

Bank MMA (JSC)

**Financial Statements and auditor's report
for the Year Ended 31 December 2015**

Table of Contents

AUDITOR'S REPORT.....	3
STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015.....	5
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015.....	6
STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015.....	7
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015.....	8
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015.....	10
1. PRIMARY ACTIVITY OF THE BANK.....	10
2. OPERATING ENVIRONMENT.....	11
3. BASIS OF PREPARATION.....	12
4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....	13
5. CASH AND CASH EQUIVALENTS.....	25
6. DUE FROM BANKS.....	25
7. LOANS TO CUSTOMERS.....	25
8. FINANCIAL ASSETS AVAILABLE FOR SALE.....	31
9. LONG-TERM FINANCIAL ASSETS AVAILABLE FOR TRADE.....	32
10. INVESTMENT PROPERTY.....	32
11. PROPERTY, EQUIPMENT AND INTANGIBLE ASSETS.....	32
12. OTHER ASSETS.....	34
13. DUE TO BANKS.....	34
14. CUSTOMER ACCOUNTS.....	35
15. DEBT SECURITIES ISSUED.....	36
16. OTHER LIABILITIES.....	37
17. SHARE CAPITAL AND PAID-IN CAPITAL.....	38
18. DIVIDENDS.....	38
19. INTEREST INCOME AND EXPENSE.....	38
20. FEE AND COMMISSION INCOME AND EXPENSE.....	39
21. GAIN LESS LOSSES ON TRANSACTIONS WITH FINANCIAL ASSETS AND LIABILITIES.....	39
22. ALLOWANCE FOR IMPAIRMENT.....	39
23. OTHER OPERATING INCOME.....	40
24. OPERATING EXPENSES.....	40
25. INCOME TAX.....	41
26. EARNINGS PER SHARE.....	42
27. SEGMENTATION ANALYSIS.....	43
28. GEOGRAPHICAL ANALYSIS.....	45
29. FINANCIAL RISK MANAGEMENT.....	47
30. COMMITMENTS AND OFF-BALANCE SHEET ARRANGEMENTS.....	63
31. FAIR VALUE OF FINANCIAL INSTRUMENTS.....	65
32. RELATED PARTY TRANSACTIONS.....	66
33. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES.....	67
34. CAPITAL MANAGEMENT.....	68
35. EVENTS AFTER THE REPORTING PERIOD.....	69

Auditor's Report
on annual financial statements of
Bank MMA (JSC)
for 2015

To the Shareholders of
Bank MMA (JSC)

Audited entity:

Full name: Bank Joint Stock Company «Moscow Mortgage Agency»

Short name: Bank JSC MMA

Full name in English: Bank Joint Stock Company «Moscow Mortgage Agency»;
Bank JSC MMA

Address: 4-1, Seliverstov lane, 107045, Moscow, Russia

Main state registration number: 1027739051130

Independent auditor:

Full name: Intercom-Audit Limited Liability Company (Intercom-Audit LLC)

Name in English: Intercom-Audit LLC

Address: Room 7, structure II, 43/40, Mosfilmovskaya st., Moscow, 119330

Main state registration number: 1137746561787

Name of self-regulatory organization of auditors, where the auditor is a member: SRO NP "Audit Chamber of Russia"

Number in the Register of Auditors and Audit Organizations: 11301050981

We have audited the annual financial statements of Bank JSC MMA, which comprise the statement of financial position as at 31 December 2015 and the related statement of comprehensive income, statement of cash flows and statements of changes in equity for 2015, and a summary of significant accounting policies and other explanatory information.

Audited entity's responsibility for the financial statements

Management of the audited entity is responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards and for the system of internal controls relevant to the preparation and fair presentation of the financial

statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in compliance with Russian Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with the professional code of ethics and plan and perform the audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the preparation and fair presentation of the financial statements to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

An audit also involves evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by management, as well evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements.

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Bank MMA (JSC) as at 31 December 2015, the results of its operations and its cash flows for 2015, in accordance with International Financial Reporting Standards.

Material issues

Without changing opinion on reliability of the annual financial statements of Bank MMA (JSC), we draw attention to the following information given in the Note 35 "Events after reporting period" of the present annual financial statements:

Upon the demand of the Regulator in the first quarter 2016 the Bank created additional loan loss provision in the amount of 351 350 thousand rubles that did not affect materially the capital value of the Bank, that did not lead to violation of statutory requirements and did not affect the ability of the Bank to fulfill the liabilities towards investors and creditors. According to the management of Bank, this event had no material effect on going concern principle of the Bank.

Head of Bank Audit
and IFRS of Credit Institutions
Intercom-Audit LLC
(Qualification certificate No. 02-000030 dated 15.11.2006 issued for an indefinite term; ACCA DipIFR in Russian of March 2006)



E.V.Korotkikh

28 April 2016

Statement of Financial Position as at 31 December 2015

	Note	31 December	
		2015	2014
Assets			
Cash and cash equivalents			
Obligatory reserves with the CBR	5	4 292 790	677 546
Due from banks		44 685	31 505
Loans to customers	6	6 940 308	3 876 583
Financial assets available for sale	7	11 669 579	14 345 219
Long-term assets available for sale	8	10 830 764	995 332
Investment property	9	124 309	15 318
Property, equipment and intangible assets	10	523	523
Current income tax assets	11	348 695	152 383
Other assets		111 760	48 561
	12	161 104	157 316
Total assets		34 524 517	20 300 286
Liabilities			
Due to banks			
Customer accounts	13	1 138 600	1 808 427
Debt securities issued	14	17 441 099	5 419 804
Deferred tax liability	15	8 209 869	5 570 897
Other liabilities	25	40 518	-
	16	150 473	35 795
Total liabilities		26 980 559	12 834 923
Equity			
Share capital			
Additional paid-in capital	17	5 537 679	5 537 679
Revaluation reserve for financial assets available for sale	17	601 615	601 615
Retained earnings		(43 852)	(95 304)
		1 448 516	1 421 373
Total Equity		7 543 958	7 465 363
Total liabilities and equity		34 524 517	20 300 286

Authorised by the Management Board and signed on behalf of the the Management Board
on April 28, 2016.

General Director, Chairman of the Management Board
S.A. Grib

Chief Accountant
V.Y. Betnev

Notes on pages 10 through 69 are an integral part of the financial statements



**ИНТЕРКОМ
АУДИТ**

Для аудиторских
заключений

Statement of Comprehensive Income for the Year Ended 31 December 2015

	Note	For the year ended on 31 December	
		2015	2014
Interest income	19	2 730 329	2 052 985
Interest expense	19	(1 745 118)	(784 346)
Net interest income		985 211	1 268 639
Fee and commission income	20	195 730	57 796
Fee and commission expense	20	(21 329)	(12 005)
Net fee and commission income		174 401	45 791
Income less expenses from financial assets and liabilities transactions	21	77 517	13 388
Income less expenses from foreign currency transactions		(943 888)	32 764
Income less expenses from foreign currency revaluation		1 341 300	4 811
Provision for impairment	22	(924 647)	(190 608)
Other operating income	23	1 322	863
Operating income		711 216	1 175 648
Operating expenses	24	(632 347)	(500 355)
Profit before tax		78 869	675 293
Income tax expense	25	(51 726)	(117 468)
Profit after tax and before other comprehensive income		27 143	557 825
Other comprehensive income			
Income (loss) from revaluation of financial assets available for sale		40 489	(77 987)
Income tax, associated with other components of comprehensive income	25	10 963	-
Other comprehensive income after tax		51 452	(77 987)
Total comprehensive income for the period		78 595	479 838

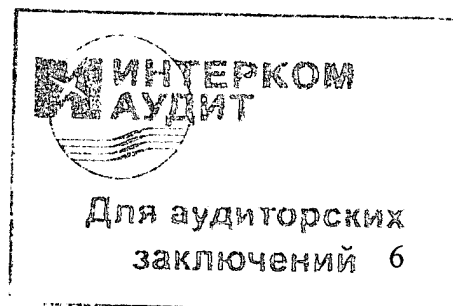
Authorized by the Management Board and signed on behalf of the the Management Board on April 28, 2016.

General Director, Chairman of the Management Board
S.A. Grib

Notes on pages 10 through 69 are an integral part of these financial statements



Chief Accountant
V.Y. Betnev

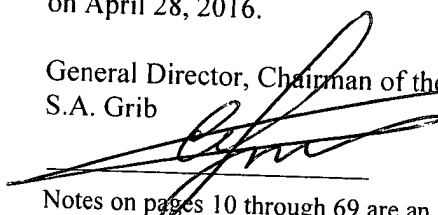


Statement of Changes in Equity for the Year Ended 31 December 2015

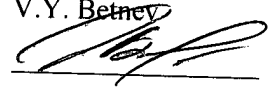
	Share capital	Additional paid-in capital	Revaluation reserve for financial assets available for sale	Retained earnings	Total equity
Balance at 31 December 2013	5 537 679	601 615	(17 317)	863 548	6 985 525
Comprehensive income for the period	-	-	(77 987)	557 825	479 838
Balance at 31 December 2014	5 537 679	601 615	(95 304)	1 421 373	7 465 363
Comprehensive income for the period	-	-	51 452	27 143	78 595
Balance at 31 December 2015	5 537 679	601 615	(43 852)	1 448 516	7 543 958

Authorised by the Management Board and signed on behalf of the the Management Board on April 28, 2016.

General Director, Chairman of the Management Board
S.A. Grib




Chief Accountant
V.Y. Betnev

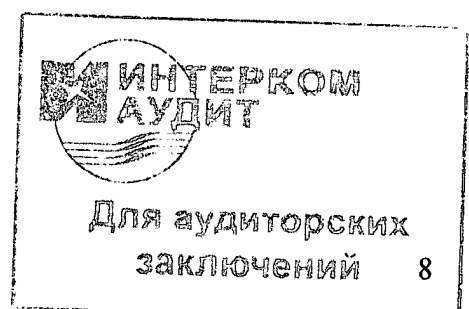


Notes on pages 10 through 69 are an integral part of these financial statements.



Statement of Cash Flows for the Year Ended 31 December 2015

	For the year ended 31 December	
	2015	2014
Cash flows from operating activities		
Interest received	2 537 137	2 025 162
Interest paid	(735 047)	(240 198)
Fee and commission received	199 228	73 921
Fee and commission paid	(21 235)	(12 005)
Net income (expenses) from financial assets at fair value through profit or loss	-	(455)
Net income (expenses) from foreign currency transactions	(862 500)	32 764
Other operating income	1 322	863
Operating expenses paid	(597 985)	(471 550)
Income taxes paid	(63 444)	(129 851)
Cash flows from operating activities before changes in operating assets and liabilities	457 476	1 278 651
Increase/decrease in operating assets and liabilities:		
- Net decrease/ (net increase) in required reserves with the CBR	(13 180)	39 015
- Net decrease in due from banks	(2 680 017)	(765 904)
- Net increase in loans to customers	1 716 686	(2 494 474)
- Net increase in other assets	(41 703)	(68 962)
- Net increase/(net decrease) in due to banks	(665 159)	769 927
- Net increase in customer accounts	11 904 735	2 680 667
- Net decrease in other liabilities	3 061	(346)
Net cash flows used in operating activities	10 681 899	1 438 574
Cash flows from investing activities		
Purchase of financial assets available for sale	(14 384 949)	(734 944)
Proceeds from sale of financial assets available for sale	5 254 530	195 667
Purchase of property, equipment and intangible assets (Note 11)	(218 033)	(31 766)
Net cash flows from investing activities	(9 348 452)	(571 043)



Notes to the financial statements for the year ended 31 December 2015

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 since 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.
- The license for attraction of funds from individuals in deposits in rubles and foreign currency No. 3344 of 25.06.2015.

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

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.

Address of the Bank: 4-1, Seliverstov Lane, 107045, Moscow.

The Bank has no branches and representations in the territory of the Russian Federation and foreign countries. The Bank has one subsidiary office "Mortgage Centre on Baumanskaya" in Moscow and "MMFC of Moscow".

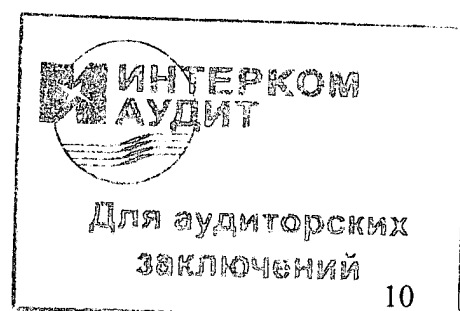
The Bank is not a participant in the banking consolidated group (bank holding).

For December 31, 2014 and 2013 the shareholder of Bank (voting stock of 100%) is the CITY OF MOSCOW represented by MOSCOW CITY PROPERTY DEPARTMENT.

Payroll number of personnel of the Bank as of the end of 2015 is 298 people (as of the end of 2014 - 193 people).

The Bank was rated by one of three leading international rating agencies Moody's and Russian National Rating Agency (NRA). 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 rating of the Russian agency is based on data of the financial statements of the Bank prepared according to Russian accounting standards.

The bank was rated as follows: Moody's –long-term credit rating " Ba3" (outlook stable); NRA: rating of solvency of Bank MMA (JSC) at the level AA+ on the national scale taking into account rating of support from the shareholder - the city of Moscow - at the level of "RS2". Stand-alone rating was at the level A-.



2. Operating environment

The Bank operates primarily in the Russian Federation.

Russia has started the year 2015 on the background of continuing decrease in the world market oil prices, slump in the ruble exchange rate, growth of inflation and economic sanctions from the USA and the European Union (EU).

Decrease in the world prices for key export goods of Russia (oil, oil products, gas, coal, ironstone and nickel) which was happening for the last few years, continued in 2015. It negatively affects the income of the national budget and investment attractiveness of Russia.

During 2015 dynamics of the ruble exchange rate was multidirectional. At the beginning of 2015 the ruble has become stronger towards the US dollar and the euro, but in the second half of the year the depreciation of the ruble began and continued until the end of 2015. The general depreciation of the ruble for 2015 was 30% towards the dollar and 17% towards the euro.

Decrease in inflation expectations at the beginning of 2015, and lack of monetary factors of acceleration of inflation allowed the Bank of Russia to lower the key interest rate by 5,5 percentage points to 11,5% in the first half of the year 2015. Summer acceleration of inflation has caused growth of inflation expectations that forced the Bank of Russia to reduce at first the step in decrease of the key interest rate to 0,5 percentage points, and later to suspend loosening monetary policy. As a result the key interest rate remained at the level of 11% until the end of 2015.

In December 2015 inflation (month by month of the previous year) was 12,9%.

Possible further deterioration in the external economic environment against long preservation of oil prices at a low level, normalization of the monetary policy by key central banks and continuing slowdown in the growth of economy of China remain the main source of inflation risks.

In 2015 the decrease in net remuneration, which began in 2014, continued in all sectors of economy.

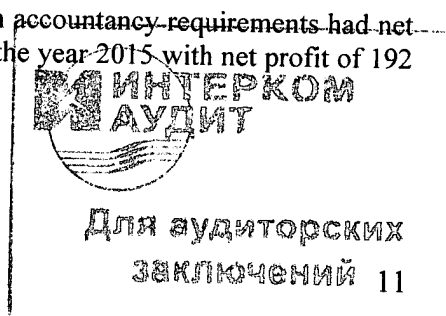
The above-mentioned events influenced the banking sector of Russia as follows.

Profitability on bank loans and deposits was decreasing under the influence expectations of implemented and planned loosening monetary policy by the market participants.

In 2015 there was a growth of deposits of individuals and means on accounts of organizations. Slight growth of corporate loan portfolio of banks was also noted. However the retail loan portfolio continues to decrease. On the background the decrease in loan rates banks established strict requirements to borrowers and quality loan security.

In general in 12 months of 2015 on the banking sector of Russia the share of overdue repayment of debts of individuals has grown from 5,9% to 8,1%, on the credits to legal entities – from 4,6% to 6,8%. Deterioration of the loan portfolio demands creation of additional provisions and reduces profit of the banking sector. Loan loss provisions have increased since the beginning of 2015 by 33,4%, or by 1,4 trillion rubles.

At the beginning of 2015 the banking system according to the Russian accountancy requirements had net losses, but by the end of the year gradually gained profit and finished the year 2015 with net profit of 192 billion rub.



2. Operating environment (continued)

However, considering that OJSC "Sberbank of Russia" in 2015 has got profit of 236 billion rubles, the loss of 44 billion rubles is accounted for by the rest of the banking system.

Further development of the economic situation will depend on the pace of adaptation of economy to the occurred external shocks. According to the forecast of the Bank of Russia, gradual loosening of internal financial conditions, decrease in debt load and improvement of business sentiment in the second half of 2016 will create prerequisites for recovery of investment and production activity in 2017. That, in its turn, will lead to growth of income of the population and promote activation of consumer demand in 2018. Decrease in GDP will slow down to 0,5-1,0% in 2016. In 2017 the rates of the economic growth will make 0,0-1,0%.

The management of the Bank believes that it undertakes all necessary measures for maintenance of financial stability of the Bank under these circumstances.

3. Basis of Preparation

These financial statements of the Bank were prepared according to the International Financial Reporting Standards (IFRS) on the basis of historical cost accounting, adjusted for revaluation at fair value of the financial assets available for sale, the financial assets estimated at fair value through profit or a loss, and according to IAS 29 «Financial Reporting in Hyperinflationary Economies».

Reconciliation of the Russian published financial statements (RAS) prepared with International Financial Reporting standards (IFRS). The Bank keeps accounts in compliance with the banking laws of Russia. These financial statements have been prepared on the basis of those accounting records and adjusted as necessary in order to comply, in all material respects, with IFRS. In preparing financial statements in accordance with IFRS, management is required to make judgments and estimates that affect the reported amounts. Areas where such judgments and estimates are most significant for the financial statements are disclosed in Note 33.

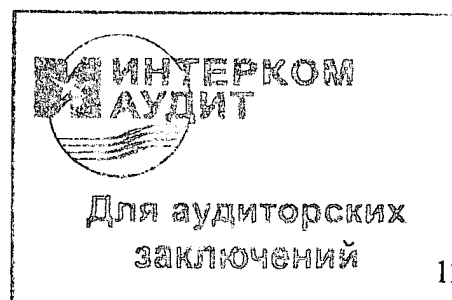
Record of hyperinflation impact

Before January 1, 2003 the economy of the Russian Federation was characterized by existence of signs of a hyperinflation. In this regard, nonmonetary assets and liabilities before December 31, 2002 and contributions to the equity capital made before December 31, 2002 are adjusted with the use of corresponding cumulative rate of inflation to the historical cost ("adjusted cost") for the period upto December 31, 2002 and including. Profit and expenses from the subsequent replacement, and depreciation expenses of the reporting period are recognized on the basis of the restated cost of these nonmonetary assets and liabilities.

As characteristics of the economic situation in Russia specify that hyperinflation has stopped, since January 1, 2003, the Bank does not apply IAS 29 anymore, being confined to record of cumulative influence of hyperinflation on nonmonetary items of financial statements before December 31, 2002.

Functional and reporting currency.

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



3. Basis of preparation (continued)

Standards, amendments and interpretations which became effective in the reporting year

A number of new standards and amendments became effective on 1 January 2015. The Bank has started adoption of these standards and amendments, including related amendments to other standards, from their effective date.

"Defined Benefit Plans: Employee Contributions - Amendments to IAS 19 "Employee Benefits" (issued in November, 2013 and are effective for annual periods beginning on or after July 1, 2014).

Improvements of IFRS, cycle 2010-2012 (issued in December, 2013 and are effective for annual periods beginning on or after July 1, 2014 unless mentioned otherwise).

Improvements of IFRS, cycle 2011-2013 (issued in December, 2013 and are effective for annual periods beginning on or after July 1, 2014).

The above new or reviewed standards and interpretations, effective as of 1 January 2015, did not have considerable influence on accounting policies, financial position or results of Bank's activities.

New standards and explanations that have not become effective yet

The Bank did not apply in advance new standards, amendments to standards and explanations to the existing standards that were published, but become effective for annual period starting from 1 January 2016 or later. The Bank is planning to start implementing the listed innovations as soon as they become effective.

IFRS 9 Financial instruments accepted for publication (issued in July, 2014, becomes effective concerning annual periods since January 1, 2018 or after this date, with retrospective application). IFRS 9 substitutes IAS 39 "Financial instruments: recognition and measurement" and introduces new requirements to classification and measurement of the financial assets including new model of calculation of losses from depreciation for "due credit losses" and a new order of record of hedging operations. The Bank acknowledges that the new standard introduces material changes to the accounting of financial instruments and will most probably influence significantly the financial reports. The Bank did not analyze the influence of these changes/

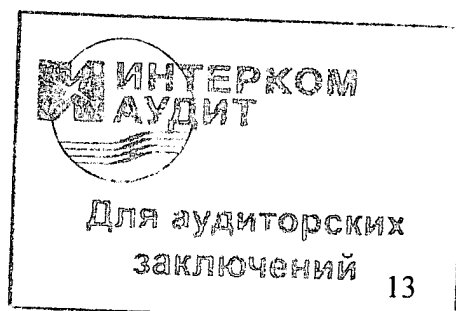
Other new amendments are also issued and become effective for annual periods since 1 January 2016. The bank has not yet analyzed probable influence of improvements on its financial position and performance

Reclassifications of comparative information

Where necessary, certain reclassifications have been made to comparative information for the year 2014 to conform to the changes in presentation in the financial statements for the year 2015 and ensure better presentation in accordance with IFRS. These reclassifications have not affected either the profit for the year or shareholders' equity.

4. Summary of significant accounting policies

A summary of the Bank's accounting policies adopted in the preparation of these financial statements is set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.



4. Summary of significant accounting policies (continued)

Consolidated financial statements

The Bank does not prepare consolidated financial statements as since has no subsidiaries.

Foreign currency revaluation

Foreign currency transactions are initially recorded in Russian Rubles using the CBR exchange rates prevailing at the date of the transactions. Any foreign exchange differences between the contractual exchange rates and the CBR exchange rates prevailing at the date of the transactions are recognized in the statement of comprehensive income as net gains from foreign currency transactions.

Foreign-currency monetary assets and liabilities are translated into Russian Rubles using the CBR official exchange rate as of the reporting date. Any foreign exchange differences arising on revaluation of such assets and liabilities are recognized as part of gains and losses as net gains from foreign currency revaluation.

Foreign exchange differences arising on available-for-sale monetary foreign-currency financial assets due to changes in their amortised cost are charged to profit or loss, and other changes in their carrying amount are recorded directly in equity as part of the available-for-sale reserve.

Foreign exchange differences arising on non-monetary foreign-currency financial assets, such as shares carried at fair value through profit or loss, are recorded within profit or loss as net gains from changes in their fair value.

Foreign exchange differences on shares available for sale are recorded in equity as part of the available-for-sale reserve.

As at 31 December 2015 and 2014, the official exchange rates of CBR were 72,8827 rubles and 56,2584 rubles for 1 USD, respectively, and 79,6972 rubles and 68,3427 rubles for 1 Euro, respectively.

Cash and cash equivalents

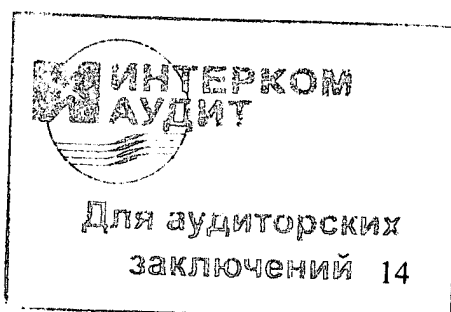
Cash and cash equivalents include cash on hand and cash on current bank accounts of the Bank. All short-term interbank deposits, other than overnight deposits, are included in due from banks. Amounts of restricted use are excluded from cash and cash equivalents.

Required reserves with the CBR

Required reserves are funds deposited with the Central Bank of Russia and not designated for financing of the Bank's current operations. Credit institutions are required to keep interest-free deposits with the Central Bank of Russia (required reserves). The amount of such deposits depends on the amount of money loaned out. Withdrawal of such deposits is restricted by law. Accordingly, they are excluded from cash and cash equivalents for the purpose of the statement of cash flows.

Financial assets

Financial assets of the Bank include financial assets at fair value through profit or loss, loans and receivables, investments held to maturity, and available-for-sale financial assets. Management classifies financial assets at initial recognition.



4. Summary of significant accounting policies (continued)

A regular way purchase or sale of financial assets is recognised on a trade date being the date when the Bank assumes the liability to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive the cash flows of the financial asset expire, or when the Bank transfers its contractual rights to receive the cash flows of the financial asset and the Bank transfers substantially all the risks and rewards of ownership of the asset.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

A financial asset is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term, or forms a part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivative financial instruments are also classified in this category.

Financial assets are designated at initial recognition as at fair value through profit or loss if they are managed and their performance is evaluated on the basis of their fair value.

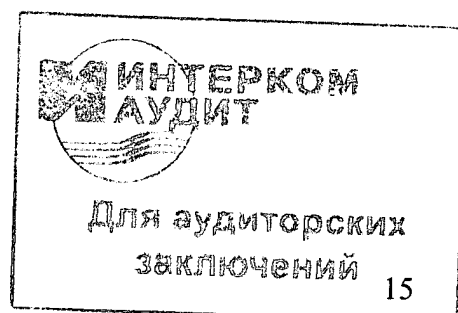
Financial assets at fair value through profit or loss are initially and subsequently carried at fair value measured using quoted prices in an active market or various valuation techniques.

Realized and unrealized gains and losses arising from transactions with financial assets at fair value through profit or loss are recognized in statement of comprehensive income in the period in which they occur as net gains from financial assets held for trading or financial assets at fair value through profit or loss. Interest income on financial assets at fair value through profit or loss is recognized in statement of comprehensive income as interest income from financial assets at fair value through profit or loss.

Dividends on equity instruments are presented in statement of comprehensive income as dividend income of the period in which the Bank's right to receive payment of the dividend is established.

Financial assets at fair value through profit or loss are not a subject to reclassification in another category, except for the derivative financial assets intended for trade. If concerning a derivative financial asset available for trade, the Bank has no more intention to sell it in the near future, it can be reclassified from category of financial assets at fair value through profit or loss in the following cases:

- financial asset, corresponding to the definition of credits and receivables, can be reclassified in the category of credits and receivables if the Bank has intention and opportunity to retain this asset in the near future or before maturity;
- other financial assets can be reclassified in the category available for sale or held to maturity only in rare cases.



4. Summary of significant accounting policies (continued)

Financial assets are reclassified at fair value for date of reclassification. Profit and expenses recognized earlier in statement of comprehensive income are not reversed. Fair value of a financial asset for date of reclassification becomes its new historical or amortized cost.

Reclassifications in the category of financial assets at fair value through profit or a loss are not allowed.

Loans and receivables

Loans and receivables include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than financial assets the Bank intends to sell immediately or in the short term, which are classified as held for trading; financial assets designated at initial recognition as at fair value through profit or loss; and financial assets designated at initial recognition as available for sale.

Loans and receivables include due from banks and loans to customers and are recognized from the date when cash is issued to the borrower.

Loans and receivables are initially recognized at fair value plus transaction costs. Upon initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

Loans originated at interest rates which differ significantly from market rates are remeasured at origination to their fair values, being future interest payments and principal repayments discounted at market interest rates for similar loans.

The difference between the fair value and the nominal value at origination is recognised in profit or loss in the period of origination. The carrying amount of such loans is subsequently adjusted for amortization of the above difference using the effective interest method, and the related expense is recorded as interest income in the statement of comprehensive income.

Financial assets available for sale

Financial assets are classified as available for sale if they are acquired with an intention to hold them for an indefinite period and may be sold to meet liquidity requirements or in response to changes in interest rates, exchange rates or equity instrument prices. Where the intention or capacity to hold available-for-sale financial assets changes, an entity may reclassify them to the held-to-maturity investments category. An entity may also reclassify available-for-sale financial assets to the loans and receivables category if they qualify as loans and receivables at the date of reclassification and the entity has an intention and capacity to hold them for the foreseeable future or until maturity.

Available-for-sale financial assets are initially recorded at fair value plus transaction costs and subsequently measured at fair value determined based on current quoted market prices.

If the market for the financial asset is not active, the Bank derives its fair value from valuation techniques commonly used by market participants, such as valuation techniques based on recent arm's length market transactions with similar instruments or discounted cash flow analysis.



4. Summary of significant accounting policies (continued)

Financial assets that are not quoted in an active market and do not have fixed maturities are recorded at cost less provision for impairment, unless there are other appropriate and reliable methods of reasonably estimating their fair value.

Interest income on financial assets available for sale is recognised in profit or loss as interest income from financial assets available for sale. Dividends on equity instruments are recognised in profit or loss as dividend income of the period in which the Bank's right to receive payment of the dividend is established.

Unrealized gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity within the relevant revaluation reserve until they are derecognised or impaired, at which time the accumulated unrealized gains or losses are transferred to profit or loss and recorded as net gains from financial assets available for sale.

Borrowings

Borrowings are initially measured at fair value, which includes the amount of received funds less transaction costs.

Subsequently borrowings are measured at depreciation cost, and the difference between the amount of received funds less transaction costs and the repayment cost is recorded in profit and loss for the period of borrowing using the method of effective interest.

Borrowings with interest rate different from market interest rates are assessed when they are received at fair value which includes future interest payments and the amount of the main debt, discounted with regard to the market interest rates for similar borrowings. The difference between the fair value and the nominal value of the borrowings when they are received is recorded in statement of comprehensive income.

Subsequently carrying amount of borrowings is adjusted with regard to depreciation of primary income/loss on borrowings, and respective expenses are recorded as interest expense in profit and loss with regard to effective interest rate.

Borrowings include due to banks, customers' accounts, issued debt securities, subordinated debts.

Financial liability is taken off the books, when the contractual obligation is fulfilled, cancelled or its term has expired. The difference between the carrying value of a financial liability settled or passed to another party and a repaid cross reimbursement is recorded in profit and loss as net profit from financial liabilities settlement.

Offset of financial instruments

Financial assets and liabilities are offset and the net amount is recorded in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to offset or to realize the asset and settle the liability simultaneously.



4. Summary of significant accounting policies (continued)

Recognition of income and expense

Interest income and expense are recorded in profit or loss on an accrual basis using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a 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 estimated 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. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but not considering future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Upon partial derecognition of a financial asset or a group of similar financial assets due to impairment, interest income is accrued based on the reduced carrying amount using the interest rate applied for discounting future cash flows in order to determine the amount of impairment loss.

Fee and commission income and expense and other income and expense are recognised on an accrual basis over the period of services.

Impairment of financial assets measured at amortized cost

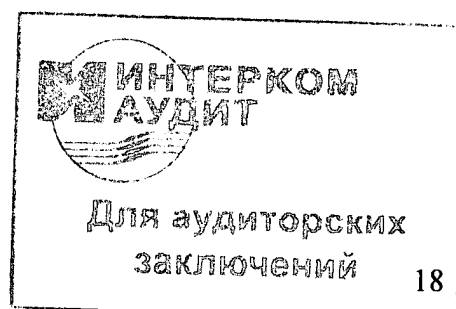
The Bank assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets measured at amortised cost is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if, and only if, there is an objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event"), and if a loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The Bank considers the following loss events as objective evidence that a financial asset or group of assets is impaired :

- default or delinquency in interest or principal payment;
- significant financial difficulties of the borrower or the issuer;
- a breach of contract;
- significant adverse changes in the competitive position of the borrower or the issuer;
- a considerable decline in the fair value of the collateral..

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant.

If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether individually significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics, and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which it is or continues to be recognised are not included in a collective assessment of impairment.



4. Summary of significant accounting policies (continued)

If the Bank determines that there is objective evidence of impairment loss on financial assets measured at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through use of an allowance account, and the amount of the loss is recognised in profit or loss. For floating rate loans, the amount of impairment loss is measured using the effective interest rate specified in the instrument. As a practical expedient, the Bank may measure impairment of a financial asset measured at amortised cost on the basis of an instrument's fair value using an observable current market price.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of collective assessment of impairment, financial assets are grouped on the basis of similar credit risk characteristics (on the basis of a credit risk evaluation or grading process that considers asset type, economic sector, geographical location, collateral type, past-due status and other relevant factors).

Future cash flows in a group of financial assets that are collectively assessed for impairment are estimated on the basis of contractual cash flows and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

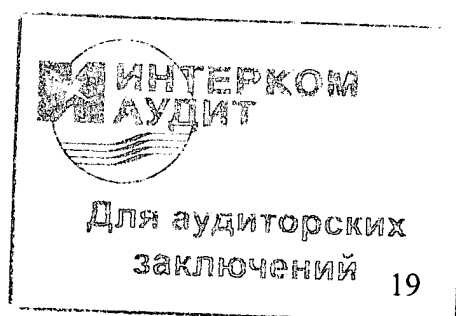
Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as changes in unemployment rates, property prices, payment status and other factors that are indicative of incurred losses in the group and their magnitude).

The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Movements in provisions for impairment of financial assets are recognised in profit or loss for the corresponding period. When a loan is uncollectible, and the collateral has been sold or transferred to the Bank, the financial asset is written off against the related provision for impairment once all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off are credited to the provision for impairment in the statement of comprehensive income.

Impairment of available-for-sale financial assets

Financial assets/groups of financial assets available for sale are assessed for impairment at the end of each reporting period. In the case of equity instruments classified as available for sale, objective evidence of impairment includes a considerable (more than 20%) or prolonged (more than 6 months) decline in the fair value of the instrument below its cost.



4. Summary of significant accounting policies (continued)

Volatility of the market for the instrument is also taken into account. If there is evidence of impairment of a financial asset available for sale, accumulated loss determined as the difference between the acquisition cost and current fair value of the asset less any impairment loss on this asset previously recognised in profit or loss is removed from equity and recognised in profit or loss. Reversals of impairment losses on equity instruments classified as available for sale are not reversed in profit or loss; increase in their fair value is after impairment is recognised directly in equity.

Debt instruments classified as available for sale are assessed for impairment using the same criteria as those for financial assets carried at amortised cost.

If, in a subsequent period, the fair value of an impaired debt instrument classified as available for sale increases, and the increase can be related objectively to an event occurring after the impairment was originally recognised, the previously recognised impairment loss is reversed through profit or loss.

Restructured loans

The Bank seeks ways to restructure problem loans before foreclosure.

Such restructuring may include rescheduling of the existing loan. Once a loan has been rescheduled, it is no longer past-due. Restructured loans continue to be assessed for impairment using their original effective interest rate.

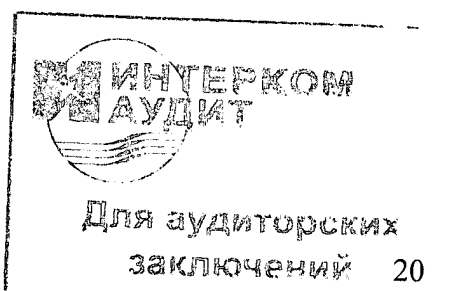
Long-term assets available for sale

Long-term assets are classified as "available for sale" if compensation of its balance cost results from sale, but not by means of continued use. A long-term asset (or disposal group) is classified as available for sale when performing all following criteria:

- a long-term asset (or disposal group) is ready to immediate sale in its current condition;
- there is a high probability of sale of the long-term asset (or disposal group) which is confirmed by existence of the decision (plan) on sale of the long-term asset approved by the organization (or disposal group), actual following of the organization this decision (plan) and search of a buyer of the long-term asset (or disposal group) at the price comparable to its current fair value;
- the term necessary for sale is expected to be no more than one year from the date of classification of the long-term asset (or disposal group) available for sale.

Depreciation of long-term assets (long-term assets that are a part of a disposal group) stops from the moment of their classification as available for sale or reallocation.

The long-term assets (or disposal group) available for sale or reallocation are estimated on the smallest of their balance and fair costs minus expenses on sale or reallocation.



4. Summary of significant accounting policies (continued)

Additional expenses which are directly related to disposal of a long-term asset (or disposal group), except for the expenses for attraction of financing including interests and expenses on income tax belong to expenses on sale or reallocation.

Investment property

Investment property is recognized at historical cost minus accumulated amortization and depreciation (where it is necessary). Historical cost includes expenses which are directly related to acquisition of objects.

The subsequent expenses are included in the balance cost of an asset only when there is a high probability that the Bank will receive future economic benefits concerning this object, and the historical cost of this object can be authentically estimated. All other costs of operation and maintenance are reflected in structure of other operating expenses if and when they come.

In case of signs of depreciation of investment property the assessment of its recoverable amount is carried out which is defined as the biggest of fair value minus sale costs and the cost received as a result of their use. Reduction of balance cost of investment property to the recoverable amount is reflected in the statement of comprehensive income as expense from depreciation of investment property.

Depreciation is accrued during useful life with use of straight-line basis of historical cost to the residual value of investment property. Land plots are not a subject to depreciation.

If the Bank starts using investment property, it is reclassified in the category of fixed assets, and the subsequent charge of depreciation is made on its balance cost for date of reclassification.

If the object of fixed assets becomes investment property because the way of its use has changed, the subsequent charge of depreciation is made from its balance cost for date of reclassification.

Property under construction or development for future use as investment property is classified as investment property.

Property and equipment

Property and equipment are recorded at historical or recalculated cost (see section "Record of hyperinflation impact" in Note 3) less accumulated depreciation and impairment provision, where necessary. Initial cost includes all costs related to the purchase of the property and equipment items.

Subsequent costs are included in the carrying amount of the asset or recognized as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. All other expenditures for the repairs and maintenance of the item are recognized in other operating expenses as incurred.

Depreciation is calculated on a straight-line basis of their historical or revalued cost to residual value with use of the following annual norms of depreciation:

2%- 4% – buildings,

16,8% - 35,4% – motor vehicles,

10% – 34,3% – office and computer equipment,

4% – 44,0% – special bank equipment and other.



4. Summary of significant accounting policies (continued)

Residual values and useful lives of items of property and equipment are reviewed at each year-end and adjusted as appropriate.

Depreciable assets are assessed for impairment when events or circumstances occur indicating that their carrying amount may not be recoverable. The asset's carrying amount is reduced to its recoverable amount if the asset's carrying amount exceeds its recoverable amount, which is the higher of the asset's fair value less costs to sell and its value in use. In such a case, revaluation surplus (if any) is eliminated, and the remaining difference between the asset's carrying amount and recoverable amount is recognized immediately in profit or loss as an impairment loss.

Income or expenses resulting from plant assets disposals are defined on the basis of their balance cost and are considered in statement of comprehensive income.

Intangible assets

Intangible assets include identified non-monetary assets without a physical form.

The intangible assets acquired separately are initially recorded at cost value. After initial recognition intangible assets are reflected at cost value less the accumulated amortization and accumulated losses from depreciation. Intangible assets have definite and indefinite useful life.

Intangible assets with definite useful life will be amortized during useful life and analyzed regarding depreciation in case of possible depreciation of an intangible asset.

Amortization expenses on intangible assets with definite useful life are reflected in the statement of comprehensive income in the structure of expenses on intangible assets. Intangible assets with indefinite useful life are not amortized. They are annually analyzed regarding depreciation. Useful life of an intangible asset with indefinite useful life is analyzed regarding circumstances validating the existing assessment of the useful life of the asset. Otherwise, useful life is prospectively changed from indefinite to definite.

Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incident to ownership.

Where the Bank acts the lessee, it recognizes lease payments as other operating expenses in the statement of comprehensive income in structure of other operating expenses over the lease term.

Where the Bank is the lessor, it presents assets held for operating leases on the statement of financial position according to the nature of the asset. Rental income under an operating lease is recognized as other operating income in the statement of comprehensive income over the lease term in structure of other operating expenses.

Initial direct costs incurred by the Bank to earn rentals are recognized as an expense in the statement of comprehensive income, in the period in which they are incurred.



4. Summary of significant accounting policies (continued)

Finance leases

Where the Bank is the lessee, initially finance leases are recorded as an asset and a liability at the lower of the fair value of leased asset and the present value of the minimum lease payments.

Discount rate is the interest rate implicit in the lease. Minimum finance lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge on the leased asset is allocated through net investment method (before tax), that includes a constant rate of return over the lease term.

Share capital

Share capital is presented at nominal or restated value (Note 3, "Record of hyperinflation impact").

When the Bank redeems shares, the sum of the paid compensation reduces share capital and is reflected before their realization as treasury stock. When subsequently these shares are realized, the sum of the received compensation is included in share capital.

Additional paid-in capital

Additional paid-in capital represents excess of contributions to the capital over par value of shares issued and is reflected at restated cost ("Record of hyperinflation impact" in Note 3).

Dividends

Dividends are recognized as a decrease of retain earning in the period in which they were declared by the Bank's shareholders in a general meeting. Dividends declared after the end of the reporting period are disclosed in events after the reporting period. Dividends and other distributions of profit are paid on the basis of the financial statements prepared in accordance with the Russian legislation.

Derivative financial instruments

Derivative financial instruments including currency exchange contracts are initially recorded in the statement at historical cost (including transaction costs), and subsequently are remeasured at fair value. Fair value is calculated on the basis of the quoted market prices. All derivative financial instruments are recognized as assets if their fair value is positive and as liabilities if their fair value is negative. Changes in fair value of derivatives are recognized as net gains from foreign currency transactions. The Bank does not use derivatives for hedging purposes.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts issued are initially recognized at fair value confirmed as a rule by the amount of commission received and subsequently measured at the higher of the amount: (1) initially recognized less cumulative amortization of fee and commission income charged to profit or loss over the period of guarantee using a straight-line method, and



4. Summary of significant accounting policies (continued)

(2) the best estimate of the expenditures expected to be required to settle financial guarantees existing at the end of the reporting period. This estimate is made on the basis of historical loss experience for similar transactions and accompanied by management judgments.

Provisions

Provisions are recognized if the Bank has a present liability (legal or constructive) as a result of a past event, and it is more probable that an outflow of economic benefits will be required to settle the liability, and the sum of the liability can be authentically estimated.

Payroll and related contributions

The cost of wages and salaries, contributions the Bank pays into the state pension and social insurance funds, paid vacations and sick leaves, bonuses and nonmonetary benefits is recognised as the employees render the service. Contributions into the state pension and social insurance funds are calculated as a percentage of the current payroll and included in the payroll cost in the period in which the payroll was recorded.

The Bank does not have any other pension plans apart from contributions to the state pension scheme of the Russian Federation.

Income taxes

Income tax expense is recorded in the Bank's financial statements in accordance with the applicable Russian laws and regulations.

Current tax expense is calculated on the basis of estimated taxable profit for the year using tax rates that have been enacted by the end of the reporting period. Tax expense, other than income tax expense, is recognized in operating expenses.

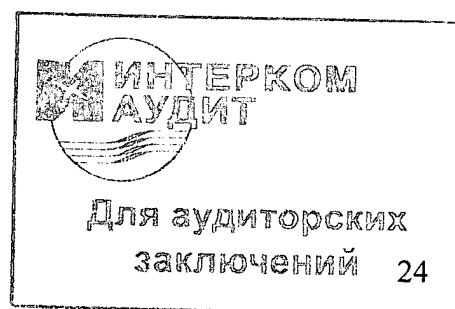
Deferred income tax is calculated, using the liability method, for all temporary differences arising between the tax basis of assets and liabilities and their carrying amounts for the financial statements. Deferred tax assets are analyzed at each reporting date and are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are measured at tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted in this period or are substantively enacted at the reporting date.

Segmental reporting

Segmental reporting is a separate component of the Bank including the activity allowing to gain income and to carry expenses which results of operating activities on a regular basis are analyzed by the person responsible for taking operational decisions, with the aim of making decisions on distribution of resources on segments and for assessment of their activity and concerning which separate financial information is available.

Segments reveal separately if their income, financial result or total assets make not less than ten percent of total income, total financial result or total assets of all segments of the Bank. Concerning the segments which do not meet the requirements given above but which can be integrated by the nature of activity, services, an analysis is carried out regarding compliance to the requirements on reflection as reporting segments at such aggregated level.



4. Summary of significant accounting policies (continued)

According to IFRS 8 "Operating Segments" the Bank defined operational segments: crediting of legal entities, mortgage to individuals, operations with securities. Disclosure on segments is presented on the basis of these business lines coordinated with IFRS, if necessary corrected on intersegment reallocation.

5. Cash and cash equivalents

	31 December	
	2015	2014
Cash on hand	559 898	50 252
Cash balances with the CBR (other than obligatory reserves)	46 484	139 823
Correspondent accounts and overnight deposits with banks	1 375 916	487 347
- the Russian Federation	767 009	487 347
- other countries	608 907	-
Other placements in financial institutions	2 310 492	124
Total cash and cash equivalents	4 292 790	677 546

6. Due from banks

	31 December	
	2015	2014
Current loans and deposits in other banks	1 650 495	1 601 911
Discounted bills in other banks	2 189 034	1 186 205
Deposits in CBR	3 100 000	1 040 000
Other placements with banks	779	48 467
Total due from banks	6 940 308	3 876 583

7. Loans to customers

	31 December	
	2015	2014
Trade credits to legal entities unsecured	-	867 220
Trade credits to legal entities secured	5 357 124	4 868 527
Credits to individuals	7 686 994	9 590 380
Other financial receivables	-	895
Total loans and advance payments to customers before provision for impairment	13 044 118	15 327 022
Provision for impairment	(1 374 539)	(981 803)
Total loans to customers	11 669 579	14 345 219

13 044 118	15 327 022
(1 374 539)	(981 803)
11 669 579	14 345 219

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Bank JSC MMA**Financial Statements for the year ended 31 December 2015***(In thousands of Russian Rubles)***7. Loans to customers (continued)**

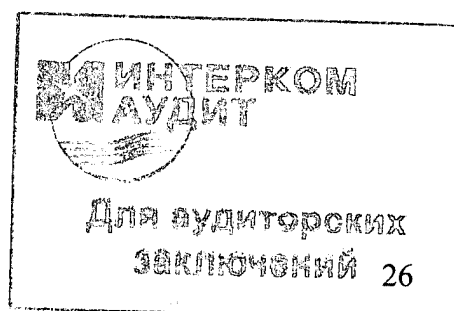
The dynamics of provision for impairment of credits and advance payments to customers was the following:

	Trade credits to legal entities unsecured	Trade credits to legal entities secured	Credits to individuals - mortgage	Other financial receivables	Total
Balance at 31 December 2013	(357 008)	(334 824)	(160 382)	-	(852 214)
Reversal/accrual of provision for the year	(105 282)	25 805	(49 217)	(895)	(129 589)
Balance at 31 December 2014	(462 290)	(309 019)	(209 599)	(895)	(981 803)
Reversal/accrual of provision for the year	102 894	(1 043 499)	(28 171)	895	(967 881)
Written off for the year classified as bad	359 396	215 749	-	-	575 145
Balance at 31 December 2015	-	(1 136 769)	(237 770)	-	(1 374 539)

The structure of loans and advance payments to customers on branches of economy is presented below:

	31 December 2015		31 December 2014	
	Amount	%	Amount	%
Individuals	7 686 994	58.9%	9 590 380	62.6%
Trade and services	2 466 674	18.9%	1 710 998	11.2%
Construction	1 078 179	8.3%	221 422	1.4%
Real estate business	1 078 100	8.3%	2 198 360	14.3%
Production	630 726	4.8%	1 393 632	9.1%
Publishing and polygraphic practice	103 445	0.8%	212 230	1.4%
Other	13 044 118	100.0%	15 327 022	100.0%
Total loans and advance payments to customers before provision for impairment	(1 374 539)	-	(981 803)	-
Provision for impairment	11 669 579	-	14 345 219	-

As of the reporting date December 31, 2015 RUR 5 051 898 thousand or 38,7% of the gross credit portfolio of the Bank before provision for impairment account for ten largest borrowers (groups of related borrowers) (2014: RUR 4 519 463 thousand or 29,5%)



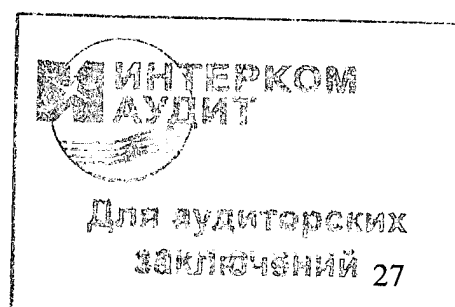
Bank JSC MMA**Financial Statements for the year ended 31 December 2015***(In thousands of Russian Rubles)***7. Loans to customers (continued)**

The information below presents mortgage security as at December 31, 2015:

	Trade credits to legal entities unsecured	Trade credits to legal entities secured	Credits to individuals - mortgage	Other financial receivables	Total
Credits unsecured	-	-	335 854	-	335 854
Credits secured:					
Guarantees	-	57 986	12 149	-	70 135
Estate property	-	2 724 581	4 690 812	-	7 415 393
Proprietary rights	-	2 096 935	2 648 179	-	4 745 114
Securities	-	368 680	-	-	368 680
Other	-	108 942	-	-	108 942
Total loans and advance payments to customers before provision for impairment	-	5 357 124	7 686 994	-	13 044 118

The information below presents mortgage security as at December 31, 2014:

	Trade credits to legal entities unsecured	Trade credits to legal entities secured	Credits to individuals - mortgage	Other financial receivables	Total
Credits unsecured	867 220	-	730 769	895	1 598 884
Credits secured:					
Guarantees	-	1 031 714	14 442	-	1 046 156
Estate property	-	446 906	4 945 281	-	5 392 187
Land	-	2 056 796	3 899 888	-	5 956 684
Proprietary rights	-	1 009 814	-	-	1 009 814
Other	-	323 297	-	-	323 297
Total loans and advance payments to customers before provision for impairment	867 220	4 868 527	9 590 380	895	15 327 022



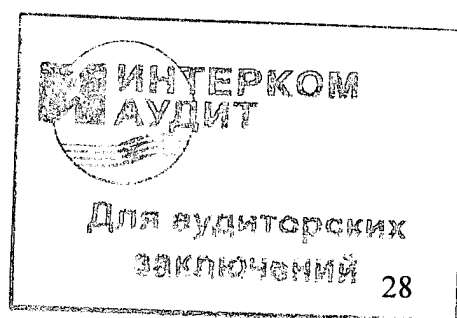
7. Loans to customers (continued)

Information on quality of credits and advance payments to customers estimated regarding depreciation on an individual basis as at December 31, 2015 is given below:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Trade credits to legal entities unsecured:	5 357 124	(1 136 769)	4 220 355	21.2%
- demanding monitoring	3 874 401	(77 489)	3 796 912	2.0%
- subprime	302 236	(166 230)	136 006	55.0%
- dead	1 180 487	(893 050)	287 437	75.7%
Credits to individuals:	289 213	(131 931)	157 282	45.6%
- subprime	106 257	(4 053)	102 204	3.8%
- doubtful	103 567	(48 489)	55 078	46.8%
- dead	79 389	(79 389)	-	100.0%
Total loans and advance payments to customers estimated regarding depreciation on an individual basis	5 646 337	(1 268 700)	4 377 637	

Information on quality of credits and advance payments to customers estimated regarding depreciation on aggregated basis as at December 31, 2015 is given below:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Credits to individuals	7 397 781	(105 839)	7 291 942	1.43%
- performing	4 677 324	(23 222)	4 654 102	0.5%
- demanding monitoring	2 651 176	(71 796)	2 579 380	2.7%
- subprime	66 917	(9 639)	57 278	14.4%
- doubtful	2 364	(1 182)	1 182	50.0%
Total loans and advance payments to customers estimated regarding depreciation on aggregated basis	7 397 781	(105 839)	7 291 942	



7. Loans to customers (continued)

Information on quality of credits and advance payments to customers estimated regarding depreciation on an individual basis as at December 31, 2014 is given below:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Trade credits to legal entities unsecured:	867 220	(462 290)	404 930	53.3%
- demanding monitoring	9 801	(196)	9 605	2.0%
- subprime	500 411	(105 086)	395 325	21.0%
- dead	357 008	(357 008)	-	100.0%
Trade credits to legal entities secured:	4 868 527	(309 019)	4 559 508	6.3%
- demanding monitoring	4 516 757	(90 336)	4 426 421	2.0%
- subprime	114 541	(11 454)	103 087	10.0%
- dead	237 229	(207 229)	30 000	87.4%
Other financial receivables:	895	(895)	-	100.0%
- dead	895	(895)	-	100.0%
Credits to individuals - mortgage:	251 001	(68 177)	182 824	27.2%
- subprime	177 377	(7 291)	170 086	4.1%
- doubtful	25 476	(12 738)	12 738	50.0%
- dead	48 148	(48 148)	-	100.0%
Total loans and advance payments to customers estimated regarding depreciation on an individual basis	5 987 643	(840 381)	5 147 262	

Information on quality of credits and advance payments to customers estimated regarding depreciation on aggregated basis as at December 31, 2014 is given below:

	Loans before provision for impairment	Provision for impairment	Loans after provision for impairment	Impairment loss regarding loans amount before impairment
Credits to individuals:	9 339 379	(141 422)	9 197 957	1.51%
- performing	5 281 029	(28 095)	5 252 934	0.5%
- demanding monitoring	4 018 306	(107 548)	3 910 758	2.7%
- subprime	36 942	(4 227)	32 715	11.4%
- doubtful	3 102	(1 552)	1 550	50.0%
Total loans and advance payments to customers estimated regarding depreciation on aggregated basis	9 339 379	(141 422)	9 197 957	

Information on quality of credits and advance payments to customers is presented by the following categories:

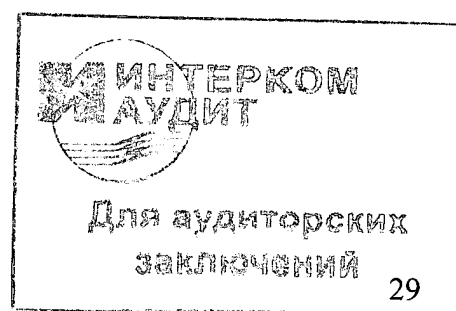
performing - bank reserve requirements from 0% to 2%;

demanding monitoring - bank reserve requirements from 2% to 3%;

subprime - bank reserve requirements from 3% to 40%;

doubtful - bank reserve requirements from 40% to 75%;

dead - bank reserve requirements from 75% to 100%.



7. Loans to customers (continued)

Bank reserve requirements represents a reserve share for depreciation from the total amount of the credit portfolio on this group of the credits with similar characteristics of credit risk, or a reserve share for depreciation from the total amount of the credit estimated on an individual basis.

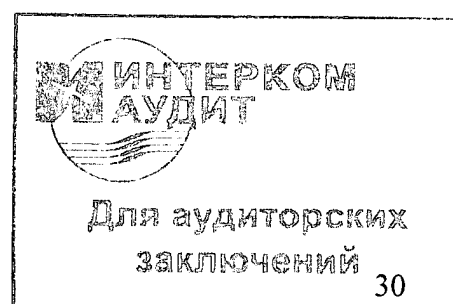
Information on fair value security of credits and advance payments of customers as at December 31, 2015 is given below:

	Trade credits to legal entities secured	Credits to individuals - mortgage	Total
Commercial and residential real estate	3 573 981	19 645 169	23 219 150
Land	62 044	27 127	89 171
Property right	4 053 098	4 766 657	8 819 755
Securities, including issued by the Bank	1 229 725	-	1 229 725
Motor vehicles and other	40 315	-	40 315
Guarantees	6 752 493	102 000	6 854 493
Total fair value security on loans and advance payments to customers	15 711 656	24 540 953	40 252 609

Information on fair value security of credits and advance payments of customers as at December 31, 2014 is given below:

	Trade credits to legal entities secured	Credits to individuals - mortgage	Total
Commercial and residential real estate	581 568	20 847 874	21 429 442
Land	-	27 127	27 127
Property right	4 090 383	6 772 654	10 863 037
Securities, including issued by the Bank	1 203 532	58 613	1 262 145
Motor vehicles and other	195 649	-	195 649
Guarantees	9 748 183	120 680	9 868 863
Total fair value security on loans and advance payments to customers	15 819 315	27 826 948	43 646 263

The amounts presented in the tables given above show pledge, approved by the pledgee and the pledger, i.e. assessed valuation of security and it is not necessarily that they represent fair value of security. The pledge value of security is defined by the market cost of real estate that is determined by an independent appraiser from among qualified by the Bank. Besides pledge of real estate, for the credits to individuals repurchased by the Partner Banks within the production stage of Moscow mortgage program, the Partner Banks provide a guarantee in full extent of liabilities of borrowers under credit agreements.



8. Financial assets available for sale

	31 December	
	2015	2014
Unpledged measured at fair value:		
Corporate bonds	5 662 438	995 332
Corporate eurobonds	3 573 891	-
Unpledged measured at cost:		
Corporate eurobonds	1 610 540	-
Provision for impairment of available-for-sale financial assets	(16 105)	-
Total financial assets available for sale	10 830 764	995 332

Corporate bonds issued for the circulation in the Russian market are represented by interest-bearing securities with par value in the currency of the Russian Federation issued by the biggest Russian banks and publicly traded company. As at December 31, 2015 the rate of coupon yield on these bonds varies from 7,95% to 17,0% depending on release (2014: the rate of coupon yield on these bonds varies from 7,95% to 13,0% depending on release

Corporate eurobonds measured at fair value are represented by securities issued by the special legal nonresident individuals for the benefit of the largest listed Russian companies and banks. For December 31, 2015 the rate of the coupon yield on these bonds varies from 5% to 8,5% depending on release.

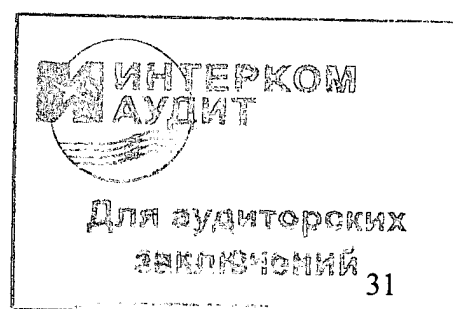
For December 31, 2015 corporate eurobonds of B&N Finance Limited (OJSC "BINBANK") were not listed, are considered at cost in view of lack of reliable methods of reasonable calculation of their fair value, maturity period of bonds is 2016.

The analysis of change of provision for impairment is given below:

	2015	2014
Provision for impairment of available-for-sale financial assets as at January 1	-	-
Recovery /(creation) of reserves	(16 105)	-
Provision for impairment of available-for-sale financial assets as at December 31	(16 105)	-

As at December 31, 2015 corporate bonds with fair value of RUR 870 572 thousand are blocked as security on the raised funds from Bank of Russia (2014: with fair value of RUR 352 645 thousand). The actual financial borrowing from Bank of Russia under the specified security as of reporting dates was not carried out.

During 2014 and 2013 the Bank made no reclassifications for financial assets available for sale and investments held to maturity. There were also no reclassifications of financial assets available for sale in category of loans and receivables.



9. Long-term financial assets available for trade

As at December 31, 2015 the Bank classified one apartment, six parking units received under settlement agreements and in a judicial proceeding on earlier granted loans as assets available for trade, fair value of which as at the reporting date was RUR 124 309 thousand.

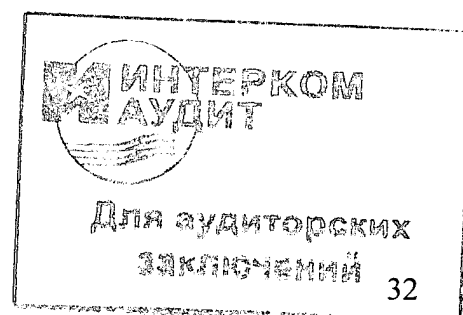
As at December 31, 2014 the Bank classified four apartments, eight non-residential buildings, seven parking units received under settlement agreements and in a judicial proceeding on earlier granted loans as assets available for trade, fair value of which as at the reporting date was RUR 15 318 thousand.

10. Investment property

As at December 31, 2015 and 2014 investment property is presented by the land plot that the Bank got with the aim of revenue generation from capital gain, fair value of which is RUR 523 thousand.

11. Property, equipment and intangible assets

	Buildings	Office and computer equipment	Motor vehicles	Special equipment and other	Intangible assets	Total
Cost						
Balance at 1 January 2015	134 220	61 287	3 305	13 290	258	212 360
<i>incl. financial lease</i>	-	-	2 791	-	-	2 791
Additions for the year	-	216 098	951	984	-	218 033
Disposals for the year	-	(833)	-	(502)	-	(1 335)
Balance at 31 December 2015	134 220	276 552	4 256	13 772	258	429 058
Accumulated depreciation						
Balance at 1 January 2015	18 651	32 086	2 108	7 067	65	59 977
<i>incl. financial lease</i>	-	-	1 970	-	-	1 970
Depreciation charge (Note 24)	2 688	16 230	1 106	1 514	25	21 563
<i>incl. financial lease</i>	-	-	821	-	-	821
Disposals for the year	-	(833)	-	(344)	-	(1 177)
Balance at 31 December 2015	21 339	47 483	3 214	8 237	90	80 363
Net book value at 31 December 2015	112 881	229 069	1 042	5 535	168	348 695



11. Property, equipment and intangible assets (continued)

	Buildings	Office and computer equipment	Motor vehicles	Special equipment and other	Intangible assets	Total
Cost						
Balance at 1 January 2014	134 220	39 257	3 305	10 444	144	187 370
<i>incl. financial lease</i>	-	-	2 791	-	-	2 791
Additions for the year	-	27 456	-	4 196	114	31 766
Disposals for the year	-	(5 426)	-	(1 350)	-	(6 776)
Balance at 31 December 2014	134 220	61 287	3 305	13 290	258	212 360
Accumulated depreciation						
Balance at 1 January 2014	15 963	34 321	1 020	6 812	52	58 168
<i>incl. financial lease</i>	-	-	985	-	-	985
Depreciation charge (Note 25)	2 688	2 681	1 088	1 394	13	7 864
<i>incl. financial lease</i>	-	-	985	-	-	985
Disposals for the year	-	(4 916)	-	(1 139)	-	(6 055)
Balance at 31 December 2014	18 651	32 086	2 108	7 067	65	59 977
Net book value at 31 December 2014	115 569	29 201	1 197	6 223	193	152 383

In 2015 upon termination of the contract of financial lease, motor vehicle is transferred to structure of capital assets.



12. Other assets

	31 December	
	2015	2014
Financial assets:		
Claims of fees on guarantees issued	26 976	16 542
Settlements on brokerage	15 499	-
Derivative financial instruments	6 149	106
Other	2 986	16 428
Provision for impairment of other financial assets	3 037	149
	(695)	(141)
Non-financial assets:		
Property received under settlement agreements	134 128	140 774
Receivables and advance payments	120 682	82 468
Prepaid taxes, other than income tax	14 182	-
Provision for impairment	657	873
	-	119 388
Total other assets	(1 393)	(61 955)
Financial assets:	161 104	157 316

Movements in the provision for impairment of other assets are presented below:

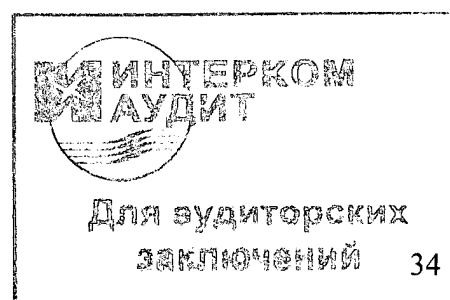
	2015	2014
Balance as at January 1	(62 096)	(1 077)
Provision/(recovery of provision)	59 339	(61 019)
Other assets written off against impairment provision	669	-
Balance as at December 31	(2 088)	(62 096)

As at December 31, 2014 estate property received under settlement agreements in the total amount of RUR 188 758 thousand was considered in other assets. The cost of property was estimated by independent appraiser as at December 31, 2014, fair value of this property makes RUR 119 388 thousand, depreciated value of the real estate in the sum of RUR 69 370 thousand, is reflected in structure of other operating expenses.

13. Due to banks

	31 December	
	2015	2014
CBR deposits	1 003 493	1 808 322
Other loans and deposits due to other banks	135 000	-
Due from other banks	107	105
Total due to banks	1 138 600	1 808 427

The Bank had no cases of nonperformance of obligations of payment of the main amount of debt and interest or violation of other conditions concerning the raised funds of other banks during 2015 and 2014.



14. Customer accounts

	31 December	
	2015	2014
State and municipal entities:	592 076	2 185 716
- Current accounts	341 554	34 082
- Term deposits	250 522	2 151 634
Other legal entities:	16 115 097	3 001 400
- Current accounts	15 553 960	1 761 306
- Term deposits	561 137	1 240 094
Individuals:	733 926	232 688
- Current accounts	66 468	186 783
- Term deposits	667 458	45 905
Total customer accounts	17 441 099	5 419 804

Disposition of funds of customers on branches of economy is presented in the table below:

	31 December 2015		31 December 2014	
	Amount	%	Amount	%
Finance and investement	11 905 574	68.3%	1 014 446	18.7%
Construction	1 840 431	10.6%	142 011	2.6%
Broadcasting activities	830 913	4.8%	-	-
Trade and services	740 802	4.2%	540 766	10.0%
Individuals	733 926	4.2%	232 688	4.3%
State and municipal entities	592 076	3.4%	2 185 716	40.3%
Transactions with real estate	451 251	2.6%	452 867	8.4%
R&D	265 072	1.4%	356 305	6.6%
Industry	51 174	0.3%	18 147	0.3%
Insurance	18 448	0.1%	41 350	0.8%
Motor vehicles	10 789	0.1%	170	-
Publishing and polygraphic practice	369	-	1 135	-
Other	274	-	434 203	8.0%
Total customer accounts	17 441 099	100.0%	5 419 804	100.0%

As at December 31, 2015 ten biggest customers (groups of related customers) account for RUR 15 204 906 thousand or 87.2% of the total amount of customer accounts (2014: RUR 4 431 609 thousand or 81.8%).

The Bank had no cases of nonperformance of obligations of payment of the main amount of debt and interest or violation of other conditions concerning the raised funds of other banks during 2015 and 2014.



15. Debt securities issued

	31 December	
	2015	2014
Bonds	7 130 179	5 569 766
Notes	1 079 690	1 131
Total debt securities in issue	8 209 869	5 570 897

As at December 31, 2015 the Bank made the first, second, third, fourth and fifth issues of bonds and issues of БО-01 and БО -03.

Bank Bonds series 01 for the total amount of RUR 2 200 000 thousand are called on 20.09.2012.

Bank Bonds series 02 for the total amount of RUR 1 000 000 thousand are called on 09.08.2008.

Bank Bonds series 03 for the total amount of RUR 1 500 000 thousand are called on 23.02.2012.

Bank Bonds series 04 for the total amount of RUR 2 000 000 thousand are called on 01.10.2015

Bank Bonds series 05 for the total amount of RUR 2 000 000 thousand are called on 17.07.2014

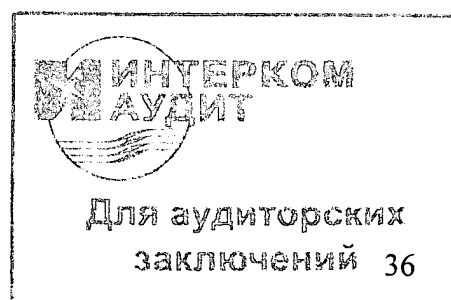
On November 06, 2013 the Bank has placed non-convertible interest-bearing certificated exchange-traded bonds with the mandatory deposit of БО-01 series with a possibility of anticipated repayment on request of their owners, in amount of 1 500 000 pieces with par value of RUR 1 500 000 thousand, maturity period is 06.11.2016. These bonds envisage 6 coupon periods with payment of the coupon two times a year.

On June 06, 2014 the Bank placed non-convertible interest-bearing documentary bearer bonds with mandatory deposit of БО-03 series with possibility of anticipated repayment on request of their owners, in amount of 2 000 000 pieces with par value of RUR 2 000 000 thousand. On July 16, 2015 the Bank has placed additional issue of listed bonds of БО-03 series in amount of 2 000 000 pieces with par value of RUR 2 000 000 thousand. For December 31, 2015 the bonds of БО-03 in amount of 4 000 000 pieces, with par value of RUR 4 000 000 thousand rubles are in circulation, maturity period is 06.06.2017. These bonds envisage 6 coupon periods with payment of the coupon two times a year.

On March 20, 2015 the Bank has placed non-convertible interest-bearing documentary bearer bonds with mandatory deposit of БО-02 series in amount of 1 500 000 pieces with par value of RUR 1 500 000 thousand, maturity period is 07.03.2025. These bonds envisage 20 coupon periods with payment of the coupon two times a year.

Listed bonds of the Bank series БО-01, БО-02, БО-03 are included in the List of the securities admitted to trading in CJSC MICEX Stock Exchange and are also included in the Lombard list of the Bank of Russia. Listed bonds series БО-01 and БО-03 are included in the First level (listed) of MICEX listing.

The Bank had no cases of nonperformance of obligations of payment of the main amount of debt and interest or violation of other conditions concerning the raised funds of other banks during 2015 and 2014.



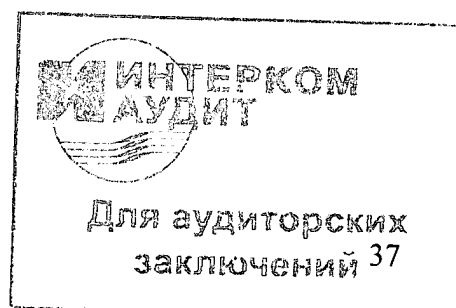
16. Other liabilities

	31 December	
	2015 г.	2014 г.
Financial liabilities:		
Liabilities on derivative financial instrument	126 224	20 826
Financial guarantees	96 887	-
Liabilities on financial lease	26 972	19 933
Other financial liabilities	-	717
	2 365	176
Non-financial liabilities:		
Accrued liabilities with staff on payroll	24 249	14 969
Taxes payable, other than income tax	12 270	8 984
Payables	5 309	4 015
	6 670	1 970
Total other liabilities	150 473	35 795

Maturity analysis of the Bank's finance lease liabilities is presented below:

	31 December 2015		31 December 2014	
	Minimum lease payments	Present value of minimum lease payments	Minimum lease payments	Present value of minimum lease payments
Less than 1 year	-	-	858	717
1 to 5 years	-	-	-	-
Total	-	-	858	717

The Bank had no cases of nonperformance of financial obligations or violation of other conditions concerning the financial obligations banks during 2015 and 2014.



17. Share capital and paid-in capital

The authorized, issued and paid up capital of the Bank comprises:

	31 December 2015			31 December 2014		
	Number of shares (pcs)	Par value RUR000's	Inflation adjusted value RUR000's	Number of shares (pcs)	Par value RUR000's	Inflation adjusted value RUR000's
Ordinary shares	113 381	5 442 288	5 537 679	113 381	5 442 288	5 537 679
Paid-in capital	-	-	601 615	-	-	601 615
Total share capital and paid-in capital	113 381	5 442 288	6 139 294	113 381	5 442 288	6 139 294

All ordinary shares of the Bank have par value of RUR 48 thousand per share. Each share carries one voting authority. Preference stock are not envisaged by the Charter of the Bank.

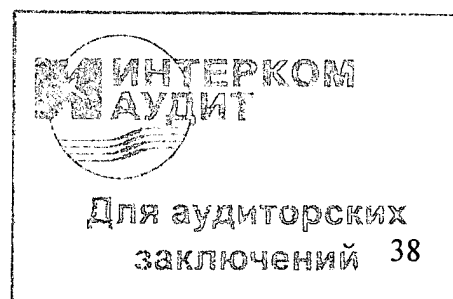
18. Dividends

In 2015 and 2014 no dividends were stated and paid.

19. Interest income and expense

	For the year ended 31 December	
	2015	2014
Interest income		
Loans to customers	1 693 499	1 731 030
Due from banks	580 900	252 923
Financial assets available for sale	455 930	69 032
Total interest income	2 730 329	2 052 985
Interest expense		
Debt securities issued	(961 154)	(526 660)
Due from banks	(353 951)	(129 307)
Current accounts	(305 445)	(82 751)
Deposits of legal entities	(90 001)	(37 765)
Deposits of individuals	(34 426)	(7 320)
Financial lease	(141)	(543)
Total interest expense	(1 745 118)	(784 346)
Net interest income	985 211	1 268 639

Interest expense on debt securities issued are presented in the cash flow statement in financial activity.



20. Fee and commission income and expense

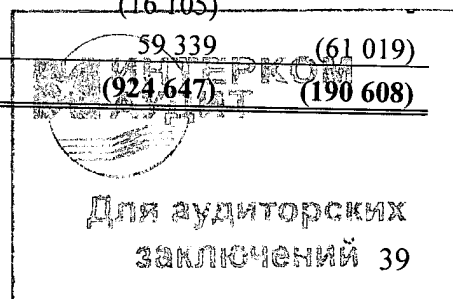
	For the year ended 31 December	
	2015	2014
Fee and commission income		
Commission on guarantees issued	135 141	8 101
Commission on settlement and cash banking service	45 763	44 189
Commission on opening and maintenance of accounts	1 637	764
Commission on transactions with foreign currency	13 189	4 742
Other	195 730	57 796
Total fee and commission income		
Fee and commission expense		
Commission on guarantees received	(8 879)	-
Commission on services for brokerage agreements	(6 539)	(870)
Commission on settlement and cash banking service	(4 062)	(180)
Research and information services	(560)	(1 553)
Commission on transfer services	-	(6 002)
Other	(1 289)	(3 400)
	(21 329)	(12 005)
Total fee and commission expense	174 401	45 791

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

	For the year ended 31 December	
	2015	2014
Gain less losses on transactions with financial assets at fair value through profit and loss	-	(455)
Gain less losses on transactions with financial assets available for sale	18 535	(2 058)
Gain less losses on transactions with issued debentures	58 982	15 901
Gain less losses on transactions with financial assets and liabilities	77 517	13 388

22. Allowance for impairment

	For the year ended 31 December	
	2015	2014
Loans to customers (Note 7)	(967 881)	(129 589)
Financial assets available for sale (Note 8)	(16 105)	
Other assets (Note 12)	59 339	(61 019)
Total allowance for impairment of assets	(924 647)	(190 608)



23. Other operating income

	For the year ended 31 December	
	2015	2014
Income from lock box lease	790	45
Income from disposal of property	403	664
Fines, penalties and forfeitures received	6	6
Other	123	148
Total other operating income	1 322	863

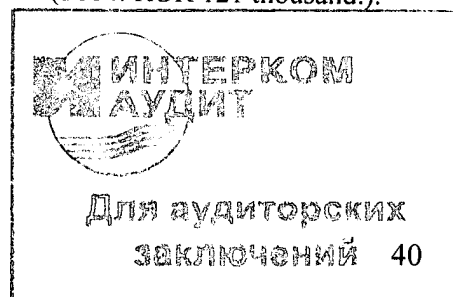
24. Operating expenses

	For the year ended 31 December	
	2015	2014
Payroll expenses	(398 192)	(349 117)
Connection	(40 638)	(10 038)
Other taxes excluding the income tax	(22 704)	(15 215)
Depreciation of property and equipment and amortization of intangible assets (Note 11)	(21 563)	(7 864)
Lease payments	(14 355)	(12 104)
Repairs and maintenance	(13 889)	(7 350)
Security	(9 258)	(8 213)
Write-off of inventory stock cost	(7 725)	(6 433)
Insurance	(6 153)	(6 570)
Advertising and marketing	(5 809)	(10 566)
Depreciation of property in other assets	(4 550)	(29 184)
Expenses on cultural and educational events	(2 298)	(1 827)
Loss on disposal of property	(125)	(1 781)
Other	(85 088)	(34 093)
Total operating expenses	(632 347)	(500 355)

Payroll expenses are given below:

	For the year ended 31 December	
	2015	2014
Salary and bonus expenses	(317 801)	(294 238)
Payments to state non-budgetary funds	(77 939)	(52 807)
Training costs	(49)	(203)
Other payroll expenses	(2 403)	(1 869)
Total	(398 192)	(349 117)

Average monthly salary of one employee in 2015 was RUR 96 thousand. (2014: RUR 121 thousand.).



25. Income Tax

For the years 2015 and 2014, income tax expense recognized in statement of comprehensive income comprised:

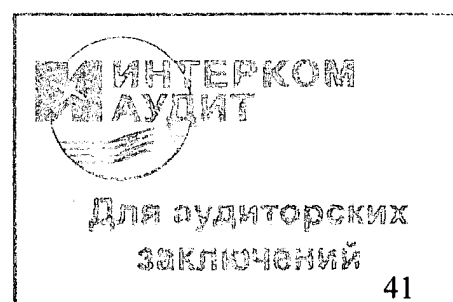
	For the year ended 31 December	
	2015	2014
Current income tax expenses	245	117 468
Changes in deferred tax due to the origination and reversal of temporary differences	51 481	(69 399)
Unrecognised tax asset	-	69 399
Income tax expense/ refund for the year	51 726	117 468

In 2015 the current tax rate applicable to the major part of the Bank's profit was 20% (2014: 20%).

The table below shows reconciliation between the official income tax expense and the actual income tax expense.

	For the year ended 31 December	
	2015	2014
IFRS profit (loss) before tax	78 869	675 293
Theoretical income tax expense at the statutory rate 20% (2014:20%)	15 774	135 059
Other non-temporary differences	35 952	(17 591)
Income tax expense/ refund for the year	51 726	117 468

Differences between IFRS and local tax laws and regulations give rise to certain temporary differences between the carrying values of assets and liabilities for financial reporting purposes and those for income tax purposes. The tax effect of movements in these temporary differences is recorded at the rate of 20% (2014: 20%).



25. Income Tax (continued)

Below is the analysis of the Bank's deferred tax position.

	31 December 2015	Movements	31 December 2014
Tax effect of deductible temporary differences:			
- Accrued interest income and expense	25 876	(7 265)	33 141
- Accrued non-interest income and expense	3 050	930	2 120
- Fair value measurement of financial assets	10 963	(8 098)	19 061
- Amortization of real estate	14 784	910	13 874
- Tax losses	44 965	44 965	-
- Provisions	6 519	1 976	4 543
- Other	24 772	24 772	-
Total deferred tax asset	130 929	58 190	72 739
Tax effect of taxable temporary differences:			
- Accrued non-interest income and expense	162 485	162 485	-
- Depreciation of property and equipment	5 862	2 522	3 340
- Other	3 100	3 100	-
Total deferred tax liability	171 447	168 107	3 340
Net deferred tax liability	(40 518)	(109 917)	69 399
including:			
- not recognized in equity due to financial assets available for sale at fair value	10 963	(8 098)	19 061*
- not recognized in profit or loss	(51 481)	(101 819)	50 338*

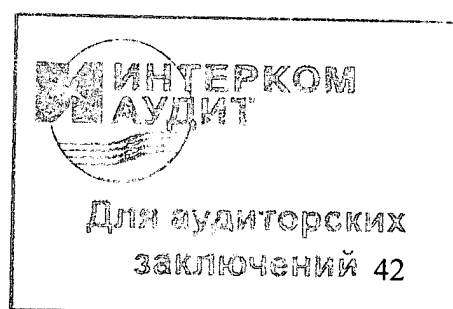
* As for December 31, 2014 the deferred tax asset is not recognized in the Statement of financial position.

26. Earnings per share

The basic earning 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 ordinary shares redeemed by the Bank from shareholders and held as own shares.

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

	For the year ended 31 December	
	2015	2014
Net profit (loss) for the period (RUR000's) per Bank shareholders	27 143	557 825
Weighted average number of shares outstanding during the period (pcs)	113 381	113 381
Earning per dilutive potential share (RUR)	239,40	4 919,92

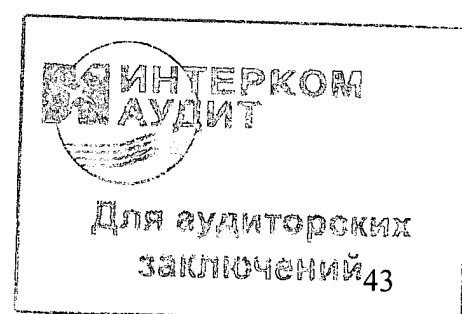


Bank JSC MMA**Financial Statements for the year ended 31 December 2015***(In thousands of Russian Rubles)***27. Segmentation analysis**

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

Information on reporting segments as at December 31, 2015 and for the year ended on December 31, 2015 is given below.

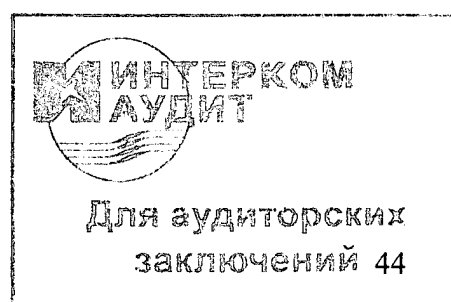
	Loans to legal entities	Mortgage loans to individuals	Securities trading	Undistributable assets/liabilities	Total
Assets					
Cash and cash equivalents	-	-	-	4 292 790	4 292 790
Obligatory reserves with the CBR	44 685	-	-	-	44 685
Due from banks	-	-	6 940 308	-	6 940 308
Loans to customers ^{AM}	4 220 355	7 449 224	-	-	11 669 579
Financial assets available for sale	-	-	10 830 764	-	10 830 764
Current income tax assets	-	-	-	111 760	111 760
Long-term financial assets available for sale	104 414	19 895	-	-	124 309
Investment property	523	-	-	-	523
Property, equipment and intangible assets	-	-	-	348 695	348 695
Other assets	27 231	35 655	98 218	-	161 104
Total assets	4 397 208	7 504 774	17 869 290	4 753 245	34 524 517
Liabilities					
Due to banks	-	-	1 138 600	-	1 138 600
Customer accounts	2 964 987	4 360 275	10 115 837	-	17 441 099
Debt securities in issue	1 395 678	2 052 467	4 761 724	-	8 209 869
Deferred tax liability	-	-	-	40 518	40 518
Other liabilities	9 110	13 397	127 966	-	150 473
Total liabilities	4 369 775	6 426 139	16 144 127	40 518	26 980 559
Balance sheet item	27 433	1 078 635	1 725 163	4 712 727	7 543 958
Statement of comprehensive income					
Interest income	660 018	1 033 481	1 036 830	-	2 730 329
Interest expenses	(383 926)	(593 340)	(767 852)	-	(1 745 118)
Fee and commission income	77 786	58 509	59 435	-	195 730
Fee and commission expenses	(4 692)	(7 252)	(9 385)	-	(21 329)
Provision for impairment movement	(881 266)	(27 276)	(16 105)	-	(924 647)
Operating income (incl. foreign currency revaluation)	104 775	161 925	209 551	-	476 251
Payroll expenses	(95 683)	(131 747)	(170 762)	-	(398 192)
Lease expenses, security	(5 195)	(8 028)	(10 390)	-	(23 613)
Taxes and dues	(4 995)	(7 719)	(9 990)	-	(22 704)
Administrative expenses, advertisement	(40 323)	(62 318)	(80 647)	-	(183 288)
Amortization of real estate in other assets	(4 550)	-	-	-	(4 550)
Income tax	-	-	-	(51 726)	(51 726)
Profit or loss of segment for 2015	(578 051)	416 235	240 685	(51 726)	27 143



27. Segmentation analysis (continued)

Information on reporting segments as at December 31, 2014 and for the year ended on December 31, 2014 is given below.

	Loans to legal entities	Mortgage loans to individuals	Securities trading	Undistributable assets/liabilities	Total
Assets					
Cash and cash equivalents	-	-	-	677 546	677 546
Obligatory reserves with the CBR	31 505	-	-	-	31 505
Due from banks	-	-	3 876 583	-	3 876 583
Loans to customers am	4 964 438	9 380 781	-	-	14 345 219
Financial assets available for sale	-	-	995 332	-	995 332
Current income tax assets	-	-	-	48 561	48 561
Long-term financial assets available for sale	-	15 318	-	-	15 318
Investment property	523	-	-	-	523
Property, equipment and intangible assets	-	-	-	152 383	152 383
Other assets	115 876	32 717	8 723	-	157 316
Total assets	5 112 342	9 428 816	4 880 638	878 490	20 300 286
Liabilities					
Due to banks	-	-	1 808 427	-	1 808 427
Customer accounts	1 517 545	2 655 704	1 246 555	-	5 419 804
Debt securities in issue	1 559 851	2 729 740	1 281 306	-	5 570 897
Other liabilities	10 023	17 539	8 233	-	35 795
Total liabilities	3 087 419	5 402 983	4 344 521	-	12 834 923
Balance sheet item	2 024 923	4 025 833	536 117	878 490	7 465 363
Statement of comprehensive income					
Interest income	620 013	1 111 017	321 955	-	2 052 985
Interest expenses	(219 617)	(384 329)	(180 400)	-	(784 346)
Fee and commission income	49 461	8 335	-	-	57 796
Fee and commission expenses	(3 361)	(5 883)	(2 761)	-	(12 005)
Provision for impairment movement	(102 054)	(88 554)	-	-	(190 608)
Operating income (incl. foreign currency revaluation)	14 511	25 395	11 920	-	51 826
Payroll expenses	(100 866)	(172 408)	(75 843)	-	(349 117)
Lease expenses, security	(2 602)	(15 578)	(2 137)	-	(20 317)
Taxes and dues	(4 260)	(7 456)	(3 499)	-	(15 215)
Administrative expenses, advertisement	(26 551)	(42 501)	(17 470)	-	(86 522)
Amortization of real estate in other assets	(27 348)	(1 836)	-	-	(29 184)
Income tax	-	-	-	(117 468)	(117 468)
Profit or loss of segment for 2014	197 326	426 202	51 765	(117 468)	557 825

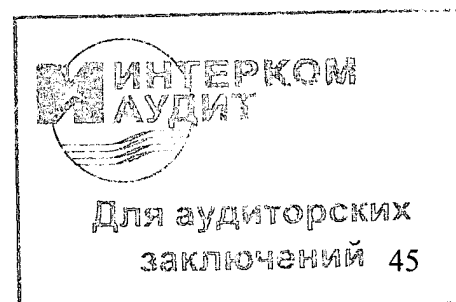


28. Geographical analysis

Geographical analysis of the Bank's assets and liabilities is presented below.

31 December 2015				
	Russia	OECD countries*	Other countries	Total
Assets				
Cash and cash equivalents	3 683 883	608 907	-	4 292 790
Obligatory reserves with the CBR	44 685	-	-	44 685
Due from banks	6 940 308	-	-	6 940 308
Loans to customers	11 669 579	-	-	11 669 579
Financial assets available for sale	5 662 438	3 325 882	1 842 444	10 830 764
Current income tax assets	111 760	-	-	111 760
Long-term financial assets available for sale	124 309	-	-	124 309
Investment property	523	-	-	523
Property, equipment and intangible assets	348 695	-	-	348 695
Other assets	160 373	731	-	161 104
Total assets	28 746 553	3 935 520	1 842 444	34 524 517
Liabilities				
Due to banks	1 138 600	-	-	1 138 600
Customer accounts	16 997 679	2	443 418	17 441 099
Debt securities in issue	8 209 869	-	-	8 209 869
Deferred tax liability	40 518	-	-	40 518
Other liabilities	147 029	3 444	-	150 473
Total liabilities	26 533 695	3 446	443 418	26 980 559
Net position	2 212 858	3 932 074	1 399 026	7 543 958
Credit related commitments	1 977 209	-	-	1 977 209

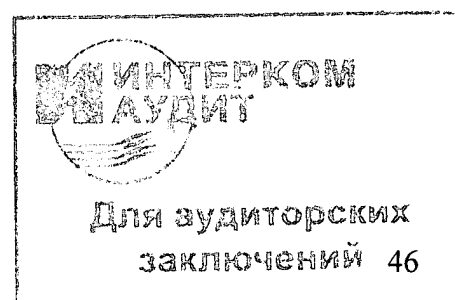
* OECD – Organization for Economic Co-operation and Development.



28. Geographical analysis (continued)

	31 December 2014			
	Russia	OECD countries*	Other countries	Total
Assets				
Cash and cash equivalents	677 546	-	-	677 546
Obligatory reserves with the CBR	31 505	-	-	31 505
Due from banks	3 876 583	-	-	3 876 583
Loans to customers	14 345 219	-	-	14 345 219
Financial assets available for sale	995 332	-	-	995 332
Current income tax assets	48 561	-	-	48 561
Long-term financial assets available for sale	15 318	-	-	15 318
Investment property	523	-	-	523
Property, equipment and intangible assets	152 383	-	-	152 383
Other assets	157 316	-	-	157 316
Total assets	20 300 286	-	-	20 300 286
Liabilities				
Due to banks	1 808 427	-	-	1 808 427
Customer accounts	5 106 463	-	313 341	5 419 804
Debt securities in issue	5 570 897	-	-	5 570 897
Other liabilities	35 782	13	-	35 795
Total liabilities	12 521 569	13	313 341	12 834 923
Net position	7 778 717	(13)	(313 341)	7 465 363
Credit related commitments	3 964 658	-	-	3 964 658

* OECD – Organization for Economic Co-operation and Development.



29. Financial risk management

Bank operation are under 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 analyzing credit and market risks and liquidity risk, establishing appropriate limits and control procedures and monitoring risks levels using reliable and actual information systems.

The Bank has four-level control system of risks management.

- first (top) level of management: Shareholders' general meeting of the Bank, Board of directors of the Bank,
- second level of management:– General Director, Chairman of board of directors of the Bank, Bank Management, Credit and financial committee,
- third level of management: Service of financial analysis and risk management of the Bank, Internal Control Service of the Bank, Department of financial monitoring, Chief accountant of the Bank, the deputies.
- fourth level of management: structural subdivision of the Bank.

Financial risk management includes such stages as specification (identification), analysis (evaluation), choice of a method of risk management and application of the method, risk monitoring, risk minimization, risk control. The techniques of evaluation of specific types of risks approved by the Bank Management contain a list of key indicators on risk factors, calculation methods, and the order of collection of information on key indicators. The risk evaluation methods used by the Bank can change depending on the extent of development of the risk control system in the Bank and by changing of the policy of management of different types of risks. The detailed order of evaluation of concrete types of risk is described in management procedure of different types of risk. Such methods of risk treatment as risk restriction and retention are the most acceptable at this stage of development of the Bank. Risk retention is made within the acceptable levels approved by the Board of directors for each type of the risk. In case the expected risk dimension is above the acceptable level, the Bank makes a decision of necessity of risk aversion by refusal of any operation (transaction) or activity. Risk restriction is carried out through establishment of limits on carrying out operations and their volume which observance is obligatory for subdivisions and officials of the Bank, authorized to perform these operations. The list of possible limits is stated in the internal normative documents approved by competent authorities of the Bank. Specific limit values are approved by protocols of meetings of Credit and financial committee and in specific cases by the Bank Management and the Board of Directors.

The Service of financial analysis and risk management is a subdivision of the Bank independent on the subdivisions of the Bank, which are carrying out operations bearing risks of losses which reveals and estimates financial risks. The report on effective risk management is provided to the Bank Management and the Board of Directors.

The objective of the Service of internal control is independent analysis of adequacy of the established procedures of risk management and observance of these procedures; results of the analysis are presented to the Bank Management and the Board of Directors.



29. Financial risk management (continued)

Risk concentration arises due to financial instruments with similar characteristics and experiencing similar impact of changes of economic, political and other conditions.

For decrease in risk concentration the Bank adheres to policy of diversification, for this purpose regulations and procedures of the Bank include special provisions directed at maintenance of diversified portfolio.

Financial risk management and its evaluation are carried out by the Bank continually.

29.1 Credit risk

The Bank is at credit risk which represents the risk when a counterparty fails to discharge its obligations on a financial instrument to the full extent and in set terms will lead to Bank's financial losses. The Bank controls credit risk both at the level of borrowers / groups of related borrowers, and at the level of credit portfolio of the Bank in general. Credit risk control at the level of borrower is carried out by establishment of a risk limit on the borrower, including banks. The actual observance of limits concerning the level of the assumed risk is controlled on a daily basis.

Management and control of credit risk at the level of credit portfolio of the Bank is carried out by studying and monitoring of values and dynamics of the key indicators of quality of the credit portfolio determined in internal document of the Bank on credit risk management. The maximum allowable risk on one borrower is also controlled.

Credit risk control is also carried out by regular analysis of the ability of the existing and potential borrowers to repay interest payments and the main sum of the debt, and through change of credit limits if necessary. The credit policy of the Bank states main stages of the credit process, differentiates decision making authority on risk, defines limits of concentration of credit portfolio and system of observance of these limits.

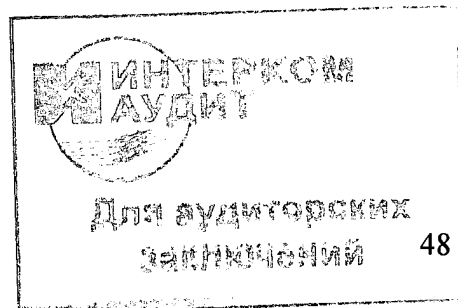
In Bank has a set order of the participation of governing bodies and structural divisions in management of credit risk:

Authority of Board of directors of the Bank.

- assessment of effective management of risks, including credit risk;
- determination of maximum acceptable cumulative level of risks and acceptable level of risks,
- control of activity of executive bodies of the Bank, including management of bank risks;
- approval of major transactions, transactions with the parties related to the Bank and interested party transactions (under the regulations established by the legislation, the Charter of the Bank, normative documents and internal documents of order of approval of such transactions),
- other competence established by the Charter of the Bank and the Provision on Board of directors.

Authority of Director General, Chairman of the Management Board:

- implementation of tariffs, approval of standard forms of the contracts, duty regulations and other documents used in the Bank according to the established competence including rules AML/CFT



29. Financial risk management (continued)

- implementation on a constant basis of control of execution of the established rules and procedures in the field of credit risk management,
- other competence established by the Charter of the Bank;

Authority of Management Board:

- approval of the internal documents regulating valuation technique of credit risk
- definition of the order of classification (reclassification) of outstanding loans in case of granting preferential, renewed (including prolonged), not enough secured and unsecured credits (loans), expired loans, and also classification (reclassification) of other financial assets and off-balance instruments for creation of loan loss provisions,
- ensuring fast informing of Board of directors on all significant bank risks,
- regular carrying out of self-assessment of quality of credit risk management;
- other authorities provided by the Charter and the Provision on Management Board of the Bank.

Authority of Credit and financial Committee:

- statement of parameters of credit products;
- statement of the limits that are under the competence of Credit and financial committee;
- development of decisions on expediency and conditions of granting credits and conclusion of other transactions taking into account credit and other risks arising at their realization;
- definition of concrete forms of effective management of credit and other risks;
- making decisions on classification (reclassification) of the loan and loan equivalent debt;
- other competence established by the Provision on Credit and financial committee.

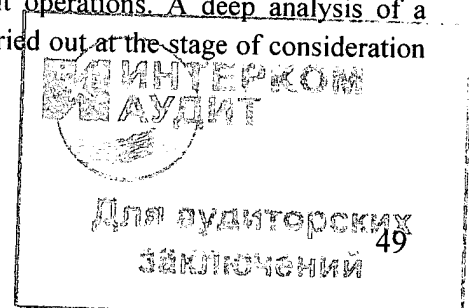
Authority of Service of the financial analysis and risk management (SFAUR):

- data collection and processing concerning indicators of credit risk and data input in IT system;
- assessment of credit risk;
- regular preparation and presentation to governing bodies of the Bank of the administrative reports established by the present Provision;
- development and implementation of measures, procedures, mechanisms and technologies for restriction and (or) decrease in credit risk.

Authority of heads of structural divisions of Bank:

- control of observance of the set limits of the performed by the bank operations and other transactions;
- control of financial state and quality of debt service of the borrowers for the purpose of classification/reclassification of loans;
- informing SFAUR on change of condition of the indicators used for monitoring of credit risk.

The Bank uses various methods of decrease of credit risk of credit operations. A deep analysis of a possibility of the borrower to handle the estimated level of debt is carried out at the stage of consideration of the transaction.



29. Financial risk management (continued)

The performance of liabilities is secured with receiving a security deposit. The following methods are applied by the Bank for decrease and restriction of credit risk:

Limitation

By establishment of limits the Bank manages to avoid critical losses owing to rash concentration of any kind of risk, and also to diversify loan portfolio and to provide stable income.

Limits can be set by types of credit products, types of investments, categories of borrowers or groups of the interconnected borrowers, by loans in certain areas, by the most risky directions of investments and liabilities, such as providing long-term loans, crediting in foreign currency, etc. Limits are defined as maximum allowed amount of the loan (or the rest of loan debt) and are expressed, as in absolute limiting values (amount in monetary terms), and in relative indicators (coefficients, indexes, standards).

Types of the limits used by the Bank are defined by Limit policies. When establishing the limits, special attention is focused on observance by the Bank of the requirements determined by the Instruction of the Bank of Russia № 139-И.

Provisioning

This method is directed at protection of investors, creditors and shareholders, at the same time increasing quality of the loan portfolio and reliability of the Bank.

Provisioning is carried out for the purpose of repayment of possible losses from unpaid debts because of insolvency of borrowers (contractors) of the bank.

Securing obligations

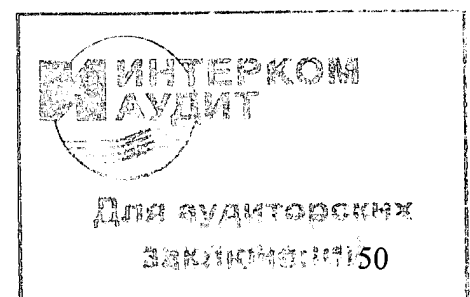
The bank reduces credit risks by acceptance as security of movable and real property, property rights / rights of demand, guarantees and pledges. Types of the accepted securities are defined by the Credit policies.

Concerning off-balance financial instruments the Bank applies the same credit policy, as to balance financial instruments, based on procedures of approval of transactions, use of limits and pledges limiting the risk and monitoring.

Internal and external ratings, used by the Bank for credit risk management and for meeting the requirement of bank supervision, are mostly concentrated on the expected losses at the time of loan granting or investments in securities. At the same time, impairment reserve is recognized in the financial statements only for losses which were sustained as of the reporting date on the basis of the objective signs confirming that during the period after initial recognition there was a depreciation. Due to the distinctions in the applied methodologies the sum of the sustained credit losses calculated for the financial statements is usually lower than the sum determined on the basis of the model of expected losses.

The system of internal ratings assists the management to define the existence of objective signs of depreciation, based on the following criteria established by the Bank:

- refusal or delays in payment of interest or main debt amount ;
- considerable financial difficulties of the borrower or issuer;
- violation of conditions of loan granting ;
- considerable deterioration of the competitive position of the borrower or issuer ;
- considerable decrease in fair value of security.



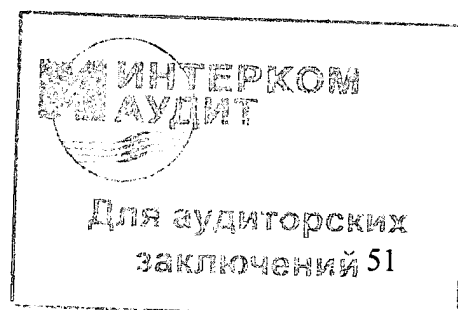
29. Financial risk management (continued)

The procedure of evaluation of depreciation applied by the Bank is described detailed in Note 4.

Maximum credit risk without security

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

December 31, 2015	Estimated on individual basis		Not estimated on individual basis	Gross amount	Individual reserve	Group reserve	Net amount
	Current	Impairment					
Credit risk on assets:							
Correspondent account and overnight sweep accounts in banks	1 375 916	-	-	1 375 916	-	-	1 375 916
Other deposits in financial institutions	2 310 492	-	-	2 310 492	-	-	2 310 492
Due from other banks (except for CBR)	3 840 308	-	-	3 840 308	-	-	3 840 308
Loans to legal entities	3 874 401	1 482 723	-	5 357 124	(1 059 280)	(77 489)	4 220 355
Loans to individuals	101 302	187 911	7 397 781	7 686 994	(127 878)	(109 892)	7 449 224
Debt securities available for sale	9 236 329	1 610 540	-	10 846 869	(16 105)	-	10 830 764
Other financial assets	26 976	695	-	27 671	(695)	-	26 976
Credit risk on credit related commitments:							
Financial guarantee	1 977 209	-	-	1 977 209	-	-	1 977 209
Total	22 742 933	3 281 869	7 397 781	33 422 583	(1 203 958)	(187 381)	32 031 244



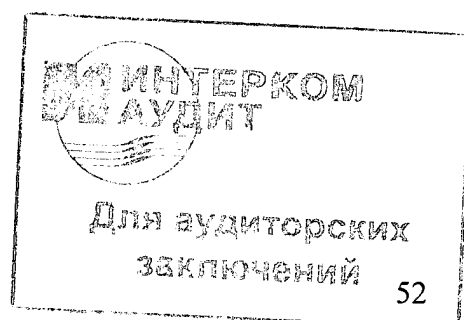
29. Financial risk management (continued)

December 31, 2014	Estimated on individual basis			Gross amount	Individual reserve	Group reserve	Net amount
	Current	Impairment	Not estimated on individual basis				
Credit risk on assets:							
Correspondent account and overnight sweep accounts in banks	487 347	-	-	487 347	-	-	487 347
Other deposits in financial institutions	124	-	-	124	-	-	124
Due from other banks (except for CBR)	2 836 583	-	-	2 836 583	-	-	2 836 583
Loans to legal entities	4 526 558	1 209 189	-	5 735 747	(680 777)	(90 532)	4 964 438
Loans to individuals	144 386	106 615	9 339 379	9 590 380	(62 399)	(147 200)	9 380 781
Other receivables	-	895	-	895	(895)	-	-
Debt securities available for sale	995 332	-	-	995 332	-	-	995 332
Other financial assets	16 542	141	-	16 683	(141)	-	16 542
Credit risk on credit related commitments:							
Financial guarantee	3 868 357	-	-	3 868 357	-	-	3 868 357
Commitment to extend credit	96 301	-	-	96 301	-	-	96 301
Total	12 971 530	1 316 840	9 339 379	23 627 749	(744 212)	(237 732)	22 645 805

The analysis of loans and advance payments to customers on credit quality, information on fair value of security of the credits are presented in Note 8.

Recoverables

During 2015 the Bank received assets as a result of recovery proceedings against mortgaged property for the sum of RUR 5 763 thousand (2014: RUR 15 968 thousand). The assets received as a result of recovery proceedings against mortgaged property are realized by the Bank in the short term. Not realized assets received as a result of recovery proceedings against mortgaged property are considered as at the reporting date as part of other assets and long-term assets available for sale.



29. Financial risk management (continued)**Realized loans and advance payments to customers**

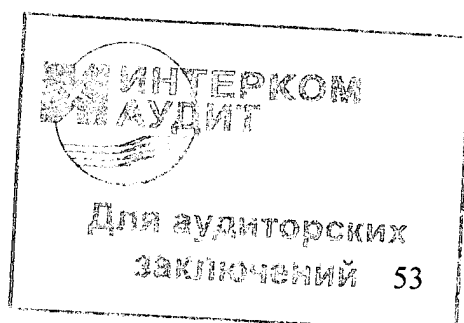
In 2015 the Bank has realized the loans of customers for the amount of 7 141 thousand rubles (2014: none). Under the terms of realization the Bank has completely transferred the rights and liabilities under the realized credits.

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 international and 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.

31 December 2015	A3 to Aaa	Baa3 to Baa1	Ba3 to Ba1	B3 to B1	under B3	No external rating	Total
Correspondent account and overnight sweep accounts in banks	-	528 052	107 298	45 480	-	695 086	1 375 916
Other deposits in financial institutions	-	2 309 102	-	-	-	1 390	2 310 492
Discounted bills	-	-	1 315 542	873 492	-	-	2 189 034
Current loans and other due from other banks	-	-	850 254	800 291	-	729	1 651 274
Debt securities available for sale	-	-	5 347 369	5 407 600	-	75 795	10 830 764
Total	-	2 837 154	7 620 463	7 126 863	-	773 000	18 357 480

31 December 2014	A3 to Aaa	Baa3 to Baa1	Ba3 to Ba1	B3 to B1	under B3	No external rating	Total
Correspondent account and overnight sweep accounts in banks	-	-	487 347	-	-	-	487 347
Other deposits in financial institutions	-	-	-	-	-	124	124
Discounted bills	-	197 406	850 054	138 745	-	-	1 186 205
Current loans and other due from other banks	-	500 240	649 898	500 240	-	-	1 650 378
Debt securities available for sale	-	118 231	514 211	338 641	24 249	-	995 332
Total	-	815 877	2 501 510	977 626	24 249	124	4 319 386



29. Financial risk management (continued)

29.2 Liquidity risk

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

Control of liquidity risk is carried out by the following divisions:

Operating control of the level of instant liquidity is carried out by the Treasury Department. Thus observance of limit of quick liquidity ratio established by the Bank of Russia is also controlled.

Operating control of quick assets ratio is carried out by the Accounts Department, the Treasury Department and SFAUR that are carrying out interaction in the order established by internal documents of the Bank. Thus observance of limits of standards of current and long-term liquidity ratios established by the Bank of Russia is controlled.

SFAUR is responsible for liquidity risk evaluation and carrying out stress testing.

SVK reveals and analyzes shortcomings of evaluation system, management and control of liquidity condition.

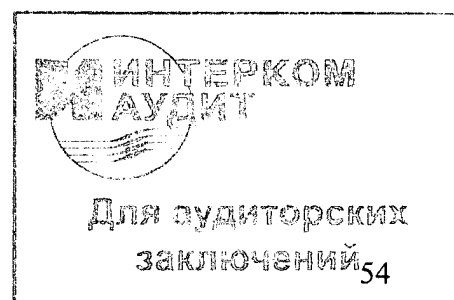
Controlling services also are the Board of Directors of the Bank (exclusive level), Management of the Bank (top level).

For liquidity risk evaluation and analysis, the Bank uses the following methods:

- liquidity risk evaluation by ratio method (studying dynamics of liquidity ratios, calculation of resulting value for group of indicators of liquidity evaluation) and determination of risk level of liquidity loss;
- liquidity risk evaluation by method of analysis of gaps in terms of active and passive transactions;
- limitation of extreme values of ratios of liquidity surplus/deficiency;
- forecast of cash flows for various horizon periods;
- scenario analysis and stress testing.

The Bank of Russia established standards of quick, current and long-term liquidity (H2, H3 and H4) which the Russian banks are to comply with on a daily basis. The information below presents observance by the Bank of the specified standards in 2015 and 2014.

The table given below reflects undiscounted cash flows which are due to pay on financial liabilities of the Bank by the corresponding timeframes on the basis of the remaining period as at the reporting date till the contract maturity date. The table includes both principal payments, and interest payments.



29. Financial risk management (continued)**31 December 2015**

	On demand and less than 1 month	1 to 6 month	6 months to 1 year	More than 1 year	Total
Due to banks	135 392	1 018 164	-	-	1 153 556
Customer accounts	16 250 182	532 041	702 258	23 674	17 508 155
Debt securities issued	111 771	707 784	2 135 322	8 350 410	11 305 287
Other financial liabilities	100 127	2 845	19 869	3 383	126 224
Guarantees	451 387	630 697	650 188	244 937	1 977 209
Derivative financial instruments	20 640 312	-	-	-	20 640 312
Total contractual future payments	37 689 171	2 891 531	3 507 637	8 622 404	52 710 743

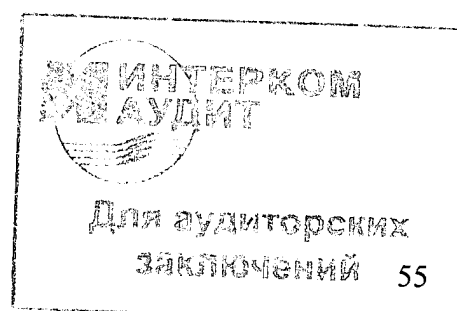
31 December 2014

	On demand and less than 1 month	1 to 6 month	6 months to 1 year	More than 1 year	Total
Due to banks	105	526 970	353 168	1 213 698	2 093 941
Customer accounts	3 664 729	1 460 787	134 754	231 968	5 492 238
Debt securities issued	49 064	34 160	2 139 636	4 261 983	6 484 843
Other financial liabilities	762	3 981	4 516	11 708	20 967
Guarantees	388 287	1 070 865	691 764	1 717 441	3 868 357
Credit related commitments	96 301	-	-	-	96 301
Derivative financial instruments	384 328	-	-	-	384 328
Total contractual future payments	4 583 576	3 096 763	3 323 838	7 436 798	18 440 975

Liquidity requirements for guarantees are much lower, than the sum of the corresponding liabilities as the Bank usually is not expecting that means on these transactions will be called by the third parties.

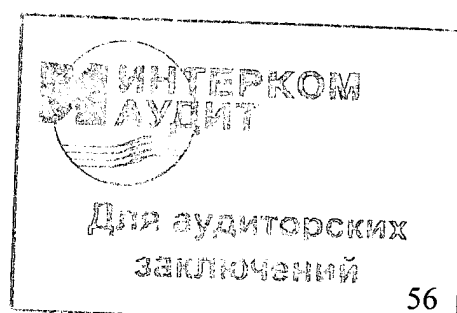
The bank does not use the above-mentioned analysis for liquidity management.

Regarding liquidity management the Bank controls expected (or contract) maturity dates taking into account discounting of cash flows. The balance cost of financial instruments on the expected maturity dates is given in the table below.



29. Financial risk management (continued)

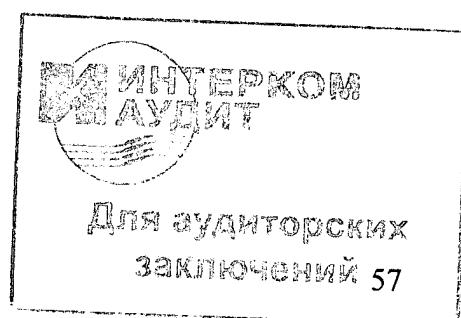
31 December 2015						
	On demand and less than 1 month	1 to 6 months	6 months to 1 year	More than 1 year	Maturity undefined	Total
Assets:						
Cash and cash equivalents	4 292 790	-	-	-	-	4 292 790
Obligatory reserves with the CBR	44 685	-	-	-	-	44 685
Due from banks	5 048 904	792 305	1 099 099	-	-	6 940 308
Loans to customers	362 254	1 496 361	1 329 957	8 219 197	261 810	11 669 579
Financial assets available for sale	10 830 764	-	-	-	-	10 830 764
Current income tax assets	-	-	111 760	-	-	111 760
Long-term assets available for sale	-	-	124 309	-	-	124 309
Investment property	-	-	-	-	523	523
Property, equipment and intangible assets	-	-	-	-	348 695	348 695
Other assets	21 648	72 232	53 042	-	14 182	161 104
Total assets	20 601 045	2 360 898	2 718 167	8 219 197	625 210	34 524 517
Liabilities						
Due to banks	135 107	1 003 493	-	-	-	1 138 600
Customer accounts	16 249 067	516 260	656 392	19 380	-	17 441 099
Debt securities issued	111 406	692 849	1 909 963	5 495 651	-	8 209 869
Deferred tax liability	-	-	-	-	40 518	40 518
Other liabilities	100 127	11 842	19 869	3 383	15 252	150 473
Total liabilities	16 595 707	2 224 444	2 586 224	5 518 414	55 770	26 980 559
Net position	4 005 338	136 454	131 943	2 700 783	569 440	7 543 958
Cumulative liquidity gap	4 005 338	4 141 792	4 273 735	6 974 518	7 543 958	-



29. Financial risk management (continued)

31 December 2014						
	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	677 546	-	-	-	-	677 546
Obligatory reserves with the CBR	31 505	-	-	-	-	31 505
Due from banks	3 125 517	751 066	-	-	-	3 876 583
Loans to customers	605 305	2 275 603	2 439 750	9 022 755	1 806	14 345 219
Financial assets available for sale	995 332	-	-	-	-	995 332
Current income tax assets	-	-	48 561	-	-	48 561
Long-term assets available for sale	-	-	15 318	-	-	15 318
Investment property	-	-	-	-	523	523
Property, equipment and intangible assets	-	-	-	-	152 383	152 383
Other assets	106	31 538	6 284	-	119 388	157 316
Total assets	5 435 311	3 058 207	2 509 913	9 022 755	274 100	20 300 286
Liabilities						
Due to banks	105	502 312	301 387	1 004 623	-	1 808 427
Customer accounts	3 658 004	1 423 020	127 632	211 148	-	5 419 804
Debt securities issued	49 064	34 160	1 987 673	3 500 000	-	5 570 897
Other liabilities	762	8 224	4 500	11 708	10 601	35 795
Total liabilities	3 707 935	1 967 716	2 421 192	4 727 479	10 601	12 834 923
Net position	1 727 376	1 090 491	88 721	4 295 276	263 499	7 465 363
Cumulative liquidity gap	1 727 376	2 817 867	2 906 588	7 201 864	7 465 363	-

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.



29. Financial risk management (continued)

29.3 Market risk

The bank takes market risk that represents the risk that fair values or future cash flows of 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 liable to general and specific fluctuations in the market and changes of degree of volatility of market rates.

The Bank manages market risk by a periodic evaluation of potential losses as a result of negative changes of market condition and establishment of adequate limits for the size of admissible losses. Limits for the amount of the trading positions liable to market risk, are approved by Credit and financial committee on the basis of the analysis carried out by Service of financial analysis and risk management. Limits on the issuer of debt securities are approved separately by Credit and financial committee.

Interest rate risk.

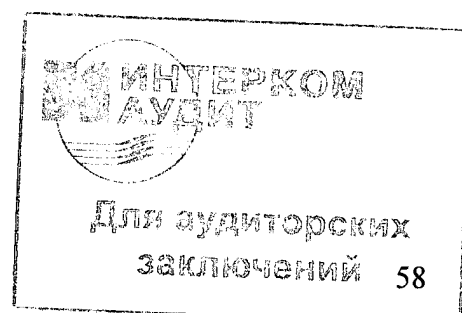
The Bank takes the risk related to influence of fluctuations of market interest rates on its financial position and future cash flows. Such changes can increase the level of interest margin, however in case of an unexpected flow of interest rates the interest margin can also decrease.

The Bank controls interest risk by coordination of assets and liabilities on terms of their return. Monitoring of coordination of terms of return of assets and liabilities is carried out by the Treasury Department and Service of financial analysis and risk management.

The tables below present the analysis of interest risk of the Bank. The analysis is prepared on the basis of the average interest rates applicable to various financial instruments, with use of interest rates for the end of the period.

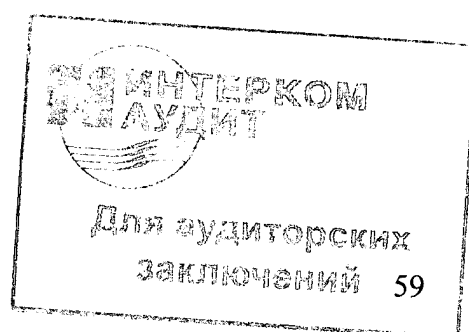
	31 December 2015			31 December 2014		
	RUR	USD	EUR	RUR	USD	EUR
Assets						
Due from banks	10.33%	-	-	21.25%	-	-
Loans to customers	12.03%	13.27%	-	12.85%	12.98%	-
Financial assets available for sale	13.54%	5.47%	3.73%	10.46%	-	-
Liabilities						
Due to banks	12.07%	-	-	18.75%	-	-
Customer accounts	11.29%	3.00%	2.50%	10.53%	-	-
Debt securities issued	14.04%	1.00%	-	9.80%	-	-

The tables below present the analysis of interest risk of the Bank. Interest-earning assets and liabilities of the Bank are reflected in the table at balance cost and grouped in contractual terms of revision of interest rates or maturity date, depending on which of the specified dates is earlier.



29. Financial risk management (continued)

	31 December 2015					Total
	On demand and less than 1 month	1 to 6 months	6 months to 1 year	more than 1 year	overdue with indefinite term	
Interest-bearing assets						
Due from banks	5 048 125	792 305	1 099 099	-	-	6 939 529
Loans to customers	362 254	1 496 361	1 329 957	8 219 197	261 810	11 669 579
Debt liabilities available for sale	468 377	3 342 398	2 404 338	4 615 651	-	10 830 764
Total interest-bearing assets	5 878 756	5 631 064	4 833 394	12 834 848	261 810	29 439 872
Interest-bearing liabilities						
Due to banks	135 000	1 003 493	-	-	-	1 138 493
Time deposits	12 458 253	516 260	656 392	19 380	-	13 650 285
Debt securities in issue	111 406	7 688 500	409 963	-	-	8 209 869
Total interest-bearing liabilities	12 704 659	9 208 253	1 066 355	19 380	-	22 998 647
Interest gap for December 31, 2015	(6 825 903)	(3 577 189)	3 767 039	12 815 468	261 810	6 441 225



29. Financial risk management (continued)

31 December 2014						
	On demand and less than 1 month	1 to 6 months	6 months to 1 year	more than 1 year	overdue with indefinite term	Total
Interest-bearing assets						
Due from banks	3 077 050	751 066	-	-	-	3 828 116
Loans to customers	605 305	2 275 603	2 439 750	9 022 755	1 806	14 345 219
Debt liabilities available for sale	-	245 967	547 799	201 566	-	995 332
Total interest-bearing assets	3 682 355	3 272 636	2 987 549	9 224 321	1 806	19 168 667
Interest-bearing liabilities						
Due to banks	-	502 312	301 387	1 004 623	-	1 808 322
Time deposits	1 709 443	1 414 156	127 632	211 148	-	3 462 379
Debt securities in issue	49 064	3 534 160	1 987 673	-	-	5 570 897
Total interest-bearing liabilities	1 758 507	5 450 628	2 416 692	1 215 771	-	10 841 598
Interest gap for December 31, 2014	1 923 848	(2 177 992)	570 857	8 008 550	1 806	8 327 069

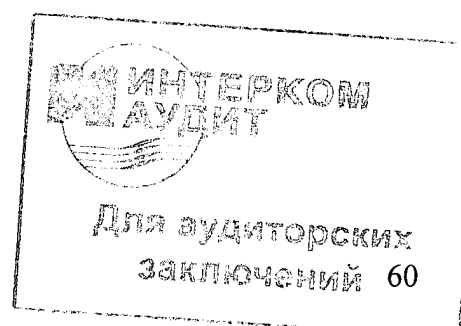
The following table represents sensitivity of profit for the year to reasonably possible changes of interest rates as of the reporting date with all other variable risk factors held constant. The effect on profit is related to revaluation of the financial assets available for trade. The effect on equity is estimated by revaluation of the financial assets available for sale with a constant interest rate.

Currency	Increase %	Effect on profit for the year	Effect on equity	Increase %	Effect on profit for the year	Effect on equity
		2015	2015		2014	2014
RUR	2%	2 448	(37 766)	2%	3 340	(6 742)
USD	2%	-	(26 128)	2%	-	-

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.

As an instrument of currency risk management the Bank uses internal limits at the size of open foreign exchange position and loss of open foreign exchange position established by the existing intra-bank normative documents, and system of the obligatory restrictions set by the Central Bank of the Russian Federation, which includes open position limits per each currency (up to 10% of equity calculated in accordance with the CBR requirements) and aggregate open position limit per all currencies (up to 20% of equity calculated in accordance with the CBR requirements).



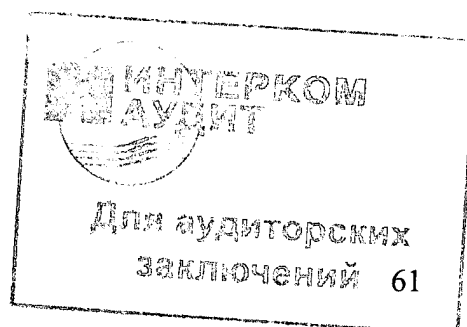
Bank JSC MMA**Financial Statements for the year ended 31 December 2015***(In thousands of Russian Rubles)***29. Financial risk management (continued)**

The Bank adheres to conservative policy of currency risk management, opening a foreign exchange position, generally in the most often used currencies in the Russian Federation (the US dollar and the euro), and in volumes much lower than the limits of an open foreign exchange position established by CBR.

The Treasury Department of the Bank carries out centralized control of currency risk of the Bank.

General analysis of the Bank's currency risk as at 31 December 2015 and 2014 is presented below. The Bank is not using the analysis given below for currency risk management.

	31 December 2015				
	RUR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	139 283	1 848 268	2 298 775	6 464	4 292 790
Obligatory reserves with the CBR	44 685	-	-	-	44 685
Due from banks	5 048 175	1 892 133	-	-	6 940 308
Loans to customers	11 658 285	11 294	-	-	11 669 579
Financial assets available for sale	5 662 438	4 858 565	309 761	-	10 830 764
Current income tax assets	111 760	-	-	-	111 760
Long-term assets available for sale	124 309	-	-	-	124 309
Investment property	523	-	-	-	523
Property, equipment and intangible assets	348 695	-	-	-	348 695
Other assets	160 373	731	-	-	161 104
Total assets	23 298 526	8 610 991	2 608 536	6 464	34 524 517
Liabilities					
Due to banks	1 138 600	-	-	-	1 138 600
Customer accounts	16 936 285	491 007	13 697	110	17 441 099
Debt securities issued	8 136 940	72 929	-	-	8 209 869
Deferred tax liability	40 518	-	-	-	40 518
Other liabilities	147 029	3 408	36	-	150 473
Total liabilities	26 399 372	567 344	13 733	110	26 980 559
Net position	(3 100 846)	8 043 647	2 594 803	6 354	7 543 958
Credit related commitments	1 977 209	-	-	-	1 977 209



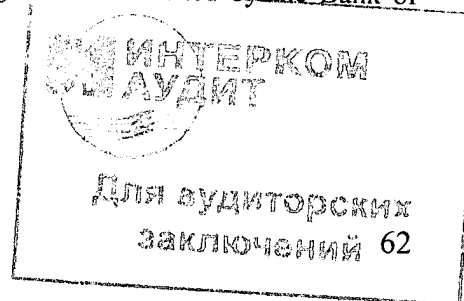
29. Financial risk management (continued)

	31 December 2014				
	RUR	USD	EUR	Other	Total
Assets					
Cash and cash equivalents	166 084	481 451	29 278	733	677 546
Obligatory reserves with the CBR	31 505	-	-	-	31 505
Due from banks	3 876 583	-	-	-	3 876 583
Loans to customers	14 332 523	12 696	-	-	14 345 219
Financial assets available for sale	995 332	-	-	-	995 332
Current income tax assets	48 561	-	-	-	48 561
Long-term assets available for sale	15 318	-	-	-	15 318
Investment property	523	-	-	-	523
Property, equipment and intangible assets	152 383	-	-	-	152 383
Other assets	157 316	-	-	-	157 316
Total assets	19 776 128	494 147	29 278	733	20 300 286
Liabilities					
Due to banks	1 808 427	-	-	-	1 808 427
Customer accounts	4 984 836	431 591	2 861	516	5 419 804
Debt securities issued	5 570 897	-	-	-	5 570 897
Other liabilities	35 782	-	13	-	35 795
Total liabilities	12 399 942	431 591	2 874	516	12 834 923
Net position	7 376 186	62 556	26 404	217	7 465 363
Credit related commitments	3 964 658	-	-	-	3 964 658

The following table shows sensitivity of the Bank's profit for the year to reasonably possible changes in exchange rates of major currencies against the Russian ruble at the end of the reporting period, with all other variables held constant. The effect on profit for the year is related to changes in the carrying amounts of monetary assets and liabilities denominated in foreign currencies. Positive figure indicates an increase in profit for the year due to strengthening of the respective foreign currency against the Russian Ruble.

Currency	Increase %		Effect on profit for the year	
	2015		2015	2014
USD	20%		1 286 984	10 009
EUR	20%		415 168	4 225

For the purposes of regulation of currency risk related to the increase in balance long position on the monetary assets nominated in foreign currency, and, as a result, to increase of sensitivity of profit to change of rates of foreign currencies, the Bank signs contracts of one-day exchange swaps with other credit institutions with overnight maturity date at the fixed exchange rate established by the Bank of Russia (Note 30).



Bank JSC MMA**Financial Statements for the year ended 31 December 2015***(In thousands of Russian Rubles)***29. Financial risk management (continued)**

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

For 31 December 2015	USD	EUR
Position on derivative financial instruments	(6 715 554)	(2 560 835)

For December 31, 2014 there were no derivative financial instruments on operations with foreign currency.

The following table shows sensitivity of the Bank's profit for the year to reasonably possible changes in exchange rates of major currencies against the Russian ruble at the end of the reporting period, taking into account balance positions of monetary assets and liabilities nominated in foreign currency and positions of derivative financial instruments.

Currency	Increase %	Effect on profit for the year	Increase %	Effect on profit for the year
	2015	2015	2014	2014
USD	20%	212 495	20%	10 009
EUR	20%	5 435	20%	4 225

30. Commitments and off-balance sheet arrangements**Litigation**

From time to time the Bank is a party to claims and legal proceedings arising in the normal course of business. Management believes that they will have no material adverse impact on the Bank's future financial position or performance.

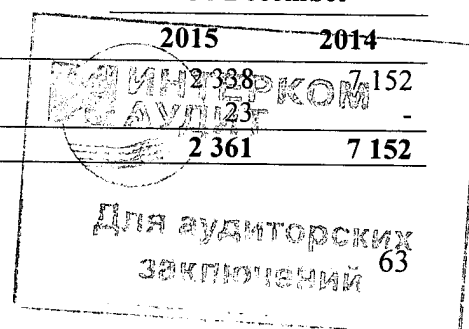
Tax legislation

Russian commercial legislation, including tax legislation, may allow more than one interpretation. In addition, taxation authorities often make arbitrary judgments of business activities. Therefore, management's judgments of the Bank's business events may differ from those made by taxation authorities. If a particular treatment, based on management's judgment of the Bank's business activities, was to be challenged by taxation authorities, the Bank may be assessed additional taxes, and possibly significant penalties and interest. Tax periods are open for review by taxation authorities for 3 years.

Operating lease commitments

Where the Bank is the lessee, future minimum lease payments under non-cancellable operating leases are as follows.

	31 December	
	2015	2014
Less than 1 year	2 338	7 152
1 to 5 years	-	-
Total operating lease commitments	2 361	7 152



30. Commitments and off-balance sheet arrangements (continued)

Credit related commitments

The guarantees given out by the Bank for December 31, 2015 and 2014 are reflected according to IAS 39 at fair value in the balance of the Bank. Total off-balance sheet guarantee commitments of the Bank are presented below.

	31 December	
	2015	2014
Financial guarantee	1 977 209	3 868 357
Commitment to extend credit and guarantees	-	96 301
Total credit related commitments	1 977 209	3 964 658

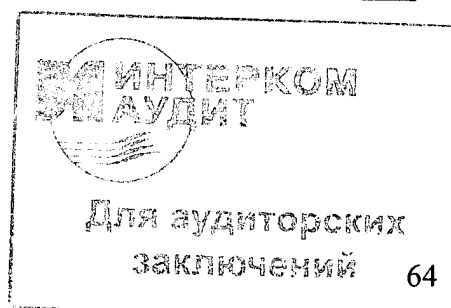
In 2015 and 2014 the provision for impairment of credit related commitments was not charged.

Derivative financial instruments

The table below presents a comparison between the contractual or agreed amounts and fair values of derivative financial instruments. It reflects gross position before the netting of any counterparty position by type of instrument and covers the contracts with a maturity date subsequent to 31 December 2015 and 2014.

	31 December 2015			
	Asset value	Liability value	Positive fair value	Nnegative fair value
Forward:				
bills of credit institutions	72 585	(72 585)	-	-
Foreign currency transactions:				
Sale of USD	9 471 963	(9 538 961)	270	(67 268)
Purchase of USD	2 768 158	(2 756 409)	13 200	(1 451)
Sale of EUR	5 403 259	(5 429 933)	942	(27 616)
Purchase of EUR	2 842 959	(2 842 424)	1 087	(552)

	31 December 2014			
	Asset value	Liability value	Positive fair value	Nnegative fair value
Forward:				
bills of credit institutions	239 328	(239 328)	-	-
Option:				
for borrowings attraction	145 000	(145 000)	-	-



31. Fair value of financial instruments

Fair value represents a sum for which an asset is possible to be exchanged or a liability can be settled during transaction between well informed parties interested in such transaction and independent from each other, except for cases of distress selling 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 financial instruments of the Bank is defined as follows:

- for 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.

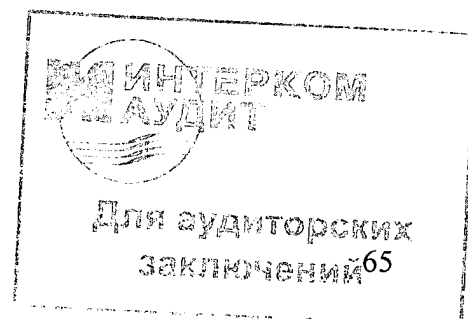
The carried out evaluation showed that carrying value of financial instruments of the Bank considered at the amortized cost does not differ significantly from their fair value as of reporting date. These financial instruments include: cash and cash equivalents, due from other banks, loans and advance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

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

31 December 2015	Evaluation on basis of active market quotation	Evaluation on basis of market data	Evaluation with non- market data	Total
	1 level	2 level	3 level	
Financial assets				
Available for sale	9 236 329	-	-	9 236 329
Total	9 236 329	-	-	9 236 329

31 December 2014	Evaluation on basis of active market quotation	Evaluation on basis of market data	Evaluation with non- market data	Total
	1 level	2 level	3 level	
Financial assets				
Available for sale	995 332	-	-	995 332
Total	995 332	-	-	995 332

In 2015 and 2014 the Bank did not distribute the instruments considered at fair value by hierarchy levels of fair value evaluation.



32. Related party transactions

For preparation of these financial statements the parties are considered related if one of them has an opportunity to control the other, is with it under general control or can have essential impact on taking financial and operational decisions by the other party. By consideration of relationship with all related parties, economic content of such relationship, and not just their legal form, is taken into account.

During its usual activity the Bank operates with the related parties, these transactions are carried out mainly under the market conditions.

As at December 31, 2015 the related parties of the Bank were:

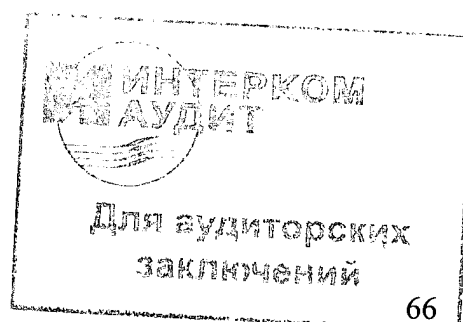
Management staff	Position	Functions
Grib Sergey Alekseevich	General Director, Chairman of the Management Board	management
Kurkov Dmitry Borisovich	Deputy Director General	management
Markus Yulia Aleksandrovna	Deputy Director General	management
Khasanov Rafil Gennadevich	Deputy Director General	management
Betnev Vladislav Yuryevich	Chief Accountant	management

and also Board members.

In 2015 and 2014 the Bank had no operations (transactions) with related parties amount of which exceeds five percent of balance cost of the relevant items of assets or liabilities.

Information on amount of remuneration to the key managerial personnel in 2015 and 2014 is given below:

Key managerial personnel of the Bank	2015	2014
Salary and other short-term remuneration	29 443	94 360



33. Critical accounting judgments and estimates

In the application of the Bank's accounting policies management uses judgments and estimates. The following are the critical judgments that have the most significant effect on the amounts recognized in the financial statements, and estimates that may result in material adjustments to the carrying amounts of assets and liabilities during the next financial year:

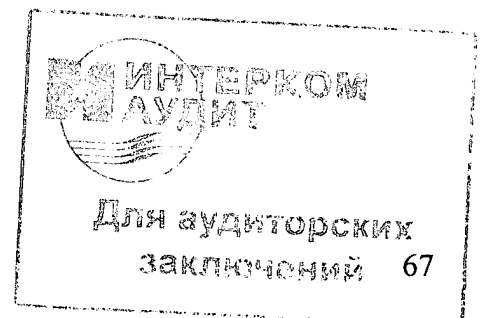
Impairment of loans and receivables

The Bank assesses its loan portfolio for impairment on a regular basis. When the Bank determines whether impairment loss should be recorded in profit or loss, it uses professional judgments about objective evidence of measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified for an individual loan in the portfolio. Such evidence may include measurable adverse changes in the payment status of borrowers in the group, or national or local economic conditions that correlate with defaults on the assets in the group. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and objective evidence of impairment similar to those in the portfolio used to forecast future cash flows. For new types of loans, where no historical loss experience is available, the Bank uses available market information for similar loans. The methodology and assumptions used to estimate the amounts and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Depreciation of investment in equity instruments available for sale

The Bank defines that investments in equity instruments available for sale are depreciated, when considerable or long decrease of their fair value lower cost value is observed. Such definition demands professional judgment. At its development the Bank estimates, along with other factors, normal volatility of share price. Besides, the evidence of depreciation can be data on considerable deterioration of financial position of the issuer. As at December 31, 2015 and 2014 there are no depreciated equity instruments available for sale.

Income taxes. Russian tax laws and regulations suggest a variety of interpretations (Note 25).



34. Capital Management

The Bank maintains necessary capital base to cover risks inherent in its operations and facilitate development of its business. The primary objectives of capital ratio management is ensuring the ability of the Bank to carry out the objectives on strategic growth of assets by full compliance with requirements to capital ratio under the conditions of usual business dealing and under the conditions of stress. External requirements for banks capital are established by Basel Committee on Banking Supervision and the Bank of Russia.

The policy of the Bank in capital management is aimed at providing necessary and sufficient capital level for covering accepted and potential risks. For this purpose internal procedures of assessment of capital adequacy including planning of capital proceeding from the established strategy of development of the bank, references of growth of business and results of comprehensive current risk assessment, stress testing of bank stability in relation to internal and external risk factors are developed. The main objective of procedures of assessment is ensuring capital adequacy for a covering accepted risks on a permanent basis.

For capital management and ensuring its sufficiency on covering of risks of the Bank "Provision on Organization of Internal Capital Adequacy Assessment Process (ICAAP)" is developed.

Main objective of ICAAP is ensuring sufficiency of internal capital for a covering of the risks accepted by the Bank on a constant basis. ICAAP are developed taking into account strategic objectives on development of business and planned (target) level of capital determined in plans for development of the Bank.

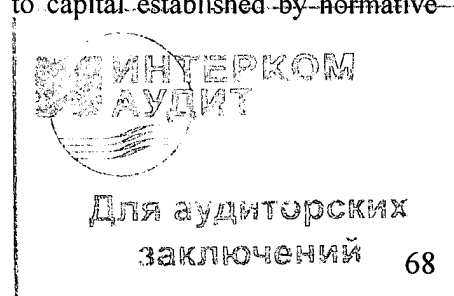
The list of typical risks inherent in activity of the Bank is defined by the approved "Policy on bank risk management in Bank JSC MMA". For definition of capital requirements for risk, covering the Bank identifies for itself essential and insignificant risks. Concerning each of essential types of risks, the Bank calculates capital requirements for risk covering taking into account plans for business development. Concerning other (insignificant) types of risk the Bank allocates fixed percent from the capital for their covering on the basis of professional judgment.

Annually the Board of Directors of the Bank approves limits on the acceptable levels by each type of risk (risk appetites) and limit on cumulative risk level (cumulative risk appetite) representing the maximum possible shares of capital which the Bank can allocate for risk covering with achievement of the strategic objectives.

During ICAAP period (calendar year) the Service of financial analysis and risk management estimates risks of the Bank by the established techniques and controls observance of limits of types of risks and cumulative risk appetite. In 2015 the limits on the acceptable levels of risks were not broken.

Regulations and standards of the Bank of Russia provide three levels of capital: basic, main and general – and corresponding statutory capital ratio H1.1 (regulatory minimum requirement of 5,0%), H1.2 (regulatory minimum requirement since January 1, 2015 6,0%, before January 1, 2015 5,5%), H1.0 (regulatory minimum requirement of 10,0%)

During 2015 and 2014 the Bank did not violate the requirements to capital established by normative documents of the Bank of Russia.



34. Capital Management (continued)

Information on the size of capital of the Bank calculated according to requirements of the Bank of Russia and the actual value of sufficiency level of the capital of the Bank as at December 31, 2015 and 2014 is given below:

	2015	2014
Base capital	7 512 680	6 964 818
Core capital	7 512 680	6 964 818
Additional capital	-	514 251
Total capital base	7 512 680	7 479 069
Sufficient base capital ratio	20.5	29.7
Sufficient core capital ratio	20.5	29.7
Sufficient capital ratio	20.5	31.6

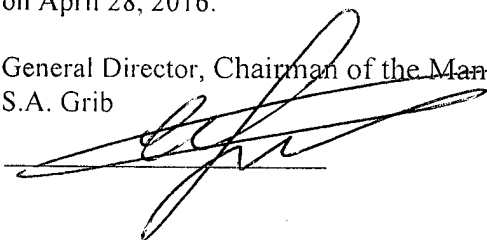
35. Events after the reporting period

Upon the demand of the Regulator in the first quarter 2016 the Bank created additional loan loss provision in the amount of 351 350 thousand rubles that did not affect materially the capital value of the Bank, that did not lead to violation of statutory requirements and did not affect the ability of the Bank to fulfill the liabilities towards investors and creditors. According to the management of Bank, this event had no material effect on going concern principle of the Bank.

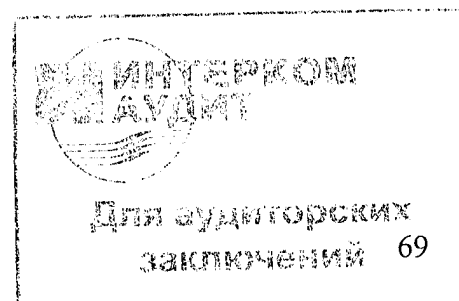
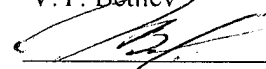
No other significant events have occurred between the end of the reporting period and the date when these financial statements were authorized for issue.

Authorised by the Management Board and signed on behalf of the the Management Board on April 28, 2016.

General Director, Chairman of the Management Board
S.A. Grib



Chief Accountant
V.Y. Betnev



69 Pages numbered, laced
(together) and stamped

E.V. Korotkikh
/E.V. Korotkikh

