**CBOM Finance Plc**

**Directors' report and audited financial statements**

**For the financial year ended 31 December 2015**

Registered number: 425241

## Contents

## Directors and other information

| | | |
|---|---|---|
| **Directors** | Deirdre Glynn<br>Bronagh Hardiman (appointed on 21 March 2016)<br>Rhys Owens (resigned on 21 March 2016) | |
| **Registered Office** | 6th Floor<br>Pinnacle 2<br>Eastpoint Business Park<br>Dublin 3<br>Ireland | |
| **Administrator & Company Secretary** | Deutsche International Corporate Services (Ireland) Limited<br>6th Floor<br>Pinnacle 2<br>Eastpoint Business Park<br>Dublin 3<br>Ireland | |
| **Independent Auditors** | KPMG<br>Chartered Accountants, Statutory Audit firm<br>1 Harbourmaster Place<br>International Financial Services Centre<br>Dublin 1<br>Ireland | |
| **Principal Paying Agent & Banker** | The Bank of New York Mellon<br>One Canada Square<br>London<br>E14 5AL<br>United Kingdom | |
| **Solicitors** | Arthur Cox Solicitors<br>Arthur Cox Building<br>Earlsfort Centre<br>Earlsfort Terrace<br>Dublin 2<br>Ireland | |
| **Bankers** | Bank of Ireland<br>2 Burlington Plaza<br>Burlington Road<br>Dublin 4<br>Ireland | Citibank N.A<br>33 Canada Square<br>London<br>W14 5LB<br>United Kingdom |
| | The Bank of New York Mellon<br>One Canada Square<br>London<br>E14 5AL<br>United Kingdom | |
| **Trustee** | Citibank N.A<br>33 Canada Square<br>London<br>W14 5LB<br>United Kingdom | BNY Corporate Trustee Services Ltd<br>40th Floor<br>One Canada Square<br>London E14 5AL<br>United Kingdom |

**Directors' report**
The Directors present the annual report and audited financial statements of CBOM Finance Plc ("the Company") for the financial year ended 31 December 2015.

**Principal activities**
CBOM Finance Plc (the "Company") is a limited liability company, incorporated in Ireland under the Companies Act 2014. On 16 October 2006, the Company issued USD 100 million in aggregate principal amount of 9.50% loan participation notes due 2009 (the "Notes") for the sole purpose of financing a loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Loan was repaid by the Borrower and the Notes were redeemed on 21 October 2009.

On 5 August 2011, the Company further issued USD 200 million in aggregate principal of 8.25% loan participation notes due 2014 (the "Notes") for the sole purpose of financing a loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company. The Loan was repaid by the Borrower and the Notes were redeemed on 5 August 2014.

On 1 February 2013, the Company further issued USD 500 million in aggregate principal of 7.70% loan participation notes due 2018 (the "Notes") for the sole purpose of financing a loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company.

On 13 May 2013, the Company further issued USD 500 million in aggregate principal of 8.70% loan participation notes due 2018 (the "Notes") for the sole purpose of financing a loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company.

On 26 November 2014, the Company further issued RUB 5 billion in aggregate principal of 16.50% loan participation notes due 2025 (the "Notes") for the sole purpose of financing a subordinated loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company.

**Business review**
During the financial year, the Company made a profit after tax of USD nil (2014: USD 2,250).

At 31 December 2015:
- the Company's net indebtedness was USD 1,087,538,360 (2014: USD 1,099,769,190 ).
- the Company's net assets was USD 62,778 (2014: USD 62,778).

**Future development**
The Directors expect the present level of activity to be sustained for the foreseeable future. The Board will continue to seek new opportunities for the Company and will continue to ensure proper management of the current portfolio of loan participating notes.

**Results and dividends for the financial year**
The results for the financial year are set out on page 8. The Directors have not recommended payment of dividends for the financial year under review (2014: USD nil).

**Changes in Directors, secretary and registered office**
On 21 March 2016, Rhys Owen resigned as Director and was replaced by Bronagh Hardiman on the same date.

There have been no other changes in Directors, secretary or registered office during the financial year and/or since the financial year end.

**Directors, secretary and their interests**
The Director, Rhys Owens, and the Secretary, Deutsche International Corporate Services (Ireland) Limited ("DICSIL"), who held office on 31 December 2015, held 1 share each in the Company on behalf of the charitable trust as at 31 December 2015. The Directors at the date of this report are listed on page 1. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest, as defined in the Companies Act 2014, at any time during the financial year, or at the financial year end.

**Accounting records**
The Directors believe that they have complied with the requirements of Sections 281 to 285 of the Companies Act 2014. Adequate accounting records are kept by employing service providers who employ accounting personnel with the appropriate expertise and by providing adequate resources to the financial function. The accounting records of the Company are maintained by DICSIL at 6th Floor, Pinnacle 2, Eastpoint Business Park, Dublin 3, Ireland.

**Financial risk management**
The disclosures in relation to the Company's policies for financial risk management, including market risk, credit risk, interest rate risk and liquidity risk, and the nature of financial instruments used during the financial year to mitigate exposure to these risks is shown in note 18 to the financial statements.

**Directors' report (continued)**

**Subsequent events**
On 21 March 2016, Rhys Owen resigned as Director and was replaced by Bronagh Hardiman on the same date.

There have been no other significant subsequent events that require disclosures in these financial statements up to the date of signing this report.

**Going Concern**
The Company's financial statements for the financial year ended 31 December 2015 have been prepared on a going concern basis. The loan is referenced to the specific note, and any loss derived from the asset will be ultimately borne by the Noteholders. The Notes in issue have maturities ranging between the years 2018 to 2025. The Directors believe that the going concern basis is appropriate.

**Operational risk**
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity issues such as those arising from legal and regulatory requirements and generally accepted standards to corporate behaviour. Operational risk arises from all the Company's operations.

The Company was incorporated with the purpose of engaging in those activities as outlined in note 1. All management and administration functions are outsourced to Deutsche International Corporate Services (Ireland) Limited.

**Audit committee**
Statutory audits in Ireland are regulated by the European Communities Regulations , 2011 (S.I. 220 of 2011) (the "Regulations"). According to the Regulations, if the sole business of the Company relates to the issuing of asset backed securities, the Company is exempt from the requirement to establish an audit committee (under Regulation 91(9) (d) of the Regulations). In this respect, the Company is not required to establish an audit committee.

**Corporate Governance Statement**
*Introduction*
The Company is subject to and complies with Irish Statute comprising of the Companies Act 2014 and the Listing rules of the Irish Stock Exchange. The Company does not apply additional requirements in addition to those required by the above. Each of the service providers engaged by the Company is subject to their own corporate governance requirements.

*Financial Reporting Process*
The Board of Directors ("the Board") is responsible for establishing and maintaining adequate internal control and risk management systems of the Company in relation to the financial reporting process. Such systems are designed to manage rather than eliminate the risk of failure to achieve the Company's financial reporting objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has established processes regarding internal control and risk management systems to ensure its effective oversight of the financial reporting process. These include appointing the Administrator, Deutsche International Corporate Services (Ireland) Limited, to maintain the accounting records of the Company independently of the Trustee and Borrower. The Administrator is contractually obliged to maintain adequate accounting records as required by the Corporate Administration agreement. To that end, the Administrator performs reconciliations of its records to that of the Borrower and the Trustee. The Administrator is also contractually obliged to prepare for review and approval by the Board the annual report including financial statements intended to give a true and fair view.

The Board evaluates and discusses significant accounting and reporting issues as the need arises. From time to time, the Board also examines and evaluates the Administrator's financial accounting and reporting routines and monitors and evaluates the external auditors' performance, qualifications and independence. The Administrator has operating responsibility for internal control in relation to the financial reporting process and the Administrator's report to the Board.

*Risk Assessment*
The Board is responsible for assessing the risk of irregularities whether caused by fraud or error in financial reporting and ensuring the processes are in place for the timely identification of internal and external matters with a potential effect on financial reporting. The Board has also put in place processes to identify changes in accounting rules and recommendations and to ensure that these changes are accurately reflected in the Company's financial statements. More specifically:

- The Administrator has a review procedure in place to ensure errors and omissions in the financial statements are identified and corrected;
- Regular training on accounting rules and recommendations is provided to the accountants employed by the Administrator; and
- For Accounting bulletins, issued by Deutsche Bank AG, London, an entity related to Deutsche International Corporate Services (Ireland) Limited, these are distributed monthly to all accountants employed by the Administrator.

*Control Activities*
The Administrator is contractually obliged to design and maintain control structures to manage the risks which the Board judges to be significant for internal control over financial reporting. These control structures include appropriate division of responsibilities and specific control activities aimed at detecting or preventing the risk of significant deficiencies in financial reporting for every significant account in the financial statements and the related notes in the Company's annual report.

**Directors' report (continued)**

**Corporate Governance Statement (continued)**

*Monitoring*
The Board has an annual process to ensure that appropriate measures are taken to consider and address the shortcomings identified and measures recommended by the independent auditors.

Given the contractual obligations on the Administrator, the Board has concluded that there is currently no need for the Company to have a separate internal audit function in order for the Board to perform effective monitoring and oversight of the internal control and risk management systems of the Company in relation to the financial reporting process.

*Capital Structure*
No person has a significant direct or indirect holding of securities in the Company. No person has any special rights of control over the Company's share capital. There are no restrictions on voting rights.

The takeover bids directive is not applicable as the Company does not have transferable securities carrying voting rights listed on a regulated market.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, Irish Statute comprising the Companies Act 2014 and the Listing Rules of the Irish Stock Exchange. The Articles of Association themselves may be amended by special resolution of the shareholders.

*Powers of Directors*
The Board is responsible for managing the business affairs of the Company in accordance with the Articles of Association. The Directors may delegate certain functions to the Administrator and other parties, subject to supervision and direction by the Directors. The Directors have delegated the day to day administration of the Company to the Administrator.

**Independent auditor**
The independent auditor, KPMG, Chartered Accountants and Statutory Audit Firm, have signified their willingness to continue in office in accordance with Section 383(2) of the Companies Act 2014.

**On behalf of the board**

Bronagh Hardiman

**Bronagh Hardiman**
**Director**

Deirdre Glynn

**Deirdre Glynn**
**Director**

**Date:** 14.6.2016

**Statement of Directors' responsibilities in respect of the Directors' report and the financial statements**

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Company financial statements for each financial year. Under that law, the Directors have elected to prepare the Company's financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and applicable law.

Under company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the assets, liabilities and financial position of the Company and of its profit or loss for that financial year. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the assets, liabilities, financial position and profit or loss of the Company and enable them to ensure that the financial statements comply with the Companies Act 2014. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities. The Directors are also responsible for preparing a Directors' report that complies with the requirements of the Companies Act 2014.

**On behalf of the board**

Bronagh Hardiman

**Bronagh Hardiman**
**Director**

Deirdre Glynn

**Deirdre Glynn**
**Director**

**Date:** 14 . 6 . 2016

**KPMG**
**Audit**
1 Harbourmaster Place
IFSC
Dublin 1
D01 F6F5
Ireland

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CBOM FINANCE PLC

We have audited the financial statements ("financial statements") of CBOM Finance Plc (the "Company") for the year ended 31 December 2015 which comprise of the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is Irish law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Our audit was conducted in accordance with International Standards on Auditing (ISAs) (UK & Ireland).

### Opinions and conclusions arising from our audit

#### *1 Our opinion on the financial statements is unmodified*

In our opinion, the financial statements:

- give a true and fair view of the assets, liabilities and financial position of the Company as at 31 December 2015 and of its result for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act 2014.

#### *2 Our conclusions on other matters on which we are required to report by the Companies Act 2014 are set out below*

We have obtained all the information and explanations which we consider necessary for the purposes of our audit.

In our opinion, the accounting records of the Company were sufficient to permit the financial statements to be readily and properly audited and the financial statements are in agreement with the accounting records.

In our opinion, the information given in the Directors' Report is consistent with the financial statements and the description in the Corporate Governance Statement of the main features of the internal control and risk management systems in relation to the process for preparing the financial statements is consistent with the financial statements.

In addition, we report, in relation to information given in the Corporate Governance Statement on pages 3 to 4, that:

- based on knowledge and understanding of the Company and its environment obtained in the course of our audit, no material misstatements in the information identified above have come to our attention; and
- based on the work undertaken in the course of our audit, in our opinion:
  - the description of the main features of the internal control and risk management systems in relation to the process for preparing the financial statements, and information relating to voting rights and other matters required by the European Communities (Takeover Bids (Directive 2004/25/EC) Regulations 2006 and specified by the Companies Act 2014 for our consideration, are consistent with the financial statements and have been prepared in accordance with the Companies Act 2014, and
  - the Corporate Governance Statement contains the information required by the Companies Act 2014.

KPMG

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CBOM FINANCE PLC (continued)

***3 We have nothing to report in respect of matters on which we are required to report by exception***

ISAs (UK & Ireland) require that we report to you if, based on the knowledge we acquired during our audit, we have identified information in the Directors Report that contains a material inconsistency with either that knowledge or the financial statements, a material misstatement of fact, or that is otherwise misleading. In addition, the Companies Act 2014 requires us to report to you if, in our opinion, the disclosures of Directors' remuneration and transactions required by sections 305 to 312 of the Act are not made.

**Basis of our report, responsibilities and restrictions on use**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and otherwise comply with the Companies Act 2014. Our responsibility is to audit and express an opinion on the financial statements in accordance with Irish law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's Ethical Standards for Auditors.

An audit undertaken in accordance with ISAs (UK & Ireland) involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Director's Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

Whilst an audit conducted in accordance with ISAs (UK & Ireland) is designed to provide reasonable assurance of identifying material misstatements or omissions, it is not guaranteed to do so. Rather the auditor plans the audit to determine the extent of testing needed to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements does not exceed materiality for the financial statements as a whole. This testing requires us to conduct significant audit work on a broad range of assets, liabilities, income and expense as well as devoting significant time of the most experienced members of the audit team, in particular the engagement partner responsible for the audit, to subjective areas of the accounting and reporting.

Our report is made solely to the Company's members, as a body, in accordance with section 391 of the Companies Act 2014. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

*Vincent Reilly*
**for and on behalf of**
**KPMG**
**Chartered Accountants, Statutory Audit Firm**
1 Harbourmaster Place
IFSC
Dublin
Date: 14 JUNE 2016

**Statement of comprehensive income**
**For the financial year ended 31 December 2015**

| | Note | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|---|
| Interest income on loans and receivables | 4 | 97,654,399 | 94,895,741 |
| Interest expense on debt securities issued | 5 | (97,654,399) | (94,895,741) |
| | | - | - |
| Other income | 6 | 79,255 | 141,846 |
| Other expenses | 7 | (68,999) | (126,221) |
| Foreign exchange loss | 8 | (10,256) | (12,625) |
| **Profit on ordinary activities before taxation** | | - | 3,000 |
| Taxation | 9 | - | (750) |
| **Profit for the financial year after taxation** | | - | 2,250 |
| Other comprehensive income | | - | - |
| **Total comprehensive income for the financial year** | | - | 2,250 |

All items dealt with in arriving at the total comprehensive income for the financial years ended 31 December 2015 and 31 December 2014 related to continuing operations.

## Statement of financial position
**As at 31 December 2015**

| | Note | 31-Dec-15 | 31-Dec-14 |
|---|---|---|---|
| **Assets** | | USD | USD |
| Cash and cash equivalents | 11 | 114,978 | 130,445 |
| Loans and receivables | 10 | 1,064,636,997 | 1,076,659,367 |
| Other receivables | 12 | 22,964,141 | 23,172,601 |
| **Total assets** | | 1,087,716,116 | 1,099,962,413 |
| **Liabilities and Equity** | | | |
| **Liabilities** | | | |
| Other payables | 13 | 23,016,341 | 23,240,268 |
| Debt securities issued | 14 | 1,064,636,997 | 1,076,659,367 |
| **Total liabilities** | | 1,087,653,338 | 1,099,899,635 |
| **Equity** | | | |
| Called-up share capital | 15 | 51,528 | 51,528 |
| Retained earnings | | 11,250 | 11,250 |
| **Total equity** | | 62,778 | 62,778 |
| **Total liabilities and equity** | | 1,087,716,116 | 1,099,962,413 |

On behalf of the Board

Bronagh Hardiman

**Bronagh Hardiman**
**Director**

Deirdre Glynn

**Deirdre Glynn**
**Director**

**Date:** 14.6.2016

The accompanying notes to the financial statements on pages 12 to 23 form an integral part of these financial statements.

**Statement of changes in equity**
**For the financial year ended 31 December 2015**

| | Share capital USD | Retained earnings USD | Total USD |
|---|---|---|---|
| **Balance as at 1 January 2014** | 51,528 | 9,000 | 60,528 |
| *Total comprehensive income for the financial year* | | | |
| Profit for the financial year | - | 2,250 | 2,250 |
| Other comprehensive income | - | - | - |
| Total comprehensive income | - | 2,250 | 2,250 |
| **Balance as at 31 December 2014** | 51,528 | 11,250 | 62,778 |
| *Total comprehensive income for the financial year* | | | |
| Profit for the financial year | - | - | - |
| Other comprehensive income | - | - | - |
| Total comprehensive income | - | - | - |
| **Balance as at 31 December 2015** | 51,528 | 11,250 | 62,778 |

**Statement of cash flows**
**For the financial year ended 31 December 2015**

| | Note | Financial year ended 31-Dec-15 USD | Financial Year ended 31-Dec-14 USD |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit from ordinary activities after taxation | | - | 2,250 |
| | | | |
| *Adjustments for:* | | | |
| Amortisation of issue costs | 14 | 1,355,486 | 1,720,968 |
| Accretion of facility fees | 10 | (1,355,486) | (1,720,968) |
| | | - | 2,250 |
| Interest income on loans and receivables | 4 | 96,298,913 | 93,174,773 |
| Interest expense on debt securities issued | 5 | (96,298,913) | (93,174,773) |
| (Increase)/decrease in other receivables | | (6,143) | 32,722 |
| Decrease in other payables | | (9,324) | (25,226) |
| **Net cash (used in)/generated from operating activities** | | **(15,467)** | **9,746** |
| | | | |
| **Cash flows from investing activities** | | | |
| Loan advanced | 10 | - | (108,500,000) |
| Loan repaid | 10 | - | (200,000,000) |
| Interest received during the financial year | | 96,513,516 | 98,500,000 |
| Arrangement fees | 10 | - | 592,280 |
| **Net cash generated from/(used in) investing activities** | | **96,513,516** | **(209,407,720)** |
| | | | |
| **Cash flows from financing activities** | | | |
| Issuance of debt securities issued | 14 | - | 108,500,000 |
| Redemption of debt securities issued | 14 | - | 200,000,000 |
| Interest paid during the financial year* | | (96,513,516) | (98,500,000) |
| Issue cost | 14 | - | (592,280) |
| **Net cash (used in)/generated from financing activities** | | **(96,513,516)** | **209,407,720** |
| | | | |
| **Net (decrease)/increase in cash** | | (15,467) | 9,746 |
| | | | |
| **Cash and cash equivalents at start of the financial year** | | 130,445 | 120,699 |
| | | | |
| **Cash and cash equivalents at end of the financial year** | 11 | **114,978** | **130,445** |

**Notes to the financial statements**
**For the financial year ended 31 December 2015**

## 1. General information

CBOM Finance Plc (the "Company") is a limited liability company, incorporated in Ireland under the Companies Act 2014. The Company had initially issued USD 100 million in aggregate principal amount of 9.50% Loan participation Notes due 2009 ("the Notes") with interest rate step-up to 10.25% in 2007 for the sole purpose of financing a loan ("the Loan") to Credit Bank of Moscow (the "Borrower"). At the date of issue, the Borrower paid the Company an amount of USD 1,232,523 as facility fee to settle the closing costs and will also reimburse all the costs incurred by the Company. The Notes matured and were redeemed on 21 October 2009.

On 5 August 2011, the Company further issued USD 200 million in aggregate principal amount of 8.25% Loan Participation Notes due 2014 for the sole purpose of financing a loan to Credit Bank of Moscow (the "Borrower"). The Borrower paid the Company an amount of USD 2,300,790 as facility fee to settle the issue costs on the Notes issued and will also reimburse all administration and operating costs incurred by the Company. The Loan was repaid by the Borrower and the Notes were redeemed on 5 August 2014.

On 1 February 2013, the Company further issued USD 500 million in aggregate principal of 7.70% loan participation notes due 2018 (the "Notes") for the sole purpose of financing a loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company.

On 13 May 2013, the Company further issued USD 500 million in aggregate principal of 8.70% loan participation notes due 2018 (the "Notes") for the sole purpose of financing a loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company.

On 26 November 2014, the Company further issued RUB 5 billion in aggregate principal of 16.50% loan participation notes due 2025 (the "Notes") for the sole purpose of financing a subordinated loan (the "Loan") to Credit Bank of Moscow (the "Borrower"). The Borrower would reimburse all the costs incurred by the Company.

The Company does not have any subsidiaries and these financial statements represent only the financial performance and position of CBOM Finance Plc, as an individual entity for the financial year under review.

The Company has no direct employees.

## 2. Basis of preparation

### (a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and its interpretations as adopted by the European Union (EU) and as applied in accordance with the Companies Act 2014.

The accounting policies set out below have been applied consistently in preparing the financial statements for the financial year ended 31 December 2015 and the comparative information. The comparative information presented in these financial statements are for the financial year ended 31 December 2014.

These financial statements have been prepared on a going concern basis, as explained in the Directors' report.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

The financial statements are presented in USD which is the Company's functional currency. Functional currency is the currency of the primary economic environment in which the entity operates. The debt securities issued are primarily denominated in USD. The Directors of the Company believe that USD most faithfully represents the economic effects of the underlying transactions, events and conditions.

### (d) Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

**2. Basis of preparation (continued)**

**(e) New standards and interpretations**

(i) *Effective for annual periods beginning on 1 January 2015*

A number of new standards and interpretations are effective for annual periods beginning on or after 1 January 2015.

| | Standards and Interpretations | Effective date |
|---|---|---|
| Annual improvements 2013 | These annual improvements amend standards from the 2011 - 2013 reporting cycle. It includes changes to:<br><br>• IFRS 13, 'Fair value measurement' is amended to clarify that the portfolio exception in IFRS 13 applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. | 01-Jan-15 |

(ii) *Effective for annual periods beginning after 1 January 2015*

A number of new standards and amendments to standards and interpretations became effective for annual periods beginning after 1 January 2015 and have not been applied in preparing the financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except those set out in the table below:

| | Standards and Interpretations | Effective date |
|---|---|---|
| Annual improvements 2012 | These annual improvements amend standards from the 2010 - 2012 reporting cycle. It includes changes to:<br><br>• IAS 24, 'Related party disclosures' is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (the 'management entity'). Disclosure of the amounts charged to the reporting entity is required.<br><br>• IFRS 13, 'Fair Value' which amended the basis of conclusions to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amounts where the effect of discounting is immaterial. | 01-Feb-15 |
| Amendments to IAS 1 | Disclosure Initiative | Annual periods beginning on or after 1 January 2016 |
| Annual improvements to IFRS 2012 - 2014 | As part of its annual improvements process, the IASB has published non-urgent but necessary amendments to IFRS, which includes IFRS 7 Financial Instruments: Disclosures (with consequential amendments to IFRS 1). | Annual periods beginning on or after 1 January 2016 |
| IFRS 9 | Financial instruments on the classification, measurement and recognition of financial assets and financial liabilities. Early adoption is permitted. The Company is yet to assess IFRS 9 full impact. | Annual periods beginning on or after 1 January 2018* |

*Not yet endorsed, expected to be in endorsed in H2 2016

The Company has not adopted any other new standards or interpretations that are not mandatory. The Directors anticipate that the adoption of those standards or interpretations other than IFRS 9 will have no material impact on the financial statements of the Company in the period of initial application.

IFRS 9 has two financial asset measurement categories: amortised cost and fair value and eliminates the existing IAS 39 categories of held-to-maturity, available for sale and loans and receivables. A financial asset would be measured at amortised cost if it is held within a business model whose objective is to hold the assets in order to collect contractual cash flows, and the asset's contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets would be continually remeasured at fair value with these generally being presented through profit or loss.

IFRS 9 introduces a new requirement in respect of a financial liability designated under the fair value option, with certain exemptions, to present fair value changes that are attributable to the liability's credit risk in other comprehensive income rather than being reflected through profit or loss. Apart from this change, IFRS 9 largely carries forward without substantive amendment the guidance on classification and measurement of financial liabilities from IAS 39.

Future amendments are expected, in relation to impairment of financial assets and macro hedging. IAS 39 at that point will be completely replaced. The Directors are continuing to assess the implication of IFRS 9 on subsequent accounting periods.

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

## 3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods in these financial statements.

### (a) Interest income and expense

Interest income on loans and receivables and interest expense on debt securities issued are recognised in the Statement of comprehensive income on an effective interest rate basis.

The effective interest rate method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts the expected future cash payments or receipts through the expected life of the financial instrument, or when appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability. The application of the method has the effect of recognising income (and expense) receivable (or payable) on the instrument evenly in proportion to the amount outstanding over the period to maturity or repayment.

### (b) Income tax

Income tax expense is recognised in the Statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity consistent with the accounting for the item to which it is related.

Current tax is the expected tax payable on the taxable income for the financial year, using tax rates applicable to the Company's activities enacted or substantively enacted at the reporting date, and adjustment to tax payable in respect of previous years.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (c) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Company in the management of its short term commitments. Cash and cash equivalents are carried at amortised cost in the Statement of financial position.

### (d) Financial instruments

The accounting policies set out below have been applied in preparing the financial statements for the financial year ended 31 December 2015; the comparative information for 2014 presented in the financial statements have been prepared on a consistent basis.

The financial instruments held by the Company include the following:

- Loans and receivables; and
- Debt securities issued.

IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"), establishes specific categories into which all financial assets and liabilities must be classified. The classification of financial instruments determines how these financial assets or liabilities are subsequently measured in the financial statements. There are four categories of financial assets: financial assets at fair value through profit or loss, loans and receivables, held to maturity investments and available for sale financial assets. There are two categories of financial liabilities: financial liabilities at fair value through profit or loss and other financial liabilities.

***Loans and receivables***

The loans and receivables are initially measured at fair value. They are classified as loans and receivables and are carried at amortised cost adjusted for any impairment.

***Debt securities issued***

The debt securities issued are initially recognised at fair value, being their issue proceeds (fair value of consideration received) net of transaction costs incurred. These are classified as other financial liabilities and are subsequently measured at amortised cost and any difference between the proceeds net of transaction costs and the redemption value is recognised in the Statement of comprehensive income using the effective interest rate method.

***Initial recognition***

The Company initially recognises all financial assets and liabilities on the trade date at which the Company becomes a party to the contractual provisions of the instruments. Purchases and sales of financial assets and financial liabilities are recognised using trade date accounting.

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

**3. Significant accounting policies (continued)**
**(d) Financial instruments (continued)**

***Derecognition***
The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

***Offsetting***
Financial assets and liabilities are set off and the net amount presented in the Statement of financial position when, and only when, the Company has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

***Fair value measurement***
'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Company measures instruments quoted in an active market at a mid price.

If there is no quoted price in an active market, the Company uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

**(e) Impairment**
Financial assets that are stated at amortised cost are reviewed at each reporting date to determine whether there is objective evidence of impairment. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. If any such indication exists, an impairment loss is recognised in the Statement of comprehensive income as the difference between the assets' carrying amount and the present value of estimated future cash flows discounted at the financial assets original effective rate. If in a subsequent period the expected recoverable amount of a previously impaired asset increases, the earlier impairment loss is reversed through the Statement of comprehensive income.

**(f) Foreign currency transactions**
Transactions in foreign currencies are translated to the functional currency of the Company at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised costs in the functional currency at the beginning of the financial year, adjusted for effective interest and payments during the period, and amortised cost in foreign currency translated at the exchange rate at the end of the financial year. Non monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the Statement of comprehensive income.

**(g) Operating income and expenses**
Operating income and expenses are accounted for on an accruals basis.

**(h) Segment reporting**
The Company is engaged as one segment which involves granting loans to Credit Bank of Moscow (open joint-stock company) financed through the issue of debt securities. The standard on segmental reporting puts emphasis on the management approach to reporting on operating segments. An operating segment is a component of the Company that engages in business activities from which it may earn revenue and incur expenses. The Directors perform regular reviews of the operating results of the Company and make decisions using financial information at the Company level considering it as one entity. Accordingly, the Directors believe that the Company has only one reportable operating segment. The Directors are responsible for ensuring that the Company carries out business activities in line with transaction documents. They may delegate some of the day-to-day management of the business to other parties both internal and external to the Company. The decisions of such parties are reviewed on a regular basis to ensure compliance with the policies and legal responsibilities of the Directors.

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

## 4. Interest income on loans and receivables

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Interest income on loans and receivables | 96,298,913 | 93,174,773 |
| Accretion of facility fees | 1,355,486 | 1,720,968 |
| | 97,654,399 | 94,895,741 |

For details of loans, see note 10.

## 5. Interest expense on debt securities issued

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Interest expense on debt securities issued | (96,298,913) | (93,174,773) |
| Amortisation of issue cost | (1,355,486) | (1,720,968) |
| | (97,654,399) | (94,895,741) |

For details of debt securities issued, see note 14.

## 6. Other income

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Reimbursement of other expenses | 74,655 | 127,884 |
| VAT refund | 4,600 | 13,962 |
| | 79,255 | 141,846 |

Other expenses incurred by the Company are re-imbursed by Credit Bank of Moscow, the Borrower.

## 7. Other expenses

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Administration fees | (35,457) | (37,050) |
| Audit fees | (15,557) | (17,724) |
| Professional fees | (11,015) | (64,366) |
| Tax fees | (6,845) | (6,942) |
| Bank charges | (125) | (139) |
| | (68,999) | (126,221) |

The Company has no employees and the Directors received no remuneration during the year (2014: USD Nil).

**Auditor's remuneration (exclusive of VAT)**

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Statutory audit | (12,648) | (14,410) |
| Other assurance services | - | - |
| Tax advisory services | (5,565) | (5,644) |
| Other non-audit services | - | - |
| | (18,213) | (20,054) |

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

## 8. Foreign exchange loss

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Gain on translation of debt securities in issue | 13,377,856 | 26,176,502 |
| Loss on translation of loans and receivables | (13,377,856) | (26,176,502) |
| Foreign exchange loss on cash and cash equivalents | (10,256) | (12,625) |
| | (10,256) | (12,625) |

## 9. Taxation

| | Financial year ended 31-Dec-15 USD | Financial year ended 31-Dec-14 USD |
|---|---|---|
| Profit on ordinary activities before taxation | - | 3,000 |
| Corporation tax at 25 % | - | 750 |

The Company is liable to corporation tax at a rate of 25% (2014: 25%) and will continue to be actively taxed at 25% in accordance with Section 110 of the Taxes Consolidation Acts 1997.

## 10. Loans and receivables

| | 31-Dec-15 USD | 31-Dec-14 USD |
|---|---|---|
| Loans | 1,064,636,997 | 1,076,659,367 |
| ***Cost*** | | |
| Balance at start of the financial year | 1,082,323,498 | 1,200,000,000 |
| Loans advanced during the financial year | - | 108,500,000 |
| Loans repaid during the financial year | - | (200,000,000) |
| Foreign exchange loss | (13,377,856) | (26,176,502) |
| At end of the financial year | 1,068,945,642 | 1,082,323,498 |
| ***Arrangement fees*** | | |
| Balance at start of the financial year | (5,664,131) | (6,792,819) |
| Arrangement fees | - | (592,280) |
| Accretion of facility fees | 1,355,486 | 1,720,968 |
| At end of the financial year | (4,308,645) | (5,664,131) |
| Net amount at end of the financial year | 1,064,636,997 | 1,076,659,367 |

| *Maturity analysis* | 31-Dec-15 USD | 31-Dec-14 USD |
|---|---|---|
| Within 1 year | - | - |
| 1 to 2 years | - | - |
| 2 to 5 years | 996,262,388 | 994,926,267 |
| Greater than 5 years | 68,374,609 | 81,733,100 |
| | 1,064,636,997 | 1,076,659,367 |

On 1 February 2013, the Company advanced a USD 500,000,000 7.70% Fixed Rate Loan due 2018 to Credit Bank of Moscow.

On 13 May 2013, the Company advanced a USD 500,000,000 8.70% Fixed Rate Loan due 2018 to Credit Bank of Moscow.

On 26 November 2014, the Company advanced a RUB 5,000,000,000 16.50% Fixed Rate Subordinated Loan due 2025 to Credit Bank of Moscow.

## 11. Cash and cash equivalents

| | 31-Dec-15 USD | 31-Dec-14 USD |
|---|---|---|
| Cash at bank | 114,978 | 130,445 |

The Company's cash balances are held with Bank of Ireland 93% (2014: 93%) and BNY Mellon 7% (2014: 7%).

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

### 12. Other receivables

| | 31-Dec-15 | 31-Dec-14 |
|---|---|---|
| | USD | USD |
| Interest receivable | 22,947,670 | 23,162,273 |
| Corporate benefit receivable | 9,000 | 9,000 |
| Other income receivable | 7,471 | 1,328 |
| | 22,964,141 | 23,172,601 |

### 13. Other payables

| | 31-Dec-15 | 31-Dec-14 |
|---|---|---|
| | USD | USD |
| Interest payable | 22,947,670 | 23,162,273 |
| Advance received to reimburse expenses | 35,484 | 39,038 |
| Accrued expenses | 33,187 | 38,957 |
| | 23,016,341 | 23,240,268 |

### 14. Debt securities issued

| | 31-Dec-15 | 31-Dec-14 |
|---|---|---|
| | USD | USD |
| Debt securities issued | 1,064,636,997 | 1,076,659,367 |
| ***Cost*** | | |
| Balance at start of the financial year | 1,082,323,498 | 1,200,000,000 |
| Notes issued during the financial year | - | 108,500,000 |
| Debt securities repaid during the financial year | - | (200,000,000) |
| Foreign exchange gain | (13,377,856) | (26,176,502) |
| At end of the financial year | 1,068,945,642 | 1,082,323,498 |
| ***Issue costs*** | | |
| Balance at start of the financial year | (5,664,131) | (6,792,819) |
| Issue cost on issuance of debt securities | - | (592,280) |
| Amortisation of issue cost | 1,355,486 | 1,720,968 |
| At end of the financial year | (4,308,645) | (5,664,131) |
| Net amount at end of the financial year | 1,064,636,997 | 1,076,659,367 |

| *Maturity analysis* | 31-Dec-15 | 31-Dec-14 |
|---|---|---|
| | USD | USD |
| Within 1 year | - | - |
| 1 to 2 years | - | - |
| 2 to 5 years | 996,262,388 | 994,926,267 |
| Greater than 5 years | 68,374,609 | 81,733,100 |
| | 1,064,636,997 | 1,076,659,367 |

On 1 February 2013, the Company issued USD 500,000,000 7.70% loan participation notes due 2018. Interest on the debt securities issued will be payable at the rate of 7.70% per annum, semi-annually in arrears on 1 February and 1 August in each financial year commencing on 1 August 2013.

On 13 May 2013, the Company issued USD 500,000,000 8.70% loan participation notes due 2018. Interest on the debt securities issued will be payable at the rate of 8.70% per annum, semi-annually in arrears on 13 May and 13 November in each financial year commencing on 13 November 2013.

On 26 November 2014, the Company issued RUB 5,000,000,000 16.50% loan participation notes due 2025. Interest on the debt securities issued is payable at the rate of 16.50% per annum, semi-annually in arrears on 26 May and 26 November in each financial year commencing on 26 May 2015.

The debt securities are limited recourse obligations of the Company. In each case where amounts are stated to be payable in respect of the debt securities, the obligation of the Company to make any such payment shall constitute an obligation only to account of the Noteholders, on each date upon which such amounts are due in respect of the debt securities. The Company will have no other financial obligation under the Notes. Accordingly, holders of the Notes are deemed to have agreed that they will rely on the covenants, credit and financial standing of Credit Bank of Moscow in respect of the financial servicing of the debt securities.

The debt securities issued are listed on the Irish Stock Exchange.

| **15. Share capital** | **31-Dec-15** | **31-Dec-14** |
|---|---|---|
| **Authorised** | **USD** | **USD** |
| 40,000 shares of € 1 each | 51,528 | 51,528 |
| | | |
| **Issued and fully paid** | | |
| 40,000 shares of € 1 each | 51,528 | 51,528 |

**16. Ownership of the Company**

The major shareholder of the Company is Deutsche International Finance (Ireland) Limited holding 39,994 shares. In addition, Adrian Bailie, Rhys Owens, Deutsche International Corporate Services (Ireland) Limited, Eimir McGrath, Michael Carroll and Elizabeth Kelly hold one share each in the Company. All shares are held under the terms of declarations of trust, under which the relevant share trustee holds the issued shares of the Company on trust for a charity. The trustee has appointed a Board of Directors to run the day-to-day affairs of the Company. The Board has considered the issue as to who is the Controlling Party of the Company. It has been determined that the control of the day-to-day activities of the Company rests with the Board. The Board is comprised of two Directors.

**17. Related party and certain other transactions**

The Company has identified the following transactions and balances which are required to be disclosed in accordance with the criteria set out in IAS 24 Related Party Transactions.

**Transactions with Credit Bank of Moscow**

The proceeds received by the Company from the issue of the Notes were used to finance a loan to Credit Bank of Moscow. Credit Bank of Moscow undertakes to pay the Company interest in arrears as described under the "Terms and Conditions of the Notes". It also reimburses the Company for administrative expenses incurred by the Company.

**Transactions with Administrator**

Deirdre Glynn, Bronagh Hardiman and Rhys Owen are employees of Deutsche International Corporate Services (Ireland) Limited ("DICSIL"), which is entitled to receive fees for acting as Administrator and Company Secretary as outlined in the Corporate Administration Agreement. They are Directors of the Company through their contracts with DICSIL.

During the financial year, the Company incurred a fee of USD 35,457 (2014: USD 37,050) relating to administration services provided by Deutsche International Corporate Services (Ireland) Limited.

**Key Management Personnel**

The key management personnel have been identified as being the Directors of the Company. The key management personnel do not receive remuneration (note 7).

**18. Financial risk management**

*Introduction and overview*

The principal activity of the Company, a Special Purpose Vehicle, is limited to the holding of USD and RUB denominated loans, funded through the issue of Notes denominated in the same currency. Therefore, the role of loans and receivables and debt securities issued is central to the activities of the Company; the debt securities issued provide the funding to advance loans to the Borrower.

Loans advanced and debt securities issued form the majority of the assets and liabilities of the Company and generate the majority of the income and expenses.

The Company is not engaged in any other activities.

The risk profile of the Company is such that market, credit, liquidity and other risks of the loans and receivables are borne fully by the holders of debt securities issued.

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk;
- Liquidity; and
- Market risk.

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk and the Company's management of capital.

*Risk management framework*

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

**18. Financial risk management (continued)**

**(a) Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge its obligation. At the reporting date, the assets of the Company comprise of loans and receivables, cash and cash equivalents and other receivables. The loans are advanced to Credit Bank of Moscow. Any default on the loan will be borne by the Noteholders due to the limited recourse nature of the Notes issued. The Notes can only be paid out of the proceeds of the loan. Therefore, the Company does not have any credit risk on these loans. The Credit Bank of Moscow is rated BB (2014: BB) by Fitch. Cash and cash equivalents are held with Bank of Ireland and BNY Mellon which are rated Baa2 (2014: Baa3) and Aa2 (2014: Aa2) respectively by Moody's. Other assets mainly include receivables from Credit Bank of Moscow, the Borrower, in respect of interest accrued on loans and reimbursement of operating expenses.

The Company's maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at 31 December 2015 in relation to each class of recognised financial assets, is set out below:

| | 31-Dec-15 USD | 31-Dec-14 USD |
|---|---|---|
| Loans and receivables | 1,064,636,997 | 1,076,659,367 |
| Cash and cash equivalents | 114,978 | 130,445 |
| Other receivables | 22,964,141 | 23,172,601 |
| | 1,087,716,116 | 1,099,962,413 |

**(b) Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulties in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset or that such obligation will have to be settled in a manner disadvantageous to the Company. The Company's approach is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring acceptable losses or risking damage to the Company's reputation.

The Company's obligation to Noteholders is limited to the net proceeds upon realisation of loans. Should the net proceeds and other assets be insufficient to make all payments due in respect of the Notes, then the deficit is borne by the Noteholders.

The following are contractual maturities of financial liabilities including undiscounted interest payments and excluding the impact of netting arrangements:

**31 December 2015**

| | Carrying amount USD | Gross contractual cash flows USD | Less than one financial year USD | One to two financial years USD | Two to five financial years USD | More than five financial years USD |
|---|---|---|---|---|---|---|
| Debt securities issued | 1,064,636,997 | 1,385,692,281 | 93,376,031 | 93,376,031 | 1,078,360,037 | 120,580,182 |
| Other liabilities | 23,016,341 | 23,016,341 | 23,016,341 | - | - | - |
| | 1,087,653,338 | 1,408,708,622 | 116,392,372 | 93,376,031 | 1,078,360,037 | 120,580,182 |

**31 December 2014**

| | Carrying amount USD | Gross contractual cash flows USD | Less than one financial year USD | One to two financial years USD | Two to five financial years USD | More than five financial years USD |
|---|---|---|---|---|---|---|
| Debt securities issued | 1,076,659,367 | 1,517,036,692 | 95,583,377 | 95,583,377 | 1,168,120,964 | 157,748,974 |
| Other liabilities | 23,240,268 | 23,240,268 | 23,240,268 | - | - | - |
| | 1,099,899,635 | 1,540,276,960 | 118,823,645 | 95,583,377 | 1,168,120,964 | 157,748,974 |

**(c) Market risk**

Market risk embodies the potential for both losses and gains and includes interest rate risk, currency risk and price risk. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the returns on risk.

*(i) Currency risk*

Currency risk is the risk which arises due to the assets and liabilities of the Company held in foreign currencies, which will be affected by fluctuations in foreign exchange rates. The Company is exposed to movement in exchange rates between USD, its functional currency and certain foreign currencies namely EUR and RUB.

The Company's net exposure to currency risk is shown in the following table:

| 31 December 2015 | Amount in USD | | | |
|---|---|---|---|---|
| | RUB | EUR | USD | Total |
| Loans and receivables | 68,374,596 | - | 996,262,401 | 1,064,636,997 |
| Cash and cash equivalents | - | 104,079 | 10,899 | 114,978 |
| Other receivables | 1,106,003 | - | 21,858,138 | 22,964,141 |
| Debt securities issued | (68,374,596) | - | (996,262,401) | (1,064,636,997) |
| Other payables | (1,106,003) | (33,185) | (21,877,153) | (23,016,341) |
| **Net exposure** | - | 70,894 | (8,116) | 62,778 |

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

## 18. Financial risk management (continued)

### (c) Market risk (continued)

*(i) Currency risk (continued)*

**31 December 2014**

| | Amount in USD | | | |
|---|---|---|---|---|
| | **RUB** | **EUR** | **USD** | **Total** |
| Loans and receivables | 81,733,100 | - | 994,926,267 | 1,076,659,367 |
| Cash and cash equivalents | - | 104,356 | 26,089 | 130,445 |
| Other receivables | 1,320,606 | - | 21,851,995 | 23,172,601 |
| Debt securities issued | (81,733,100) | - | (994,926,267) | (1,076,659,367) |
| Other payables | (1,320,606) | (35,957) | (21,883,705) | (23,240,268) |
| **Net exposure** | - | 68,399 | (5,621) | 62,778 |

*(ii) Interest rate risk*

Interest rate risk is the risk that the Company does not receive enough interest from the underlying investments to secure interest payments on the Notes. There may be a timing mismatch between payments of interest on the Notes and payments of interest on the financial assets and in the case of floating rate financial assets, the rates at which they bear interest may adjust more or less frequently, and on different dates and based on different indices than the interest rate of the debt securities.

The loans and receivables of the Company comprise of a loan advanced to Credit Bank of Moscow at a fixed rate of 7.70% per annum, 8.70% per annum and 16.50% respectively which are funded by the issuance of 7.70% Loan Participation Notes due 2018, 8.70% Loan Participation Notes due 2018 and 16.50% Loan Participation Notes due 2025 respectively. Interest on the Loan and Notes are payable semi annually in arrears.

The maturity date for the loans and debt securities issued are 1 February 2018, 13 November 2018 and 26 May 2025 respectively.

At the reporting date, the interest rate risk profile of the Company's financial instruments were:

| **31-Dec-15** | **Non-interest bearing USD** | **Fixed rate USD** | **Floating rate USD** | **Total USD** |
|---|---|---|---|---|
| Loans and receivables | - | 1,064,636,997 | - | 1,064,636,997 |
| Cash and cash equivalents | - | - | 114,978 | 114,978 |
| Other receivables | 22,964,141 | - | - | 22,964,141 |
| **Total assets** | 22,964,141 | 1,064,636,997 | 114,978 | 1,087,716,116 |
| Debt securities issued | - | 1,064,636,997 | - | 1,064,636,997 |
| Other payables | 23,016,341 | - | - | 23,016,341 |
| **Total liabilities** | 23,016,341 | 1,064,636,997 | - | 1,087,653,338 |
| **Net exposure** | (52,200) | - | 114,978 | 62,778 |

| **31-Dec-14** | **Non-interest bearing USD** | **Fixed rate USD** | **Floating rate USD** | **Total USD** |
|---|---|---|---|---|
| Loans and receivables | - | 1,076,659,367 | - | 1,076,659,367 |
| Cash and cash equivalents | - | - | 130,445 | 130,445 |
| Other receivables | 23,172,601 | - | - | 23,172,601 |
| **Total assets** | 23,172,601 | 1,076,659,367 | 130,445 | 1,099,962,413 |
| Debt securities issued | - | 1,076,659,367 | - | 1,076,659,367 |
| Other payables | 23,240,268 | - | - | 23,240,268 |
| **Total liabilities** | 23,240,268 | 1,076,659,367 | - | 1,099,899,635 |
| **Net exposure** | (67,667) | - | 130,445 | 62,778 |

*(iii) Price risk*

Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its Company or all factors affecting all instruments traded in the market.

Other price risks may include risks such as equity price risk, commodity price risk, prepayment risk (i.e. the risk that one party to a financial asset will incur a financial loss because the other party repays earlier or later than expected), and residual value risk.

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

**18. Financial risk management (continued)**
**(c) Market risk (continued)**

*(iii) Price risk (continued)*

The Loans and receivables is not subject to equity price risk, commodity price risk and residual value risk. In relation to prepayment risk, the Directors do not consider this to be a significant risk from the perspectives of either (i) the Noteholders, as the portfolio is 100% fixed rate; or (ii) the Company itself, as any fluctuation in the value of the loans held by the Company is borne by the Noteholders.

*(iv) Sensitivity analysis*

Loans and receivables and the debt securities issued bear the same rate of interest and are denominated in the same currency, USD and RUB. Consequently, interest rate and exchange rate changes have no net impact on the profit or the net assets of the Company and, as such, no sensitivity analysis has been performed for 2015 and 2014.

**(d) Fair values**

The Company measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: Inputs other than quoted market prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category included 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 in which all significant inputs are directly or indirectly observable from market data.
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The following table sets out the fair values of financial instruments not measured at fair value and analyses it by the level in the fair value hierarchy into which each fair value measurement is categorised.

| | **2015** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **USD** | **USD** | **USD** | **USD** |
| **Financial assets** | | | | |
| Cash and cash equivalents | 114,978 | - | - | 114,978 |
| Loans and receivables | - | 1,040,975,260 | - | 1,040,975,260 |
| Other receivables | - | 22,964,141 | - | 22,964,141 |
| | 114,978 | 1,063,939,401 | - | 1,064,054,379 |
| **Financial liabilities** | | | | |
| Debt securities issued | - | 1,040,975,260 | - | 1,040,975,260 |
| Other payables | - | 23,016,341 | - | 23,016,341 |
| | - | 1,063,991,601 | - | 1,063,991,601 |

| | **2014** | | | |
|---|---|---|---|---|
| | **Level 1** | **Level 2** | **Level 3** | **Total** |
| | **USD** | **USD** | **USD** | **USD** |
| **Financial assets** | | | | |
| Cash and cash equivalents | 130,445 | - | - | 130,445 |
| Loans and receivables | - | 832,735,115 | - | 832,735,115 |
| Other receivables | - | 23,172,601 | - | 23,172,601 |
| | 130,445 | 855,907,716 | - | 856,038,161 |
| **Financial liabilities** | | | | |
| Debt securities issued | - | 832,735,115 | - | 832,735,115 |
| Other payables | - | 23,240,268 | - | 23,240,268 |
| | - | 855,975,383 | - | 855,975,383 |

Cash and cash equivalents classified as Level 1 are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents includes deposits held with banks that are readily available and have no restrictions associated with their balance.

**Notes to the financial statements (continued)**
**For the financial year ended 31 December 2015**

## 18. Financial risk management (continued)

### (d) Fair values (continued)

Trade and other receivables and trade and other payables have been classified under Level 2 due to their short term nature as the carrying values approximate the fair values. The fair value of the Notes is calculated using quoted prices from Bloomberg and are deemed to be within Level 2 of the fair value hierarchy. Given the structure of the entity, in the opinion of the Directors, the fair values of loans and receivables is deemed to equate to that on the corresponding Notes in issue as the market price of the Notes took into consideration the credit rating of Credit Bank of Moscow. The fair values of the Loans and Receivables are within Level 2 of the fair value hierarchy.

## 19. Accounting classification and fair values of the financial assets and liabilities

| | Amortised cost<br>31-Dec-15 | Fair value<br>31-Dec-15 | Amortised cost<br>31-Dec-14 | Fair value<br>31-Dec-14 |
|---|---|---|---|---|
| **Assets** | **USD** | **USD** | **USD** | **USD** |
| Loans and receivables | 1,064,636,997 | 1,040,975,260 | 1,076,659,367 | 832,735,115 |
| Cash and cash equivalents | 114,978 | 114,978 | 130,445 | 130,445 |
| Other receivables | 22,964,141 | 22,964,141 | 23,172,601 | 23,172,601 |
| | 1,087,716,116 | 1,064,054,379 | 1,099,962,413 | 856,038,161 |
| **Liabilities** | | | | |
| Debt securities issued | 1,064,636,997 | 1,040,975,260 | 1,076,659,367 | 832,735,115 |
| Other payables | 23,016,341 | 23,016,341 | 23,240,268 | 23,240,268 |
| | 1,087,653,338 | 1,063,991,601 | 1,099,899,635 | 855,975,383 |

## 20. Capital risk management

The Company views the share capital as its capital. Share capital of €40,000 was issued in line with Irish Company Law and is not used for financing the investment activities of the Company. The Company is not subject to any other externally imposed capital requirements.

## 21. Subsequent events

On 21 March 2016, Rhys Owen resigned as Director and was replaced by Bronagh Hardiman on the same date.

There have been no other significant subsequent events up to the date of signing this report that require disclosure or adjustment to the financial statements.

## 22. Approval of financial statements

The Board of Directors approved these financial statements on ..14..June 2016.