	(68 046)	5 614 638	

Information on quality of loans and advances to customers is presented by the following categories:

performing - bank reserve requirements from 0% to 2%;
special mention - bank reserve requirements from 2% to 3%;
substandard - bank reserve requirements from 3% to 40%;
doubtful - bank reserve requirements from 40% to 75%;
loss - bank reserve requirements from 75% to 100%.

Bank reserve requirements represents a share of provision for impairment from the total amount of the loan portfolio on this group of the loans with similar characteristics of the credit risk, or a share of provision for impairment from the total amount of the loan assessed individually

7. Financial assets available for sale

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Without encumbrance		
GOVOZ, OFZ	2 494 191	2 095 216
Municipal bonds	200 942	103 600
Corporate bonds	2 825 079	4 536 997
Corporate eurobonds	2 528 114	3 685 454
Total financial assets available for sale without encumbrance	8 048 326	10 421 267
Pledged		
Corporate bonds	1 066 458	-
Total financial assets available for sale pledged	1 066 458	-
Total financial assets available for sale	9 114 784	10 421 267

As at 30 June 2017 corporate bonds with fair value 1 066 458 thousand rubles are pledged for raised funds from Bank of Russia under repo-agreements (Note 8). As at 30 June 2017 corporate bonds with fair value 345 913 thousand rubles, OFZ at fair value 1 657 900 thousand rubles (as at 31 December 2016: corporate bonds with fair value 893 950 thousand ruble, OFZ at fair value 1 402 208 thousand rubles) were restricted as collateral for raised funds from Bank of Russia, there were no actual borrowing from Bank of Russia.

8. Due to the banks

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Correspondent accounts	371	49
Current term loans and deposits from other banks	3 185 738	80 066
Other borrowings	102	2 308
Borrowings from CBRF under repo-agreements	1 000 000	-
Total due to other banks	4 186 211	82 423

The borrowings of the CBRF funds under repo-agreements are secured by corporate bonds with fair value 1,066,458 thousand rubles. (Note 7)

The Bank did not allow cases of default on principal and interest payments or violation of other conditions in relation to borrowed funds of other banks during the six months ended 30 June 2017 and during 2016.

9. Customer accounts

	As at 30 June 2017 (unaudited)	As at 31 December 2016
State and municipal entities	3 159 561	3 902 404
Current accounts	3 089 441	3 762 309
Term deposits	70 120	140 095
Other legal entities	4 276 286	11 229 527
Current accounts	3 442 956	9 259 483
Term deposits	833 330	1 970 044
Individuals	2 415 013	2 680 072
Current and on-demand accounts	1 461 759	2 264 737
Term deposits	953 254	415 335
Total customer accounts	9 850 860	17 812 003

As at 30 June 2017 ten biggest customers (groups of related customers) account for 7 046 730 thousand rubles or 71.5% of the total amount of the customer accounts (31 December 2016: 14 439 203 thousand rubles or 81.1%).

The Bank did not allow cases of default on principal and interest payments or violation of other conditions in relation to customer accounts during the six months ended 30 June 2017 and during 2016.

10. Debt securities issued

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Promissory notes	62 313	247 061
Bonds	65	5 486 981
Total debt securities in issue	62 378	5 734 042

The Bank did not allow cases of default on principal and interest payments or violation of other conditions in respect to obligations under debt securities issued during the six months ended 30 June 2017 and during 2016.

11. Dividends

Dividends for 2016 in the amount of 236,513 thousand rubles were declared at the annual general meeting of shareholders held on 28 June 2017, which amounted to 2,086 rubles per share. In fact, the Bank distributed and paid these dividends in July 2017, when the list of persons entitled to the receipt of the dividends was obtained. Obligations for payment of dividends are fulfilled within the stipulated deadlines.

Dividends for 2015 in the amount of 28 799 thousand rubles were declared at the annual general meeting of shareholders held on 29 June 2016, which amounted to 254 rubles per ordinary share. In fact, the Bank distributed and paid these dividends in July 2016, when the list of persons entitled to the receipt of the dividends was obtained. Obligations for payment of dividends are fulfilled within the stipulated deadlines.

12. Interest income and expenses

	For the six months ended 30 June	
(unaudited)	2017	2016
Interest income		
Loans to customers	689 096	879 790
Financial assets available for sale	309 093	426 403
Due from other banks	74 883	84 128
Total interest income	1 073 072	1 390 321
Interest expense		
Debt securities issued	(256 089)	(517 236)
Current customer accounts	(255 517)	(417 192)
Due from other banks	(54 970)	(97 422)
Deposits of legal entities	(40 722)	(21 978)
Deposits of individuals	(30 138)	(44 845)
Total interest expense	(637 436)	(1 098 673)
Net interest income	435 636	291 648

13. Fee and commission income and expense

(unaudited)	For the six months ended 30 June	
	2017	2016
Fee and commission income		
Commission on settlement and cash banking service	121 236	91 750
Commission on guarantees issued	33 480	15 112
Commission on opening and maintenance of accounts	1 101	969
Other	6 301	4 920
Total Fee and commission income	162 118	112 751
Fee and commission expenses		
Commission on transfer with foreign currency	(5 510)	(18 643)
Commission on transfer services	(3 208)	(3 814)
Commission on settlement and cash banking service	(2 148)	(2 402)
Other	(1 186)	(1 313)
Total Fee and commission expenses	(12 052)	(26 172)
Net Fee and commission income	150 066	86 579

14. Gain less losses on transactions with financial assets and liabilities

(unaudited)	For the six months ended 30 June	
	2017	2016
Gain less losses on transactions with financial assets available for sale	52 134	59 831
Gain less losses on transactions with issued debentures	-	38 342
Gain less losses on transactions with financial assets at fair value through profit and loss	-	10 357
Gain less losses on transactions with financial assets and liabilities	56 134	108 530

15. Provision for impairment

(unaudited)	For the six months ended 30 June	
	2017	2016
Due from other banks	-	(91 602)
Loans and advances to customers (Note 6)	(684 536)	(152 878)
Financial assets available for sale	-	14 178
Other assets	451	910
Total provision for impairment of assets	(684 085)	(229 392)

16. Other operating income

(unaudited)	For the six months ended 30 June	
	2017	2016
Income from disposal of property	47	627
Fines, penalties and forfeitures received	3	56
Income from property lease	140	166
Income from revaluation of the assets intended for sale within the previous markdown	-	25 674
Other	538	12 288
Total other operating income	728	38 811

17. Administrative and other operating expenses

(unaudited)	For the six months ended 30 June	
	2017	2016
Payroll expenses	301 720	214 523
Loss on disposal of loans	58 016	-
Depreciation of property and equipment and amortization of intangible assets	48 259	29 687
Communication	15 886	17 810
Other taxes excluding the income tax	9 319	10 647
Lease payments	6 711	6 690
Insurance	5 547	1 465
Write-off of inventory stock cost	4 484	10 871
Repairs and maintenance of the fixed assets	4 204	4 306
Security	3 794	4 558
Advertising and marketing	384	611
Other	34 310	28 908
Total operating expenses	492 634	330 076

Payroll expenses are given below:

(unaudited)	For the six months ended 30 June	
	2017	2016
Salary and bonus expenses	239 729	167 707
Payments to state non-budgetary funds	60 638	46 765
Training costs	173	51
Other payroll expenses	1 180	-
Total payroll expenses	301 720	214 523

18. Income tax

For the six months ended 30 June 2017, and the six months ended 30 June 2016, income tax expense recognized in statement of comprehensive income comprised:

(unaudited)	For the six months ended 30 June	
	2017	2016
Current income tax expenses	12 093	176 833
Changes in deferred tax due to the origination and reversal of temporary differences	(7 904)	(96 238)
Income tax expenses for the period	4 189	80 595

The current tax rate applicable to the major part of the Bank's profit was 20% during the six months 2017 and 2016.

19. Earnings per share

The basic earnings per share is calculated by division of net loss or profit for ordinary shareholders and weighted average number of ordinary shares outstanding within a year, minus average number of treasury shares of the Bank.

The Bank has no dilutive potential ordinary shares, therefore, earning per dilutive potential share is equal to the basic earnings per share.

(unaudited)	For the six months ended 30 June	
	2017	2016
Net profit (loss) for the period (thousand rubles) per Bank shareholders	(332 439)	325 886
Weighted average number of shares outstanding during the period (pieces)	113 381	113 381
Earnings (loss) per share, basic and diluted (rubles)	(2 932,05)	2 874,26

20. Segment analysis

Transactions between segments were carried out within usual activity of the Bank.

Information of distribution of assets and liabilities between reporting segments is given below.

As at 30 June 2017					
(unaudited)	Loans to legal entities	Loans to individuals	Securities trading	Undistributable assets/liabilities	Total
Assets					
Cash and cash equivalents	-	-	1 410 879	65 854	1 476 733
Obligatory reserves with the CBR	116 720	-	-	-	116 720
Due from other banks	-	2 390	232 016	-	234 406
Loans and advances to customers	4 973 930	5 238 243	-	-	10 212 173
Financial assets available for sale	-	-	9 114 784	-	9 114 784
Current income tax assets	-	-	-	294 406	294 406
Long-term financial assets held for trading	132 606	20 967	-	-	153 573
Investment property	523	-	-	-	523
Deferred tax assets	-	-	-	77 317	77 317
Property, equipment and intangible assets	-	-	-	331 663	331 663
Other assets	4 760	3 606	24 184	-	32 550
Total assets	5 228 539	5 265 206	10 781 863	769 240	22 044 848
Liabilities					
Due to other banks	-	-	4 186 211	-	4 186 211
Customer accounts	3 250 784	2 462 715	4 137 361	-	9 850 860
Debt securities in issue	20 584	15 595	26 199	-	62 378
Other liabilities	15 613	11 827	19 871	-	47 311
Total liabilities	3 286 981	2 490 137	8 369 642	-	14 146 760
Balance sheet item	1 941 558	2 775 069	2 412 221	769 240	7 898 088

20. Segment analysis (continued)

As at 31 December 2016					
	Loans to legal entities	Loans to individuals	Securities trading	Undistributable assets/liabilities	Total
Assets					
Cash and cash equivalents	-	-	7 701 022	401 004	8 102 026
Obligatory reserves with the CBR	73 354	-	-	-	73 354
Due from other banks	-	-	1 682 400	-	1 682 400
Loans and advances to customers	4 935 399	5 891 484	-	-	10 826 883
Financial assets available for sale	-	-	10 421 267	-	10 421 267
Current income tax assets	-	-	-	87 638	87 638
Long-term financial assets held for trading	133 702	16 811	-	-	150 513
Investment property	523	-	-	-	523
Deferred tax assets	-	-	-	84 435	84 435
Property, equipment and intangible assets	-	-	-	379 838	379 838
Other assets	8 037	4 814	25 286	-	38 137
Total assets	5 151 015	5 913 109	19 829 975	952 915	31 847 014
Liabilities					
Due to other banks	-	-	82 423	-	82 423
Customer accounts	3 028 041	4 453 001	10 330 961	-	17 812 003
Debt securities in issue	974 787	1 433 511	3 325 744	-	5 734 042
Other liabilities	8 178	12 027	27 901	-	48 106
Total liabilities	4 011 006	5 898 539	13 767 029	-	23 676 574
Balance sheet item	1 140 009	14 570	6 062 946	952 915	8 170 440

Information of distribution of financial results between reporting segments is given below.

For the six months ended 30 June 2017					
(unaudited)	Loans to legal entities	Loans to individuals	Securities trading	Undistributable assets/liabilities	Total
Statement of comprehensive income					
Interest income	348 544	340 552	383 976	-	1 073 072
Interest expenses	(191 231)	(159 359)	(286 846)	-	(637 436)
Fee and commission income	42 501	114 701	4 916	-	162 118
Fee and commission expenses	(3 616)	(3 013)	(5 423)	-	(12 052)
Changes in provision for impairment	(674 548)	(9 537)	-	-	(684 085)
Operating income (including foreign currency differences)	588	140	262 039	-	262 767
Payroll expenses	(96 277)	(76 240)	(129 203)	-	(301 720)
Lease expenses, security	(3 152)	(2 626)	(4 727)	-	(10 505)
Taxes and dues	(2 795)	(2 330)	(4 194)	-	(9 319)
Administrative expenses, advertisement	(33 922)	(28 269)	(50 883)	-	(113 074)
Loss on disposal of loans	(58 016)	-	-	-	(58 016)
Income tax	-	-	-	(4 189)	(4 189)
Segment's financial result for the six months ended 30 June 20167	(671 924)	174 019	169 655	(4 189)	(332 439)

20. Segment analysis (continued)

For the six months ended 30 June 2016					
(unaudited)	Loans to legal entities	Loans to individuals	Securities trading	Undistributable assets/liabilities	Total
Statement of comprehensive income					
Interest income	437 945	441 845	510 531	-	1 390 321
Interest expenses	(230 721)	(307 628)	(560 324)	-	(1 098 673)
Fee and commission income	23 112	89 451	188	-	112 751
Fee and commission expenses	(5 496)	(7 328)	(13 348)	-	(26 172)
Changes in provision for impairment	(188 670)	36 702	(77 424)	-	(229 392)
Operating income (including foreign currency differences)	5 930	7 907	573 885	-	587 722
Payroll expenses	(48 800)	(59 066)	(106 657)	-	(214 523)
Lease expenses, security	(2 362)	(3 149)	(5 737)	-	(11 248)
Taxes and dues	(2 236)	(2 981)	(5 430)	-	(10 647)
Administrative expenses, advertisement	(19 668)	(26 224)	(47 766)	-	(93 658)
Income tax	-	-	-	(80 595)	(80 595)
Segment's financial result for the six months ended 30 June 2016	(30 966)	169 529	267 918	(80 595)	325 886

21. Financial risk management

Banking activities are incurred different financial risks. Risk management is fundamental for banking business and is an essential element of the Bank's operations. The objective of financial risk management is to achieve an acceptable risk/profitability ratio and minimize possible negative effects of the risks on the Bank's financial performance. The Bank's financial risk management is aimed at identifying and analysing credit and market risks and liquidity risk, establishing appropriate limits and control procedures and monitoring risks levels using reliable and actual information systems.

The policies and methods adopted by the Bank to manage financial risks are consistent with the policies and methods used and described in the annual financial statements of the Bank for the year ended 31 December 2016.

21.1 Credit risk

The Bank assumes the credit risk, namely the risk that the counterparty will not be able to fully pay off the debt in a timely manner. The Bank monitors credit risk both at the level of individual borrowers / groups of related borrowers and at the level of the Bank's loan portfolio as a whole. Control of credit risk at the level of an individual borrower is carried out by setting a limit on the risk to the borrower, including banks. Actual compliance with limits on the level of risk acceptance is monitored on a daily basis.

Maximum credit risk without collateral

The maximum credit risk (without fair value of collateral) is equal to the sum of net balance value of the financial assets and nominal value of credit-related commitments reflected in the table given below.

21. Financial risk management (continued)

As at 30 June 2017 (unaudited)	Estimated on individual basis		Not estimated on individual basis	Gross amount	Individual provision	Group provision	Net amount
	Current	Impaired					
Credit risk of assets:							
Correspondent account and overnight accounts in other banks	623 954	-	-	623 954	-	-	623 954
Other deposits in financial institutions	233 875	-	-	233 875	-	-	233 875
Due from other banks (except for CBR)	234 406	-	-	234 406	-	-	234 406
Loans to legal entities	4 982 134	2 087 976	-	7 070 110	(1 946 714)	(149 466)	4 973 930
Loans to individuals	192 529	210 692	5 066 149	5 469 370	(159 148)	(71 979)	5 238 243
Other receivables	-	193 242	-	193 242	(193 242)	-	-
Debt securities available for sale (except for GOVOZ, OFZ)	6 620 593	-	-	6 620 593	-	-	6 620 593
Other financial assets	18 129	214	-	18 343	(214)	-	18 129
Credit risk of credit related commitments:							
Financial guarantee	1 446 430	-	-	1 446 430	-	-	1 446 430
Liability on loan granting	15 550	-	-	15 550	-	-	15 550
Total	14 367 600	2 492 124	5 066 149	21 925 873	(2 299 318)	(221 445)	19 405 110

21. Financial risk management (continued)

31 December 2016	Estimated on individual basis		Not estimated on individual basis	Gross amount	Individual provision	Group provision	Net amount
	Current	Impaired					
Credit risk of assets:							
Correspondent account in other banks	143 230	-	-	143 230	-	-	143 230
Other deposits in financial institutions	588 845	-	-	588 845	-	-	588 845
Due from other banks (except for CBR)	1 682 400	-	-	1 682 400	-	-	1 682 400
Loans to legal entities	4 236 318	2 313 504	-	6 549 822	(1 529 695)	(84 728)	4 935 399
Loans to individuals	193 173	237 217	5 682 684	6 113 074	(145 818)	(75 772)	5 891 484
Debt securities available for sale (except for GOVOZ, OFZ)	8 326 051	-	-	8 326 051	-	-	8 326 051
Other financial assets	19 996	210	-	20 206	(210)	-	19 996
Credit risk of credit related commitments:							
Financial guarantee	1 593 751	-	-	1 593 751	-	-	1 593 751
Liability on loan granting	10 272	-	-	10 272	-	-	10 272
Total	16 794 036	2 550 931	5 682 684	25 027 651	(1 675 723)	(160 500)	23 191 428

Due from other banks and debt investments

The analysis of quality of due from other banks and debt investments based on the current credit ratings held by internationally-recognized rating agencies is given below. External credit ratings on the classification used by the International rating agency Moody's are given in tables below. The highest possible rating is Aaa. Investment level of financial assets corresponds to ratings from Aaa to Baa3. Financial assets with a rating below Baa3 belong to speculative grade.

21. Financial risk management (continued)

As at 30 June 2017 (unaudited)	A3 to Aaa	Baa3 to Baa1	Ba3 to Ba1	B3 to B1	under B3	No external rating	Total
Correspondent account and overnight accounts in other banks	-	13 945	7 035	27 390	-	575 584*	623 954
Other deposits in financial institutions	-	233 810	-	-	-	65	233 875
Current loans and other due from other banks	-	-	-	50	-	2 340	2 390
Discounted bills	-	-	232 016	-	-	-	232 016
Debt securities available for sale	-	138 952	8 394 482	544 478	-	36 872	9 114 784
Total	-	386 707	8 633 533	571 918	-	614 861	10 207 019

* including funds in the amount of 556 351 thousand rubles placed on correspondent accounts with NCO NRD CJSC, which has a depositary rating from Thomas Murray Data Services.

31 December 2016	A3 to Aaa	Baa3 to Baa1	Ba3 to Ba1	B3 to B1	under B3	No external rating	Total
Correspondent account and overnight accounts in other banks	-	15 264	8 991	43 075	-	75 900	143 230
Other deposits in financial institutions	-	588 639	-	-	-	206	588 845
Discounted bills	-	-	180 125	-	-	-	180 125
Current loans and other due from other banks	-	-	1 000 277	500 196	-	1 802	1 502 275
Debt securities available for sale	-	459 446	9 594 662	329 642	-	37 517	10 421 267
Total	-	1 063 349	10 784 055	872 913	-	115 425	12 835 742

21.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulties in the fulfilment of its financial obligations. Liquidity risk arises when the maturities of assets and liabilities of the Bank do not match (including non-fulfilment of financial liabilities by one or several contractors of the Bank) and/or due to sudden need of immediate and instantaneous nonrecurring of the financial liabilities by the Bank.

As a part of liquidity risk management the Bank controls the expected (or contractual) maturities, taking into consideration the discounting of cash flows. The carrying amount of the financial instruments by expected maturity is presented in the table below.

21. Financial risk management (continued)

As at 30 June 2017						
(unaudited)	On demand and less than 1 months	1 to 6 months	6 months to 1 year	More than 1 year	overdue/Maturity undefined	Total
Assets:						
Cash and cash equivalents	1 476 733	-	-	-	-	1 476 733
Obligatory reserves with the CBR	116 720	-	-	-	-	116 720
Due from other Banks	2 390	-	232 016	-	-	234 406
Loans to customers	484 482	1 640 962	378 086	6 562 054	1 146 589	10 212 173
Financial assets available for sale	9 114 784	-	-	-	-	9 114 784
Current income tax assets	-	-	294 406	-	-	294 406
Long-term assets held for trading	-	-	153 573	-	-	153 573
Investment property	-	-	-	-	523	523
Deferred tax assets	-	-	-	-	77 317	77 317
Property, equipment and intangible assets	-	-	-	-	331 663	331 663
Other assets	13 125	10 356	3 235	-	5 834	32 550
Total assets	11 208 234	1 651 318	1 061 316	6 562 054	1 561 926	22 044 848
Liabilities:						
Due to other Banks	4 186 211	-	-	-	-	4 186 211
Customer accounts	8 102 469	1 135 111	553 381	59 899	-	9 850 860
Debt securities issued	49 854	3 183	9 279	62	-	62 378
Other liabilities	1 648	7 513	3 858	3 101	31 191	47 311
Total liabilities	12 340 182	1 145 807	566 518	63 062	31 191	14 146 760
Net position	(1 131 948)	505 511	494 798	6 498 992	1 530 735	7 898 088
Cumulative liquidity gap	(1 131 948)	(626 437)	(131 639)	6 367 353	7 898 088	

21. Financial risk management (continued)

	As at 31 December 2016					
	On demand and less than 1 month	1 to 6 months	6 months to 1 year	More than 1 year	Maturity undefined	Total
Assets:						
Cash and cash equivalents	8 102 026	-	-	-	-	8 102 026
Obligatory reserves with the CBR	73 354	-	-	-	-	73 354
Due from other Banks	1 502 275	180 125	-	-	-	1 682 400
Loans and advances to customers	383 824	1 588 186	3 277 453	5 576 026	1 394	10 826 883
Financial assets available for sale	10 421 267	-	-	-	-	10 421 267
Current income tax assets	-	-	87 638	-	-	87 638
Deferred tax assets	-	-	-	-	84 435	84 435
Long-term assets available for sale	-	-	150 513	-	-	150 513
Investment property	-	-	-	-	523	523
Property, equipment and intangible assets	-	-	-	-	379 838	379 838
Other assets	14 121	12 455	5 078	-	6 483	38 137
Total assets	20 496 867	1 780 766	3 520 682	5 576 026	472 673	31 847 014
Liabilities:						
Due to other Banks	82 423	-	-	-	-	82 423
Customer accounts	17 133 272	128 864	488 438	61 429	-	17 812 003
Debt securities issued	218	4 228 601	50 223	1 455 000	-	5 734 042
Other liabilities	2 987	6 726	8 927	5 173	24 293	48 106
Total liabilities	17 218 900	4 364 191	547 588	1 521 602	24 293	23 676 574
Net position	3 277 967	(2 583 425)	2 973 094	4 054 424	448 380	8 170 440
Cumulative liquidity gap	3 277 967	694 542	3 667 636	7 722 060	8 170 440	-

The maturity analysis does not reflect the historical stability of current accounts. Balances of those accounts are shown in the "on demand" category of the tables above. In practice, however, funds are withdrawn after a longer period.

21.3 Market risk

The bank takes market risk that represents the risk that fair values or future cash flows of the financial instruments will fluctuate due to changes in market prices. Market risk arises in case of open positions on interest, currency and equity instruments, which are subject to overall and partial fluctuations in the market and changes of degree of volatility of market rates

21. Financial risk management (continued)**21.4 Interest rate risk**

The Bank takes the risk related to the influence of fluctuations of market interest rates on its financial position and future cash flows. Such changes can increase the level of interest margin, however in case of an unexpected flow of interest rates the interest margin can also decrease.

21.5 Currency risk

The Bank takes on exposure to risk related with the effects of changes in foreign currency exchange rates on its financial position and cash flows. The Bank carries out daily monitoring of the open foreign exchange position. The Treasury Department of the Bank carries out centralized control of currency risk of the Bank.

General analysis of the Bank's currency risk is presented below. The Bank does not use the analysis given below for currency risk management.

(unaudited)	As at 30 June 2017				
	RUR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	653 469	251 053	568 142	4 069	1 476 733
Obligatory reserves with the CBR					
	116 720	-	-	-	116 720
Due from other Banks	50	234 356			234 406
Loans to customers	10 208 794	3 379	-	-	10 212 173
Financial assets available for sale	6 206 810	2 309 835	598 139	-	9 114 784
Current income tax assets	294 406	-	-	-	294 406
Long-term assets held for trading					
	153 573	-	-	-	153 573
Investment property	523	-			523
Deferred tax assets	77 317	-	-	-	77 317
Property, equipment and intangible assets	331 663	-	-	-	331 663
Other assets	31 900	650	-	-	32 550
Total assets	18 075 225	2 799 273	1 166 281	4 069	22 044 848
Liabilities					
Due to other Banks	4 185 848	40	323	-	4 186 211
Customer accounts	9 683 970	109 560	57 283	47	9 850 860
Debt securities issued	53 099	9 279	-	-	62 378
Other liabilities	47 311	-	-	-	47 311
Total liabilities	13 970 228	118 879	57 606	47	14 146 760
Net position	4 104 997	2 680 394	1 108 675	4 022	7 898 088
Credit related commitments	1 461 980	-	-	-	1 461 980

21. Financial risk management (continued)

	As at 31 December 2016				
	RUR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	7 208 900	750 485	134 965	7 676	8 102 026
Obligatory reserves with the CBR	73 354	-	-	-	73 354
Due from other Banks	1 500 465	181 935	-	-	1 682 400
Loans and advances to customers	10 823 224	3 659	-	-	10 826 883
Financial assets available for sale	6 062 681	4 385 586	-	-	10 421 267
Current income tax assets	87 638	-	-	-	87 638
Deferred tax assets	84 435	-	-	-	84 435
Long-term assets held for trading	150 513	-	-	-	150 513
Investment property	523	-	-	-	523
Property, equipment and intangible assets	379 838	-	-	-	379 838
Other assets	36 303	737	1 097	-	38 137
Total assets	26 407 874	5 295 402	136 062	7 676	31 847 014
Liabilities					
Due to other Banks	82 423	-	-	-	82 423
Customer accounts	17 640 605	117 340	53 968	90	17 812 003
Debt securities issued	5 734 042	-	-	-	5 734 042
Other liabilities	48 063	-	43	-	48 106
Total liabilities	23 505 133	117 340	54 011	90	23 676 574
Net position	2 902 741	5 178 062	82 051	7 586	8 170 440
Credit related commitments	1 604 023	-	-	-	1 604 023

Information of foreign exchange position on the derivative financial instruments is given below in the table.

	As at 30 June 2017 (unaudited)		As at 31 December 2016	
	USD	EUR	USD	EUR
Position on derivative financial instruments	(2 649 474)	(1 110 761)	(5 006 180)	(82 756)

22. Credit related commitments

The guarantees given out by the Bank as at 30 June 2017 and as at 31 December 2016 are recognized at fair value according to IAS 39 in the balance sheet of the Bank. Total off-balance sheet guarantee commitments of the Bank are presented below.

	As at 30 June 2017 (unaudited)	As at 31 December 2016
Financial guarantees	1 446 430	1 593 751
Liability to grant loans and guarantees	15 550	10 272
Total credit related liabilities	1 461 980	1 604 023

During the six months of 2017 and 2016 the provision for impairment of credit related commitments was not created.

23. Fair value of financial instruments

Fair value is amount that can be received in exchange for an asset or a liability by the transaction between well informed parties interested in such transaction based on arm's length principle, except for cases of forced sale or liquidation of organization. The best basis for determination of fair value of a financial instrument is published quotes of the active market.

Fair value of the financial instruments of the Bank is defined as follows:

- for the financial instruments traded in active liquid markets, - on the basis of quoted market price;
- for other financial instruments - according to the standard techniques of evaluation on the basis of analysis of future cash flows discounted at the average market rates as at the end of the year for each type of financial instruments.

The carried out evaluation showed that carrying value of the financial instruments of the Bank considered at the amortized cost does not differ significantly from their fair value as at reporting date. These financial instruments include: cash and cash equivalents, due from other banks, loans and advances to customers, due to other banks, customer accounts, debt securities issued.

The analysis of the financial instruments recognized at fair value is given below:

30 June 2017 (unaudited)	Evaluation on basis of active market quotation	Evaluation on basis of market data	Evaluation with non- market data	Total
	level 1	level 2	level 3	
Financial assets				
Available for sale	9 114 784			9 114 784
Total	9 114 784	-	-	9 114 784

31 December 2016	Evaluation on basis of active market quotation	Evaluation on basis of market data	Evaluation with non-market data	Total
	level 1	level 2	level 3	
Financial assets				
Available for sale	10 421 267	-	-	10 421 267
Total	10 421 267	-	-	10 421 267

The Bank did not reclassify the instruments recognized at fair value to the levels of the fair value hierarchy during the six months of 2017 and 2016.

24. Related party transactions

Parties are considered to be related if one party has the ability to directly or indirectly control the other party or exercise significant influence over the other party in making financial or operational decisions. By consideration of relationship with all related parties, economic content of such relationship, and not just their legal form, is taken into account.

The Bank carries out transactions with related parties during the ordinary activities primary on arm's length basis.

During the six months of 2017 and in 2016, the Bank did not conduct any transactions (deals) with related parties that exceed five percent of the book value of the relevant items of assets or liabilities.

Information on amount of remuneration to the key management personnel for the six months 2017 and for the six months 2016.

(unaudited)	For the six months ended 30 June	
	2017	2016
Key management personnel of the Bank		
Salary and other short-term remuneration	21 779	25 698

25. Capital Management

The Bank maintains necessary capital base to cover risks inherent in its operations and facilitate development of its business. The purpose of capital management of the Bank is to maintain the optimal capital volume and structure in order to ensure the maximum profit of the Bank while observing limits on the level of risks accepted, including unconditional fulfilment of the regulator's requirements to the minimum level of capital adequacy.

The Bank's policy concerning the capital management is consistent with the policy described in the annual financial statements of the Bank for the year ended 31 December 2016.

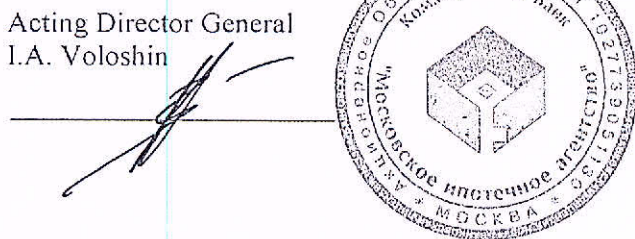
During the six months of 2017 and in 2016, the Bank complied with the capital adequacy ratios established by the Bank of Russia.

26. Events after the reporting period

No significant events have occurred between the end of the reporting period and the date when these Condensed Interim Financial Statements were authorized for issue except for distribution and payment of dividends (Note 11).

Authorized by the Management Board and signed on behalf of the Management Board on 29 August 2017

Acting Director General
I.A. Voloshin



Chief Accountant
V.Y. Betnev

A handwritten signature in black ink, appearing to read "Betnev", written over a horizontal line.