

ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS AND AUDITOR'S REPORT COMMERZBANK (EURASIJA) SAO

TRANSLATOR'S NOTE: This version of the report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

As of 1 January 2015

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Auditor's Report on the Annual Statutory Accounting (Financial) Reports

To the Shareholders of “COMMERZBANK (EURASIJA)” SAO:

Audited entity

“COMMERZBANK (EURASIJA)” SAO.

Postal address: 14/2, Kadashevskaya naberezhnaya, Moscow, Russian Federation, 119017.

The Central Bank of Russia registration date: 10 December 1998.

Registration number: 3333.

Certificate of state registration №11590.17 dated 31 December 1998. Main state registration number: 1027739070259.

Auditor

ZAO “PricewaterhouseCoopers Audit” (ZAO “PwC Audit”) located at: 10, Butyrsky Val, Moscow, Russian Federation, 125047.

State registration certificate No. 008.890, issued by Moscow Registration Bureau on 28 February 1992.

Certificate of inclusion in the Unified State Register of Legal Entities regarding the legal entity registered before 1 July 2002 № 1027700148431, issued by Moscow Interregional Inspectorate of the Russian Federation Ministry of Taxes and Levies No. 39 on 22 August 2002.

Member of non-profit partnership “Audit Chamber of Russia” (“NP ACR”) being a self-regulatory organisation of auditors - registration number 870 in the register of NP ACR members.

Main registration record number (ORNZ) in the register of auditors and audit organisations 10201003683.

ZAO PricewaterhouseCoopers Audit

White Square Office Centre 10, Butyrsky Val, Moscow, Russian Federation, 125047

T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru

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Auditor's Report

To the Shareholders and to the Supervisory Board of "COMMERZBANK (EURASIJA)" SAO:

We have audited the accompanying annual statutory accounting (financial) reports of "Commerzbank (Eurasia)" SAO (hereinafter – "the Bank") which comprise a balance sheet (published form) as at 1 January 2015, an income statement (published form) for the year 2014, attachments to the balance sheet and income statement ("Report on the capital adequacy level to cover risks, the amount of provision for doubtful debts and other assets (published form)" as at 1 January 2015, "Information on regulatory ratios (published form)" as at 1 January 2015, "Statement of changes in cash flows (published form)" for the year 2014) and the explanatory information prepared in accordance with the Central Bank of Russia's Regulation No.3054-U of 4 September 2013 "On the Procedures for Preparation of Annual Statutory Accounting (Financial) Reports by Credit Institutions" (hereinafter collectively referred to as "the annual statutory accounting (financial) reports"). The annual statutory accounting (financial) reports have been prepared by the Bank's management on the basis of the statutory accounting reports prepared in accordance with the Russian legislation and the Central Bank of Russia's regulations. The annual statutory accounting (financial) reports differ significantly from the Bank's financial statements prepared in compliance with International Financial Reporting Standards, especially with respect to measurement of assets and capital, recognition of liabilities, and disclosures.

Management's Responsibility for the Annual Statutory Accounting (Financial) Reports

Management of the Bank is responsible for the preparation and fair presentation of the annual statutory accounting (financial) reports in compliance with Russian Federation regulations in terms of preparation of the annual statutory accounting (financial) reports for credit institutions and for internal control relevant to the preparation and fair presentation of the annual statutory accounting (financial) reports that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion, based on our audit, concerning fair presentation of the annual statutory accounting (financial) reports. We conducted our audit in accordance with Federal Rules (Standards) on Audit Activity and International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the annual statutory accounting (financial) reports are free from material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the annual statutory accounting (financial) reports. The procedures selected depend on the auditor's judgement based on the assessment of the risks of material misstatement whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the annual statutory accounting (financial) reports in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual statutory accounting (financial) reports.

We believe that the audit evidence we have obtained during our audit provides a reasonable basis for our opinion on fair presentation of the annual statutory accounting (financial) reports.



Auditor's Report (continued)

Opinion

In our opinion, the annual statutory accounting (financial) reports present fairly, in all material respects, the financial position of "Commerzbank (Eurasia)" SAO as at 1 January 2015, and the financial results of its operations and its cash flows for the year 2014 in accordance with the Russian Federation regulations for credit institutions in terms of preparation of the annual statutory accounting (financial) reports.

Examination report prepared in accordance with Article No.42 of Federal Law No.395-1 of 2 December 1990 "On Banks and Banking Activity" as amended by Federal Law No.403-FZ of 1 December 2014 "On Amendment of Certain Regulations of the Russian Federation"

The Bank's management is responsible for the Bank's compliance with the regulatory ratios set by the Central Bank of Russia and for compliance of the Bank's internal control and risk management systems with the Central Bank of Russia's requirements for such systems.

Under Article No.42 of Federal Law No.395-1 of 2 December 1990 "On Banks and Banking Activity" (hereinafter, the "Federal Law") we have examined the following during the audit of the annual statutory accounting (financial) reports of the Bank for 2014:

- the Bank's compliance with the regulatory ratios set by the Central Bank of Russia as at 1 January 2015;
- compliance of the Bank's internal control and risk management systems with the Central Bank of Russia's requirements for such systems.

Our work was limited to procedures selected based on our judgement such as inquiries, analysis and examination of documents, comparison of requirements, procedures and techniques adopted by the Bank with the Central Bank of Russia's requirements, as well as recalculation, comparison and reconciliation of figures and other information.

We have identified the following based on our examination:

- 1) as related to the Bank's compliance with the regulatory ratios set by the Central Bank of Russia:
as at 1 January 2015 the Bank's regulatory ratios set by the Central Bank of Russia were within the limits set by the Central Bank of Russia.

We draw your attention to the fact that we have not performed any procedures related to the Bank's underlying accounting data other than the procedures we believed necessary to express our opinion on whether or not the annual statutory accounting (financial) reports of the Bank present fairly, in all material respects, its financial position at 1 January 2015, the results of its operations and its cash flows for 2014 in accordance with the Russian Federation regulations for credit institutions in terms of preparation of the annual statutory accounting (financial) reports;



- 2) as related to the Bank's internal control and risk management systems compliance with the Central Bank of Russia's requirements for such systems:
 - a) in accordance with the Central Bank of Russia's requirements and recommendations, as at 1 January 2015 the Bank's units for managing significant risks were not subordinated or accountable to the units assuming corresponding risks;
 - b) the Bank's internal documents effective as at 1 January 2015 which set out the techniques to identify and manage significant credit, market (including interest rate) risks, liquidity and operational risks and the techniques to carry out stress testing are duly approved by appropriate management bodies of the Bank in accordance with the Central Bank of Russia's requirements and recommendations;
 - c) as at 1 January 2015 the Bank had in place a reporting system for significant credit, market (including interest rate) risks, liquidity and operational risks and for the Bank's equity (capital);
 - d) the frequency and consistency of reports prepared by the Bank's risk management units and the Bank's internal audit function during 2014 as related to management credit, market (including interest rate) risks, liquidity and operational risks complied with the Bank's internal documents; those reports included observations made by the Bank's risk management units and the Bank's internal audit function as related to the assessment of the effectiveness of the Bank's respective procedures as well as recommendations on their improvement;
 - e) as at 1 January 2015 the authority of the Supervisory Board of the Bank and its executive bodies included control over the Bank's compliance with risk and equity (capital) adequacy limits set by the Bank's internal documents. To exercise control over the effectiveness of the risk management procedures applied in the Bank and their consistent application in 2014, the Supervisory Board of the Bank and its executive bodies regularly discussed the reports prepared by the Bank's risk management units and the Bank's internal audit function and considered proposed measures to eliminate weaknesses.

We have performed the above procedures related to the Bank's internal control and risk management systems solely to review compliance of the Bank's internal control and risk management systems with the Central Bank of Russia's requirements for such systems.

Director ZAO PricewaterhouseCoopers Audit

Kriventsev E.

27 April 2015

Bank financial statements

OKATO territory code	Code of the credit institution (branch)		
	OKPO	Registration number (serial number)	
45286596	18680159	3333	

BALANCE SHEET

(published form)

as of 1 January 2015

Credit institution **COMMERZBANK (EURASIJA), Closed Joint-Stock Company****COMMERZBANK (EURASIJA) SAO**

Address: 119017, Moscow, Kadashevskaya emb., 14/2

OKUD Form Code 0409806

Quarterly (annual)

RR thousand

Pos. No.	Item	Note number	As at the reporting date	As at the previous reporting date
I. ASSETS				
1	Cash on hand		60 192	22 235
2	Accounts with the Central Bank of the Russian Federation	3.2.	5 975 331	4 727 756
2.1	Mandatory reserves		310 308	321 038
3	Amounts due from credit institutions	3.3.	2 154 893	1 928 065
4	Financial assets at fair value through profit or loss	3.6., 3.8., 4.1.2, 4.1.3	3 312 215	1 529 943
5	Net loans to customers and other banks	3.4., 4.1.4, 5.2.1	52 121 848	31 068 707
6	Net investment in securities and other financial assets available for sale	3.6., 3.7., 4.1.5	2 703 079	2 505 519
6.1	Investment in subsidiaries and associates		0	0
7	Net investment in securities held to maturity		0	0
8	Current income tax receivable	4.2.	380 438	30 127
9	Deferred tax asset	3.15.	183 755	0

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Pos. No.	Item	Note number	As at the reporting date	As at the previous reporting date
10	Property and equipment, intangible assets and inventories	3.5., 4.2	70 654	74 240
11	Other assets	4.1.7	753 646	543 331
12	Total assets	2.2.	67 716 051	42 429 923
I. LIABILITIES				
13	Loans, deposits and other funds of the Central Bank of the Russian Federation		0	0
14	Amounts due to credit institutions	4.1.8	31 194 116	11 537 807
15	Amounts due to customers (non-credit institutions)	3.10., 4.1.9	23 717 233	17 843 223
15.1	Deposits (amounts) due to individuals and individual entrepreneurs		8 521	20 589
16	Financial liabilities at fair value through profit or loss	4.1.3	408 890	24 073
17	Debt securities issued	4.1.10	92	427
18	Current income tax liability		2 575	27 958
19	Deferred tax liability	3.15.	589 910	0
20	Other liabilities	4.1.11	61 703	37 581
21	Provisions for credit related contingencies, other possible losses and transactions with offshore residents		201 511	90 257
22	Total liabilities	2.2.	56 176 030	29 561 326
III. EQUITY				
23	Shareholders' (participants') funds	4.1.12	2 155 600	2 155 600
24	Treasury shares (participatory interests) redeemed from shareholders (participants)		0	0
25	Share premium		1 279 671	1 279 671
26	Reserve fund		323 340	323 340
27	Fair valuation of securities available for sale, less deferred tax (plus deferred tax asset)	3.15.	(235 339)	(7 814)
28	Revaluation of property and equipment, less deferred tax liability		0	308
29	Retained earnings (accumulated deficit) of previous years	4.3.	6 345 799	7 757 404
30	Unutilised earnings (losses) for the reporting period		1 670 950	1 360 088
31	Total equity	2.2.	11 540 021	12 868 597
IV. OFF-BALANCE SHEET LIABILITIES				
32	Irrevocable commitments of the credit institution	4.1.13	27 058 589	24 203 141

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Pos. No.	Item	Note number	As at the reporting date	As at the previous reporting date
33	Guarantees and sureties issued by the credit institution	4.1.14	23 866 910	11 763 762
34	Contingent non-credit liabilities		0	0

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

27 April 2015

Bank financial statements

OKATO territory code	Code of the credit institution (branch)
	OKPO
45286596	18680159
	Registration number (/serial number)
	3333

STATEMENT OF FINANCIAL RESULTS

(published form)

for 2014

Credit institution **COMMERZBANK (EURASIJA), Closed Joint-Stock Company****COMMERZBANK (EURASIJA) SAO**

Address: 119017, Moscow, Kadashevskaya emb., 14/2

OKUD Form Code 0409807

Quarterly (annual)

RR thousand

Pos. No.	Item	Note number	Reporting period	Previous reporting period
1	Total interest income, including:		1 161 392	816 852
1.1	From placements with credit institutions		229 362	87 069
1.2	From loans to customers (non-credit institutions)		708 198	521 477
1.3	From financial leases		0	0
1.4	From investments in securities		223 832	208 306
2	Total interest expense, including:		450 317	378 348
2.1	On placements from credit institutions		87 849	103 481
2.2	On customer accounts (non-credit institutions)		362 468	274 867
2.3	On debt securities issued		0	0
3	Net interest income (negative interest margin)	2.2.	711 075	438 504
4	Total change in provision for impairment of loans, borrowings and similar debt, funds placed on correspondent accounts and interest income accrued, including:	4.2.	(56 452)	210 841
4.1	Change in provision for impairment of interest income accrued		(1 798)	377
5	Net interest income (negative interest margin) after provision for loan impairment		654 623	649 345
6	Net income from dealing in financial assets at	3.1.	(4 268 284)	(370 277)

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Pos. No.	Item	Note number	Reporting period	Previous reporting period
	fair value through profit or loss			
7	Net income from dealing in securities available for sale		(57 883)	0
8	Net income from dealing in securities held to maturity		0	0
9	Net income from dealing in foreign currencies		(1 327 753)	55 536
10	Net income from revaluation of foreign currency balances	4.2.	7 851 266	1 774 929
11	Income from participation in equity of other legal entities		0	0
12	Fee and commission income		366 791	366 355
13	Fee and commission expense		45 624	56 621
14	Change in provision for losses on securities available for sale		0	0
15	Change in provision for losses on securities held to maturity		0	0
16	Changes in provision for other losses		(110 602)	55 206
17	Other operating income		60 228	72 152
18	Net income (expense)		3 122 762	2 546 625
19	Operating expenses	2.2., 3.11.	958 538	815 831
20	Profit (loss) before tax	2.2	2 164 224	1 730 794
21	Income tax refund (expense)	3.12., 3.13., 3.15	493 274	370 706
22	Profit (loss) after tax		1 670 950	1 360 088
23	Total payments from income after tax, including:		0	0
23.1	distribution of dividends between shareholders (participants)		0	0
23.2	contributions for the creation and replenishment of the reserve fund		0	0
24	Unutilised earnings (losses) for the reporting period		1 670 950	1 360 088

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

27 April 2015

Bank financial statements

OKATO territory code	Code of the credit institution (branch)	
	OKPO	Registration number (/serial number)
45286596	18680159	3333

STATEMENT ON CAPITAL ADEQUACY LEVEL, AMOUNT OF PROVISION FOR DOUBTFUL LOANS AND OTHER ASSETS

(published form)

as of 1 January 2015

Credit institution **COMMERZBANK (EURASIJA), Closed Joint-Stock Company**

COMMERZBANK (EURASIJA) SAO

Address: 119017, Moscow, Kadashevskaya emb., 14/2

OKUD Form Code 0409808
Quarterly (annual)

Section 1. Information on capital adequacy level

Pos. No.	Item	Note No.	As at the beginning of the reporting year	Increase (+)/ Decrease (-) for the reporting period	As at the reporting date
1	Total equity (own capital), (RR'000), including:	4.3.	12 805 448	(1 287 740)	11 517 708
1.1	Sources of core capital (Common Equity Tier 1):		11 516 015	(1 451 528)	10 064 487
1.1.1	Total charter capital formed by:	4.1.12	2 155 600	0	2 155 600
1.1.1.1	Ordinary shares (participatory interests)		2 155 600	0	2 155 600
1.1.1.2	Preference shares		0	0	0
1.1.2	Share premium		1 279 671	0	1 279 671
1.1.3	Reserve fund		323 340	0	323 340
1.1.4	Retained earnings		7 757 404	(1 451 528)	6 305 876
1.1.4.1	of previous years		7 757 404	(1 451 528)	6 305 876
1.1.4.2	of the reporting year		0	0	0
1.2	Items decreasing sources of core capital:		0	0	0
1.2.1	Intangible assets		0	0	0

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Pos. No.	Item	Note No.	As at the beginning of the reporting year	Increase (+)/ Decrease (-) for the reporting period	As at the reporting date
1.2.2	Deferred tax assets		0	0	0
1.2.3	Treasury shares (participatory interests) redeemed from shareholders (participants)		0	0	0
1.2.4	Losses:		0	0	0
1.2.4.1	of previous years		0	0	0
1.2.4.2	of the reporting year		0	0	0
1.2.5	Investments in capital of financial institutions:		0	0	0
1.2.5.1	immaterial		0	0	0
1.2.5.2	material		0	0	0
1.2.5.3	Total material investments and total deferred tax assets		0	0	0
1.2.6	Negative additional paid-in capital		0	0	0
1.2.7	Commitments to acquire sources of core capital		0	0	0
1.2.8.	Amounts from payment for shares (participatory interests) included in core capital		0	0	0
1.3	Core capital (Common Equity Tier 1)		11 516 015	(1 451 528)	10 064 487
1.4	Sources of Additional Tier 1 capital:		0	0	0
1.4.1	Total charter capital, formed by preference shares, including:		0	0	0
1.4.1.1	Issued in accordance with Federal Law No.191-FZ of 18 July 2009 "On the Use of Government Securities of the Russian Federation for Increasing Capitalisation of Banks"		0	0	0
1.4.2	Share premium		0	0	0
1.4.3	Subordinated loan with additional conditions		0	0	0
1.4.4	Subordinated loan (deposit, borrowing, bond) with indefinite maturity		0	0	0
1.5	Items decreasing sources of Additional Tier 1 capital:		0	0	0
1.5.1	Investments in own preference shares		0	0	0
1.5.2	Investments in capital of financial institutions:		0	0	0
1.5.2.1	immaterial		0	0	0
1.5.2.2	material		0	0	0
1.5.3	Subordinated loan (deposit, borrowing, bond) to financial institutions		0	0	0
1.5.3.1	immaterial		0	0	0
1.5.3.2	material		0	0	0

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Pos. No.	Item	Note No.	As at the beginning of the reporting year	Increase (+)/ Decrease (-) for the reporting period	As at the reporting date
1.5.4	Negative additional paid-in capital		0	0	0
1.5.5	Commitments to acquire sources of additional paid-in capital		0	0	0
1.5.6	Amounts from payment for shares (participatory interests) included in additional paid-in capital		0	0	0
1.6	Additional Tier 1 capital		0	0	0
1.7	Tier 1 capital		11 516 015	(1 451 528)	10 064 487
1.8	Sources of Tier 2 capital:		1 289 433	163 788	1 453 221
1.8.1	Total charter capital, formed by preference shares, including:		0	0	0
1.8.1.1	after 1 March 2013		0	0	0
1.8.2	Charter capital formed by capitalisation of property value increase		0	0	0
:	Profit:		1 289 125	164 096	1 453 221
1.8.3.1	of current year	4.3.	1 289 125	164 096	1 453 221
1.8.3.2	of previous years		0	0	0
1.8.4	Total subordinated loan (deposit, borrowing, bond), including:		0	0	0
1.8.4.1	attracted (placed) before 1 March 2013		0	0	0
1.8.4.2	provided in accordance with Federal Law No. 173-FZ of 13 October 2008 "On Additional Measures Aimed at Supporting the Financial System of the Russian Federation"*** and Federal Law No. 175-FZ of 27 October 2008 "On Additional Measures Aimed at Strengthening Stability of Banking System during the Period before 31 December 2014".		0	0	0
1.8.5	Property value increase		308	-308	0
1.9	Items decreasing sources of Tier 2 capital:		0	0	0
1.9.1	Investments in own preference shares		0	0	0
1.9.2	Investments in capital of financial institutions:		0	0	0
1.9.2.1	immaterial		0	0	0
1.9.2.2	material		0	0	0
1.9.3	Subordinated loan (deposit, borrowing, bond) to financial institutions		0	0	0
1.9.3.1	immaterial		0	0	0

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Pos. No.	Item	Note No.	As at the beginning of the reporting year	Increase (+)/ Decrease (-) for the reporting period	As at the reporting date
1.9.3.2	material		0	0	0
1.9.4	Commitments to acquire sources of additional paid-in capital		0	0	0
1.9.5	Amounts from payment for shares (participatory interests) included in additional paid-in capital		0	0	0
1.10	Items decreasing Tier 1 and Tier 2 capital:		0	0	0
1.10.1	Receivables more than 30 calendar days overdue		0	0	0
1.10.2	Subordinated loans with value not exceeding 1 percent of the borrowing entity's charter capital		0	0	0
1.10.3	Excess of the aggregate amount of loans, bank guarantees granted by the bank to its participants (shareholders) and insiders over the maximum amount set by federal laws and regulations of the Bank of Russia		0	0	0
1.10.4	Excess of investments in construction, manufacture and acquisition of property and equipment over the amount of sources of fixed and additional paid-in capital		0	0	0
1.10.5	Excess of actual value of the interest of a withdrawn participant of a limited liability company over the value for which the interest was sold to another participant of a limited liability company		0	0	0
1.11	Tier 2 capital		1 289 433	163 788	1 453 221
2	Risk weighted assets (RR thousand)		x	x	x
2.1	required to calculate Common Equity Tier 1 capital adequacy	4.3.	33 426 553	10 794 581	44 221 134
2.2	required to calculate Tier 1 capital adequacy	4.3.	33 426 553	10 794 581	44 221 134
3	Capital adequacy (%):		x	x	x
3.1	Core (Common Equity Tier 1) capital adequacy	4.3.	34.5	x	22.8
3.2	Tier 1 capital adequacy	4.3.	34.5	x	22.8
3.3	Own (regulatory) capital adequacy	4.3., 5.1.	38.3	x	26.1

Section 2.

Subsection 2.1. Credit risk

(RR'000)

Pos. No.	Item	Note number	As at the reporting date			As at the beginning of the reporting year		
			Value of assets (instruments)	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)	Value of assets (instruments)	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)
1	Credit risk for balance sheet assets	4.3., 5.2.1	51 595 158	51 465 480	25 518 007	29 816 372	29 742 494	19 940 690
1.1	Total assets with * 0% risk ratio, including:		22 333 140	22 333 140	0	11 255 510	11 255 510	0
1.1.1	cash and mandatory reserves deposited with the Bank of Russia		20 035 523	20 035 523	0	8 749 991	8 749 991	0
1.1.2	loan receivables and other receivables secured by guarantees of the Russian Federation, the Russian Ministry of Finance, and the Bank of Russia and by pledge of government debt securities of the Russian Federation, the Russian Ministry of Finance, and the Bank of Russia		0	0	0	0	0	0
1.1.3	loan receivables and other receivables from the central banks or governments of the countries with "0", "1"*** country assessment, including secured with guarantees of these countries, etc.		0	0	0	0	0	0
1.2	Total assets with 20% risk ratio, including:		27 816 518	27 816 493	5 563 299	16 892 322	16 892 211	3 378 442
1.2.1	loan receivables and other receivables from Russian Federation constituents, municipalities and other organisations secured with guarantees and pledge of securities of Russian Federation constituents and municipalities		0	0	0	0	0	0
1.2.2	loan receivables and other receivables from the central banks or governments of the countries with "2" country assessment, including secured with guarantees (pledge of securities) of these countries		0	0	0	0	0	0
1.2.3	loan receivables and other receivables from credit institutions – residents of countries with "0", "1" country assessment and long-term creditworthiness ratings***, including secured with their guarantees		27 790 122	27 790 122	5 558 024	16 395 336	16 395 336	3 279 067

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Pos. No.	Item	Note number	As at the reporting date			As at the beginning of the reporting year		
			Value of assets (instruments)	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)	Value of assets (instruments)	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)
1.3	Total assets with 50% risk ratio, including:		0	0	0	0	0	0
1.3.1	loan receivables and other receivables in foreign currency secured with guarantees of the Russian Federation, the Russian Ministry of Finance, and the Bank of Russia and pledge of government debt securities of the Russian Federation, the Russian Ministry of Finance and the Bank of Russia denominated in foreign currency		0	0	0	0	0	0
1.3.2	loan receivables and other receivables from the central banks or governments of the countries with "3" country assessment, including secured with guarantees (pledge of securities) of these countries		0	0	0	0	0	0
1.3.3	loan receivables and other receivables from credit institutions – residents of countries with "0", "1" country assessment and without long-term creditworthiness ratings, and from credit institutions – residents of countries with "2" country assessment, including secured with their guarantees		0	0	0	0	0	0
1.4	Total assets with 100% risk ratio, including:		3 620 155	3 613 464	3 613 464	4 151 436	4 100 292	4 100 292
1.4.1	Loan receivables from banks		1 332 187	1 327 802	1 327 802	219 356	181 501	181 501
1.4.2	Loan receivables from legal entities and individuals		1 604 452	1 602 258	1 602 258	3 716 785	3 706 194	3 706 194
1.4.3	Balances on correspondent accounts		6 662	6 657	6 657	4 912	4 912	4 912
1.4.4	Property and equipment and intangible assets		70 654	70 654	70 654	74 240	74 240	74 240
1.4.5	Other assets		606 200	606 093	606 093	136 143	133 445	133 445
1.5	Assets with 150% risk ratio –loan receivables and other receivables from the central banks or governments of the countries with "7" country assessment		0	0	0	0	0	0
2	Total assets with higher risk ratios, total, including:		9 775 988	9 653 024	12 912 686	8 649 824	8 627 202	12 465 515
2.1	with 110% risk ratio		3 920 948	3 916 001	4 307 601	1 242 807	1 242 103	1 366 313
2.1.1	with 150% risk ratio		5 852 670	5 734 774	8 602 159	7 400 794	7 378 984	11 068 476
3	Total consumer loans, total, including:		33 295	31 545	31 545	38 381	37 444	37 444

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Pos. No.	Item	Note number	As at the reporting date			As at the beginning of the reporting year			
			Value of assets (instruments)	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)	Value of assets (instruments)	Assets (instruments) less provisions for possible losses	Value of risk-weighted assets (instruments)	
3.1	with 110% risk ratio		0	0	0	0	0	0	
3.2	with 140% risk ratio		0	0	0	0	0	0	
3.3	with 170% risk ratio		0	0	0	0	0	0	
3.4	with 200% risk ratio		0	0	0	0	0	0	
3.5	with 300% risk ratio		0	0	0	0	0	0	
3.6	with 600% risk ratio		0	0	0	0	0	0	
4	Total credit risk for credit related contingencies, including:		36 654 561	36 453 050	11 374 295	20 379 361	20 292 663	9 089 115	
4.1	for high-risk financial instruments		23 866 910	23 821 223	10 844 852	11 763 762	11 721 942	8 630 407	
4.2	for medium-risk financial instruments		0	0	0	148 259	103 781	51 890	
4.3	for low-risk financial instruments		3 207 216	3 207 217	529 443	2 594 089	2 594 089	406 818	
4.4	for risk-free financial instruments		9 580 435	9 424 610	0	5 873 251	5 872 851	0	
5	Credit risk for derivative financial instruments				961 388			66 535	

Subsection 2.2. Operational risk

(RR'000) (number of)

Pos. No.	Item	Note number	As at the reporting date	As at the beginning of the reporting year
6	Total operational risk, including:	4.3., 5.2.3	345 688	310 511
6.1	Total income for the purposes of calculating capital allocated for coverage of operational risk, including:			
			2 304 587	2 070 071
6.1.1	net interest income		555 309	778 018
6.1.2	net non-interest income		1 749 279	1 292 053
6.2	Number of years before the date of operational risk calculation		3	3

Subsection 2.3. Market risk

(RR'000)

Pos. No.	Item	Note number	As at the reporting date	As at the previous reporting date
7	Total aggregated market risk, including:	4.3., 5.2.2	2 046 343	449 137
7.1	total interest rate risk, including:			
7.1.1	general		102 571	35 931
7.1.2	special		98 313	32 301
7.2	total equity risk, including:			
7.2.1	general		4 259	3 630
7.2.2	special		0	0
7.3	currency risk		0	0
			764 199	0

Section 3. Information on the provision for doubtful loans and other assets

(RR'000)

Pos. No.	Item	Note number	As at the beginning of the reporting year	Increase (+)/decrease (-) for the reporting period	As at the reporting date
1	Total actual provision for possible losses, including:	2.2.	164 135	167 054	331 189
1.1	for impairment of loans, borrowings and similar debt		71 088	56 534	127 622
1.2	for impairment of other balance sheet assets subject to the loss risk and other losses		2 790	(734)	2 056
1.3	for impairment of credit-related contingencies and securities, rights to which are ascertained by the depositories, that do not meet the requirements of the Bank of Russia and are recorded on off-balance sheet accounts		90 257	111 254	201 511
1.4	for transactions with residents of offshore zones		0	0	0

For Reference: Information on movements in the provision for possible losses on loans, borrowings and similar debt

(explanatory note 4.2)

1. Creation (additional charge) of provision in the reporting period (RR thousand), total 258 533 including for the following reasons:
 - 1.1. new loans issued 108 693;
 - 1.2. change in the quality of the existing loans 95 487;
 - 1.3. changes in an official foreign currency to Rouble exchange rate, as established by the Bank of Russia, 43 940;
 - 1.4. other reasons 10 413.

2. Reversal of provision in the reporting period (RR thousand), total 202 000, including for the following reasons:

2.1. writing off bad loans 0;

2.2. loan repayment 104 628;

2.3. change in the quality of the existing loans 82 491;

2.4. changes in an official foreign currency to Rouble exchange rate, as established by the Bank of Russia, 7 355;

2.5. other reasons 7 526.

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovsky

27 April 2015

Bank financial statements

OKATO territory code	Code of the credit institution (branch)		
	OKPO	Registration number (/serial number)	
45286596	18680159	3333	

DATA ON MANDATORY RATIOS (published form)

as of 1 January 2015

Credit institution **COMMERZBANK (EURASIJA), Closed Joint-Stock Company**

COMMERZBANK (EURASIJA) SAO

Address: 119017, Moscow, Kadashevskaya emb., 14/2

OKUD Form Code 0409813

Quarterly (annual)

Pos. No.	Item	Note number	Ratio	Actual value at the reporting date	Actual value at the beginning of the reporting year
1	Core (CET1) capital adequacy ratio (H1.1)	4.3., 5.1.	5.0	22.8	34.5
2	Tier 1 capital adequacy ratio (H1.2)	4.3., 5.1.	5.5	22.8	34.5
3	Own (regulatory) capital adequacy ratio (H1.0)	4.3., 5.1.	10.0	26.1	38.3
4	Own (regulatory) capital adequacy of non-banking settlement credit institutions (RNKO) (H1.3)				
5	Quick liquidity ratio (H2)	5.1., 5.2.4	15.0	118.7	85.0
6	Current liquidity ratio (H3)	5.1., 5.2.4	50.0	99.7	109.1
7	Long-term liquidity ratio (H4)	5.1., 5.2.4	120.0	64.7	67.9
8	Maximum risk per one borrower or a group of related borrowers ratio (H6)	5.1.		Maximum 20.0 Minimum 0.1	Maximum 19.3 Minimum 0.1
9	Maximum risk of large credit exposure ratio (H7)	5.1.	800.0	190.7	156.2
10	Maximum amount of loans, bank guarantees granted by the bank to its participants (shareholders) ratio (H9.1)		50.0	0.0	0.0

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Pos. No.	Item	Note number	Ratio	Actual value at the reporting date	Actual value at the beginning of the reporting year
11	Aggregate risk on exposure of the bank's insiders ratio (H10.1)		3.0	0.1	0.1
12	Equity used to acquire shares (participatory interests) in other legal entities ratio (H12)		25.0	0.0	0.0
13	Liquid assets maturing within 30 calendar days to the amount of liabilities of non-banking settlement credit institutions ratio (RNKO) (H15)				
14	Equity/capital adequacy of non-banking settlement credit institutions (RNKO) (H15.1)				
15	Maximum aggregate loans to customers - participants of settlements - for settlement completion (H16)				
16	Loans granted by non-banking settlement credit institutions (RNKO) on their behalf and on their own account to borrowers, except customers which are settlement system participants ratio (H16.1)				

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

27 April 2015

Bank financial statements

OKATO territory code	Code of the credit institution (branch)		
	OKPO	Registration number (/serial number)	
45286596	18680159	3333	

CASH FLOW STATEMENT

(published form)

as of 1 January 2015

Credit institution **COMMERZBANK (EURASIJA), Closed Joint-Stock Company****COMMERZBANK (EURASIJA) SAO**

Address: 119017, Moscow, Kadashevskaya emb., 14/2

OKUD Form Code 0409814

Quarterly (annual)

(RR'000)

Pos. No.	Item	Note number	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the previous year
1	Net cash from / used in operating activities			
1.1	Cash from / used in operating activities before changes in operating assets and liabilities, total, including:		(8 766 239)	(760 890)
1.1.1	interest received		1 114 698	780 120
1.1.2	interest paid		(426 284)	(368 984)
1.1.3	commissions received		366 024	364 280
1.1.4	commissions paid		(45 624)	(56 621)
1.1.5	income less expenses on transactions with financial assets at fair value through profit or loss available for sale		(7 156 714)	(458 894)
1.1.6	income less expenses on transactions with securities held to maturity		0	0
1.1.7	income less expenses on foreign exchange transactions		(1 327 753)	55 536
1.1.8	other operating income		62 798	29 675
1.1.9	operating expenses		(949 733)	(796 812)

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Pos. No.	Item	Note number	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the previous year
1.1.10	income tax expenses / refund		(403 651)	(309 190)
1.2	Total increase (decrease) in net cash from operating assets and liabilities, including:		13 234 297	6 588 648
1.2.1	net increase / decrease in mandatory reserves with the Bank of Russia		10 730	(9 881)
1.2.2	net increase (decrease) in investments in securities at fair value through profit or loss		1 424 618	1 100 407
1.2.3	net increase (decrease) in debt		(7 275 360)	(963 876)
1.2.4	net increase (decrease) in other assets		(411 816)	95 373
1.2.5	net increase (decrease) in loans, deposits and other funds of the Bank of Russia		0	0
1.2.6	net increase (decrease) in amounts due to other credit institutions		16 785 940	2 670 832
1.2.7	net increase (decrease) in amounts due to customers (non-credit institutions)		2 300 488	3 748 027
1.2.8	net increase (decrease) in financial liabilities at fair value through profit or loss		0	(27 535)
1.2.9	net increase (decrease) in debt securities issued		(392)	(2 048)
1.2.10	net increase (decrease) in other liabilities		400 089	(22 651)
1.3	Total for Section 1 (Pos. No.1.1+Pos. No.1.2)		4 468 058	5 827 758
2	Net cash from / used in investing activities			
2.1	Acquisition of securities and other financial assets relating to the category "available for sale"		(2 136 669)	(2 469 459)
2.2	Proceeds from sale and redemption of securities and other financial assets relating to the category "available for sale"		1 663 795	204
2.3	Acquisition of securities relating to the category "held to maturity"		0	0
2.4	Proceeds from redemption of securities relating to the category "held to maturity"		0	0
2.5	Acquisition of property and equipment, intangible assets and inventories		(13 838)	(65 067)
2.6	Proceeds from the sale of property and equipment, intangible assets and inventories		0	669
2.7	Dividends received		0	0
2.8	Total for Section 2 (Sum of Pos. No.2.1-2.7)		(486 712)	(2 533 653)
3	Net cash from / used in financing activities			

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Pos. No.	Item	Note number	Cash flows for the reporting period	Cash flows for the corresponding reporting period of the previous year
3.1	Contributions of shareholders (participants) to the charter capital		0	0
3.2	Acquisition of treasury shares (participatory interests) redeemed from the shareholders (participants)		0	0
3.3	Sale of treasury shares (participatory interests), redeemed from the shareholders (participants)		0	0
3.4	Dividends paid	2.3	(2 772 000)	(489 920)
3.5	Total for Section 3 (Sum of Pos. No.3.1–3.4)		(2 772 000)	(489 920)
4	Effect of changes in official foreign currency exchange rates to the Rouble set by the Bank of Russia on cash and cash equivalents		320 372	49 158
5	Increase / decrease of cash and cash equivalents		1 529 718	2 853 343
5.1	Cash and cash equivalents at the beginning of the reporting period		6 348 944	3 495 601
5.2	Cash and cash equivalents at the end of the reporting period	4.1.1, 4.4.	7 878 662	6 348 944

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

27 April 2015

EXPLANATORY NOTE

Name of the credit institution:

COMMERZBANK (EURASIJA) SAO

Postal address:

119017, Moscow, Kadashevskaya Nab., 14/2

General banking licence:

3333

During the reporting period the above details remained unchanged from the previous period.

Introduction

COMMERZBANK (EURASIJA) SAO (hereinafter, the “Bank”) presents its 2014 annual accounting (financial) statements (hereinafter, the “annual financial statements”) prepared in accordance with the accounting and reporting rules currently effective in the Russian Federation.

This Explanatory Note constitutes an integral part of the Bank's annual financial statements for 2014.

In accordance with the requirements of paragraph 3.2 of Instruction No. 3081-U the Bank chose the following form of disclosing the annual accounting (financial) statements: placement on the Bank's official Internet site <http://www.commerzbank.ru>.

Annual financial statements of the Bank are planned to be approved by the decision of the Sole Shareholder before 30 June 2015. The fact of approval is disclosed on the Bank's Internet site (<http://www.commerzbank.ru>).

This Explanatory Note to annual financial statements for 2014 is presented in thousands of the Russian Roubles, unless otherwise stated.

1. Significant information on the credit institution

Commerzbank (Eurasija) SAO is a joint stock bank and has been operating in Russia since late 1998. The Bank's operations are regulated by the Central Bank of Russia (the “Bank of Russia”) in accordance with Russian law.

The Bank performs its banking operations under General Banking Licence No. 3333 issued by the Bank of Russia on 24 September 2010 for an unlimited period of time. These operations are performed in accordance with the Federal Law “On Banks and Banking Activities” and other laws of the Russian Federation. From its registration in the end of 1998 to obtaining its general licence, the Bank operated on the basis of Banking Licence No. 3333.

The Bank operates as a professional stock market participant based on the following licences:

- Licence of professional stock market participant to perform depository activities No. 177-06526-000100 of 8 April 2003.
- Licence of professional stock market participant to perform securities management activities No. 177-06523-001000 of 8 April 2003.
- Licence of professional stock market participant to perform dealer activities No. 177-06519-010000 of 8 April 2003.
- Licence of professional stock market participant to perform broker activities No. 177-06515-100000 of 8 April 2003.

The Bank has participated in the state deposit insurance system for individuals in the Russian banks since February 2005. The Bank's liabilities related to deposits of up to RR 1 400 thousand placed by individuals are insured against the termination of operations or withdrawal of the banking licence by the Bank of Russia.

The Bank is a successor of Dresdner Bank ZAO which was merged into Commerzbank (Eurasija) SAO on 24 September 2010 and before the merger performed banking operations on the basis of General Licence No. 2455. Dresdner Bank ZAO's licence was cancelled as a result of its merger into the Bank.

The Bank has one branch located in St Petersburg. The branch serves the Bank's clients in this region and provides necessary services within the scope of the transactions conducted by the head office. The Bank has no other business units (branches, additional offices, representative offices, etc.).

Most of the operations are performed by the Bank's head office in Moscow.

The Bank has no credit ratings given by any Russian or international rating agency.

The Bank's liabilities are secured by a letter of comfort from Commerzbank AG (see the 2014 Annual Report of Commerzbank Group, page 283):

https://www.commerzbank.com/media/aktionaere/service/archive/konzern/2015_2/00_CAA_Geschaeftsbericht_2014_Konzern_EN.pdf

The Bank is not a head of any banking (consolidated) group or a member of any banking holding ("group" and "holding" as defined according to the Russian law). However, the Bank is a 100% subsidiary of Commerzbank AG (Germany), one of the largest German banks, which means that the Bank is a member of a foreign banking group. As at January 2015, Commerzbank AG had the following shareholding structure:

- approximately 17% of shares of Commerzbank AG are owned by the Federal Republic of Germany;
- approximately 5% of shares belong to BlackRock (BlackRock Inc., NY USA);
- approximately 5% of shares are owned by Capital Group (The Capital Group Companies, Inc., LA USA);
- 47% belong to institutional investors with lower ownership share;
- 26% are owned by individuals, mostly by German residents.

Commerzbank AG and its subsidiaries are hereinafter referred to as "Commerzbank Group".

Commerzbank Group is a major international banking group represented in more than 50 countries, with Germany and Poland being the key ones. Commerzbank Group serves almost 15 million private customers and one million corporate clients, finances more than 30 percent of German foreign trade and is the leader in lending to small and medium businesses. Also, Commerzbank AG has one of the most significant branch network (around 1100 branches and 90 consulting centres) among private German banks. The number of Commerzbank Group's employees was 52 103 people as of 1 January 2015.

As of the end of 2014, Commerzbank AG had the following long-term credit ratings: Baa1 (Moody's), A-(S&P), A+ (Fitch), and the ratings were unchanged as of the issue date of these Annual financial statements.

Consolidated financial statements of Commerzbank Group for 2014 are published on the Bank's Internet site www.commerzbank.com.

2. Summary of operations of the credit institution

2.1. The Bank's Profile

Commerzbank AG was among the first foreign banks to open a representative office in Russia. In 1993, Dresdner Bank ZAO, a subsidiary bank of Dresdner Bank AG, started operating in Saint Petersburg. In 1999, Commerzbank (Eurasija) SAO, a 100% subsidiary of Commerzbank AG, obtained a banking licence. Following the merger of two banks under the Commerzbank trademark in 2010, Commerzbank (Eurasija) SAO, with the head office in Moscow and a branch in Saint Petersburg, continues its operations in Russia.

Commerzbank's long-standing experience in the Russian market allowed the bank to develop a profound understanding of this market. Based on its expertise, the Bank offers a wide range of financial services to German companies operating in the Russian market and international companies entering the German market. The Bank operates as a strategic partner for international businesses.

Managers with the knowledge of German and English who work in the Moscow and Saint Petersburg offices and in the branches located in Germany and other regions worldwide provide an integrated support for companies entering the market. For this purpose they involve chambers of trade and commerce, and providers of audit, legal and consulting services.

The Bank is client-oriented entity and closely cooperates with Commerzbank AG's divisions in Germany and worldwide.

The Bank's professional staff coordinates service provision to global groups and holding companies tailored to take into account the specifics of the Russian market and local legislation.

The Bank's operations are largely focused on settlement and lending transactions. The Bank also performs conversion transactions; attracts corporate deposits, carries out documentary transactions, stock market operations, transactions with derivatives, settlement transactions and provides services related to corporate current accounts. The Bank is an active participant of the interbank foreign exchange market, interbank lending market and foreign exchange market of the Moscow Exchange.

Transactions with individuals account for an insignificant percentage of the Bank's total operations.

2.2. Key performance indicators and factors that had an impact on the financial performance of the credit institution in the reporting year

Changes in the Bank's key performance indicators for 2014 are provided in the table below:

Table 2.2.1

Item	1 January 2015	1 January 2014	Movements	
	(RR'000)	(RR'000)	(RR'000)	(%)
Bank's equity (capital)	11 517 708	12 805 448	-1 287 740	-10.1
Profit after tax	1 670 950	1 360 088	310 862	22.9
Total assets	67 716 051	42 429 923	25 286 128	59.6
including:				
Net loans outstanding	52 121 848	31 068 707	21 053 141	67.8
including:				
• deposits with the Bank of Russia	14 000 000	4 000 000	10 000 000	250.0
• credit institutions	13 804 574	10 314 392	3 490 182	33.8
• customers	24 317 274	16 754 315	7 562 959	45.1
Investments in securities and derivative financial instruments	6 015 294	4 035 462	1 979 832	49.1
Total liabilities	56 176 030	29 561 326	26 614 704	90.0
including:				
• customer accounts	23 717 233	17 843 223	5 874 010	32.9
• amounts due to credit institutions	31 194 116	11 537 807	19 656 309	170.4

The Bank's assets increased by RR 25 286 128 thousand (59.6%) during 2014 and amounted to RR 67 716 051 thousand as of 1 January 2015.

Assets increased primarily through the increase in the loans outstanding (by RR 21 053 141 thousand) but also through the increase in the amounts recorded at line item "Investments in securities and derivative financial instruments" (by RR 1 979 832 thousand) and funds placed on correspondent accounts with the Bank of Russia (by RR 1 247 575 thousand). As shown in the table above, loans outstanding increased in all principal areas of placement: short-term placements with the Bank of Russia and credit institutions, as well as (primarily long-term) lending transactions with customers.

The Bank's liabilities increased by RR 26 614 704 thousand (90.0%), which was due to increase in customer accounts related to current and deposit transactions, as well as to increase in the volume of interbank lending.

The Bank's equity (capital) decreased by RR 1 287 740 thousand (-10.1%). This decrease was brought about by payment of dividends from prior years' retained earnings.

Comparison of income and expense items is provided in the table below:

Table 2.2.2

Line item	for 2014 (RR'000)	for 2013 (RR'000)	Changes (RR'000)	(%)
Interest income	1 161 392	816 852	344 540	42.2
including that from investments in securities	223 832	208 306	15 526	7.5
Interest expense	(450 317)	(378 348)	(71 969)	19.0
Net interest income	711 075	438 504	272 571	62.2
Change in loan and interest provisions	(56 452)	210 841	(267 293)	-126.8
Net interest income less provisions	654 623	649 345	5 278	0.8
Net loss on transactions with securities and other financial assets at fair value through profit or loss, including:	(4 268 284)	(370 277)	(3 898 007)	1 052.7
on transactions with securities	(13 005)	2 470	(15 475)	-626.5
on transactions with derivative financial instruments	(4 255 279)	(372 747)	(3 882 532)	1 041.6
Net gain on foreign exchange transactions and currency translation	6 523 513	1 830 465	4 693 048	256.4
Fee and commission income	366 791	366 355	436	0.1
Fee and commission expense	(45 624)	(56 621)	10 997	-19.4
Changes in the provision for other losses	(110 602)	55 206	(165 808)	-300.3
Net income (expense)	3 122 762	2 546 625	576 137	22.6
Operating expenses	(958 538)	(815 831)	(142 707)	17.5
Profit before tax	2 164 224	1 730 794	433 430	25.0
Taxes accrued (including income tax)	(493 274)	(370 706)	(122 568)	33.1
Profit for the reporting period	1 670 950	1 360 088	310 862	22.9

In 2014, the Bank's profit before tax increased by RR 433 430 thousand (+25.0%). The profit grew as the Bank's income increased by RR 576 137 thousand (22.6%), while operating expenses increased to a lesser degree – by RR 142 707 thousand (by 17.5%).

The principal driver of the Bank's profit growth was aggregate income from currency and derivative financial instruments, including net income from dealing in foreign currencies and from revaluation of foreign currency balances, and also net result on transactions with securities and other derivatives. In 2014, the net result in this income category was positive and amounted to RR 2 268 234 thousand as compared to RR 1 457 718 thousand generated in 2013 – increase by RR 810 516 thousand (by 55.6%).

The financial result for 2014 includes net expenses on creating provisions for possible losses in the amount of RR (167 054) thousand, while in 2013 the result was net income of RR 266 047 thousand, i.e. changes in the provision had an effect on the Bank's profit - it decreased by RR 433 101 thousand. In 2013, the Bank released provisions for expired credit facility provided to a non-resident bank earlier classified to Quality category 5, which resulted in the above changes of this indicator

In 2014, the Bank's net interest income before change in provision for possible losses increased by RR 272 571 thousand (+62.2%) compared to 2013. This is primarily through the increase in the net interest income from interbank transactions (increase by RR 157 925 thousand). Changes in volume and interest rates (significant increase of Rouble interest rates) resulted in increased income on loans to customers (by RR 186 721 thousand), however, the increase of Rouble interest rates also resulted in increased interest expense on customers' accounts by RR 87 601 thousand. Therefore, net interest income from transactions with customers increased by RR 99 120 thousand.

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Other major income categories (including net income on transactions with securities together with coupon income received (from interest income) and net commission income) did not undergo significant changes in 2014 as compared to 2013.

An increase in the Bank's operating expenses in 2014 compared to 2013 was a result of not only inflation affects but an increase in US Dollar and Euro to Russian Rouble rate, which brought about an increase of the Bank's expenses that depend upon exchange rates.

2.3. Decisions on net profit distribution and dividend payments

In 2014, the Bank paid dividends in the total amount of RR 2 772 000 thousand, including:

- RR 272 000 thousand out of 2013 net profit, which accounts for 20% of the Bank's net profit for 2013
- RR 2 500 000 thousand out of prior years' retained earnings.

In 2013, the Bank paid dividends in the total amount of RR 489 920 thousand, including:

- RR 489 920 thousand out of 2012 net profit, which accounts for 50% of the Bank's net profit for 2012

In 2013 and 2014, at the decision of the Bank's Sole Shareholder the remaining portion of prior year's net profit was retained with the Bank.

Information on dividends paid in 2015 is disclosed in Section 3 of this Explanatory Note ("Information on non-adjusting subsequent events").

2.4. Information on the relationship with the external auditor

From the start of the Bank's operations in 1998, the services of the external auditor have been provided by ZAO PricewaterhouseCoopers.

Neither this firm nor its employees are affiliated with the Bank or have any property interests in the Bank. During 2014 reporting year and to date, the external auditor has not provided any services to the Bank other than the audit of these annual financial statements and IFRS financial statements.

2.5. Operating environment

The Russian Federation displays certain characteristics of an emerging market. Its economy is sensitive to oil and gas prices. The tax, currency and customs regulatory frameworks within the Russian Federation continue to develop and are subject to frequent changes and varying interpretations. A fall in oil prices, continuing political tension in the region, as well as international sanctions against Russian companies and individuals have had a negative impact on the Russian economy in 2014. As a result, in 2014:

- the CBRF exchange rate changed from RR 32.73 to RR 56.26 per USD;
- the CBRF key refinancing interest rate increased from 5.5% p.a. to 17.0% p.a. including an increase from 10.5% p.a. to 17.0% p.a. on 16 December 2014;
- the RTS stock exchange index went down from 1 443 to 791 points;
- access to international financial markets to raise funding was limited for certain entities;
- capital outflows increased compared to prior years.

Financial markets continue to demonstrate lack of stability, frequent and material change in prices and increased spreads on trade transactions. After 01 January 2015:

- the CBRF exchange rate varied between RR 49.67 to RR 69.66 per USD;
- In 2015, Fitch Ratings downgraded Russia's credit rating to BBB-, Standard & Poor's cut it to BB+, and Moody's Investors Service downgraded it to Ba1, which for the first time in ten years is below the investment grade. Fitch Ratings kept Russia's sovereign rating at the investment grade. However, all these rating agencies provided negative outlooks for the future;
- the RTS stock exchange index varied within the range from 737 to 1062 points;
- bank lending activity decreased as banks are reassessing the business models of their borrowers and their ability to withstand the increased lending and exchange rates;
- the key refinancing interest rate of the CB RF decreased from 17.0% p.a. to 14% p.a.

The above events may have a significant impact on the Bank's operations and financial position in future, the effect of which is difficult to predict. The future economic and regulatory situation and its impact on the Bank's operations may differ from management's current expectations. However, the management believes it is taking all the necessary measures to support the sustainability and development of the Bank's business.

The Russian transfer pricing rules took effect in 1999. The new rules included significant amendments that took effect from 1 January 2012. The new transfer pricing rules are more detailed and, to a certain extent, better aligned with the international transfer pricing principles developed by the Organisation for Economic Cooperation and Development (OECD). The new legislation allows tax authorities to impose additional tax liabilities in respect of controllable transactions (transactions with interdependent parties and some types of transactions with independent parties), if they are not arm's length transactions.

The Bank believes that its pricing policy applied in 2014 and in prior years is arm's length and it has implemented internal controls to be in compliance with the new transfer pricing legislation.

Due to specific features of the Russian transfer pricing rules, the impact of any disputes with the tax authorities on the Bank's transfer prices cannot be reliably estimated; however, it may be significant to the financial performance and operations of the Bank.

3. Summary of the basis of preparation and significant accounting policies

The Bank maintains its accounts and prepares its financial statements in accordance with the Russian legislation and the Bank of Russia's regulations. The detailed principles and methods of measurement and recognition of individual types of material transactions and events are disclosed below.

3.1. Principles and methods of measurement and recognition of material transactions and events

The Bank maintains its accounting and prepares its financial statements based on the following principles:

- property detachment – the assets and liabilities of the Bank are detached from the assets and liabilities of the owners or other legal entities;
- going concern – the Bank will continue its operations in the foreseeable future and the Bank has no intention to significantly reduce the scope of its operations or liquidate its business;
- consistent application of accounting policies – the adopted accounting policies are applied consistently from one accounting period to another, subject to changes in legal requirements;
- accrual basis of accounting – all economic events are recognised in the reporting period in which they occurred, irrespective of the time of actual movement of cash related to such events;
- completeness of recognition of all economic events;
- timeliness of recognition of all economic events;
- prudence – the Bank tends more to recognise expenses and liabilities rather than potential income and assets without booking latent provisions;
- substance over form – the Bank recognises economic events based on their economic substance and business environment, rather than their legal form;
- reasonableness – the Bank maintains reasonable accounting records based on the business environment and the size of the Bank;

The Bank applies the following methods of measurement and recognition for individual types of assets and liabilities, as well as income and expenses:

3.2. Basis of accounting for balances of credit institutions with the Central Bank of the Russian Federation

This line item of the Bank's balance sheet is formed by balances generated on the correspondent account opened by the Bank with the Operations Department of the Head Office of the Central Bank of the Russian Federation in the Central Federal District (Moscow) and in the Head Cash and Settlement Centre of the Head

Office of the Central Bank of the Russian Federation in St Petersburg and by balances transferred by the Bank as a part of depositing mandatory reserves with the Bank of Russia by credit institutions.

3.3. Basis of accounting for amounts due from credit institutions

This line item of the Bank's balance sheet is formed by balances generated on the correspondent account opened by the Bank with correspondent banks, both residents and non-residents of the Russian Federation. The structure of the Bank's correspondent accounts, as well as the list of foreign currencies in which the correspondent accounts are opened, ensures efficient performance by the Bank of its proprietary settlement transactions and satisfaction of current needs of the Bank's customers.

3.4. Basis of accounting for loans outstanding

The Bank performs active transactions related to placement of cash in the form of loans provided to commercial banks and legal entities.

The Bank's accounting policy regarding these transactions is designed based on "Accounting Rules for Credit Institutions Located in the Russian Federation" No. 385-P of 16 July 2012, Regulation of the Bank of Russia "On Provision (Placement) by Credit Institutions of Cash and their Recovery (Repayment)" No. 54-P of 31 August 1998 and Regulation of the Bank of Russia "On Accrual of Interest on Transactions Related to Attraction and Placement of Cash by Banks and Accounting for Such Transactions" No. 39-P of 26 June 1998.

Interests receivable/payable are accrued by the Bank on a daily basis with mandatory recording on the accounts on the date of payment and on the last day of each calendar month.

The Bank sets up provisions for the transactions representing loans, borrowings and similar debt under the requirements of Regulation of the Bank of Russia No. 254-P "On the Procedure for Booking Provisions against Possible Losses from loans, borrowings and similar debt by Credit Institutions" of 26 March 2004. Credit risk is assessed, loans are classified and assessed and provisions are estimated and booked once the reasons provided for by Regulation of the Bank of Russia No. 254-P of 26 March 2004 arise, but at least once a month at the reporting date.

The Bank aggregates its loans in portfolios of homogeneous loans, however the amount of these portfolios within the total volume of outstanding loans is immaterial (below 1%).

3.5. Basis of accounting for property and equipment and depreciation of property and equipment

Property and equipment

Property and equipment with the value (without VAT) exceeding RR 40 thousand and useful life over 12 months are recorded at cost including the initial costs of acquisition, delivery, installation, manufacturing and bringing to a serviceable condition, including VAT, less accumulated depreciation of property and equipment and accumulated impairment losses, where required.

The cost of property and equipment is increased by the amount of capital expenses representing expenses effectively incurred, including VAT.

Costs of minor repairs and maintenance are expensed when incurred. Costs of replacing major parts or components of property and equipment items are capitalised, and the replaced part is retired.

Gains and losses on disposals determined by comparing proceeds with carrying amount are recognised in financial result for the year within other operating income or expenses.

Depreciation

Depreciation on depreciable property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

	Useful lives in months (years)
1. Computer hardware	25 - 60 months (2-5 years)
2. Cash services equipment	37 - 61 months (3-5 years)
3. Copying machines	37 - 60 months (3-5 years)
4. Office furniture	61 months (5 years)
5. Non-production interior objects	not accrued
6. Office equipment	61 -241 months (5-20 years)
7. Security systems	396 months (33 years)
8. Other office items	37 - 121 months (3-10 years)
9. Telecommunication equipment	36 - 85 months (3-7 years)
10. Telephone equipment	61 - 121 months (5-10 years)
11. Motor vehicles	60 months (5 years)

Expenses related to inseparable leasehold improvements under lease agreements are not reimbursed to the Bank by the lessors and recorded within the financial result.

3.6. Basis of accounting for investments in securities

Trading securities

Trading securities are financial assets which are either acquired for generating a profit from short-term fluctuations in price or trader's margin, or are securities included in a portfolio in which a pattern of short-term trading exists.

The Bank may choose to reclassify a non-derivative financial asset out of the fair value through profit or loss category if the asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of fair value through the profit or loss category only in rare circumstances arising from a single event that is unusual and highly unlikely to reoccur in the near term.

Trading securities are carried at fair value. Interest income on trading securities is recorded as interest income from investments in securities within the financial result for the year. All other elements of the changes in the fair value and gains or losses on derecognition are recorded within the financial result for the year as gains less losses from trading securities in the period in which they arise.

Securities available for sale

This classification includes securities which the Bank intends to hold for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

Securities available for sale are carried at fair value. Interest income on available-for-sale debt securities is recognised in financial result for the year. Revaluation at fair value is recognised within equity until the security is derecognised or impaired, at which time the cumulative gain or loss is reclassified from equity to financial result for the year. Impairment losses are recognised in financial result for the year when incurred as a result of one or more events ("loss events") that occurred after the initial recognition of securities available for sale. A significant or prolonged decline in the fair value of a security below its cost is an indicator that it is impaired. The cumulative impairment loss – measured as the difference between the acquisition cost and the

current fair value, less any impairment loss on that asset previously recognised in profit or loss – is reclassified from equity to financial result for the year. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through financial result for the year.

3.7. Reclassification of securities and recording their fair value

In accordance with the Bank of Russia's Instruction No.3498-U of 18 December 2014 banks have the right to reclassify in December 2014 securities from available for sale to held to maturity at the prices as at 1 October 2014 provided such decision is taken before 31 December 2014.

The Bank did not take a decision on reclassification. The Bank recognises securities on the balance sheet at their actual fair value at the reporting date.

3.8. Basis of accounting for derivative financial instruments (derivatives)

Initially recognition of derivatives is performed as at the date of execution of the agreement. Starting from that date, derivatives are measured at fair value.

The fair value of derivatives is measured daily during the term of the agreement, starting from the date of transaction and up to the date of the final payment and recorded at least at the settlement dates and the monthly reporting dates.

If there is an active market for certain derivative, the Bank uses the market indicators to determine the fair value of the derivative. If the market for this derivative is not active, the Bank determines the fair value of such derivative based on information provided by brokers and other market participants on prices (quotations), the value of derivatives comparable to the derivatives being measured, or applies other valuation techniques.

3.9. Basis of accounting for impairment provisions

The Bank sets up provisions for impairment of assets and provisions for contingent liabilities based on its internal methodologies developed in accordance with requirements of Regulations of the Bank of Russia No. 254-P and 283-P.

3.10. Customer accounts

Under the current Russian legislation and within the limits set by the license issued by the Bank of Russia, the Bank opens and maintains bank accounts, attracts cash from legal entities in the form of a bank transfer to deposits (on demand and term deposits).

3.11. Accounting of income and expense

The Bank's accounting policies state that the Bank's income and expenses are accounted for upon their receipt/performance, if not provided otherwise by regulative documents of the Bank of Russia. The analytical accounting of income and expense is kept on sub-accounts formed based on symbols of Form No. 0409102, with detalisation of individual items for economic analysis, and separate presentation of income and expenses not included in the calculation of the tax base.

Profit or loss is determined cumulatively during the reporting year.

Deferred expenses for administrative and other operations (rent, software maintenance fees, subscription fees, etc.) made in the reporting period, but related to the future reporting periods, are deferred to expenses in respective amounts upon beginning of the reporting period to which they relate based on the primary documents received by the Bank. If the period for which the payment is made exceeds 1 month (quarter, year), deferred expenses are charged on a monthly basis in equal instalments.

3.12. Nature of assumptions and principal sources of uncertainty at the end of the period

The Bank makes estimates and assumptions that affect the amounts recognised in the financial statements and the carrying amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognised in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include:

Fair value of financial instruments

The fair values of financial instruments that are not quoted in active markets are determined by using valuation techniques. If fair value is determined by using valuation techniques (e.g. models), they are approved and regularly reviewed by qualified employees independent from the department where the technique was developed.

Fair value measurements are analysed by level in the fair value hierarchy as follows:

- (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities,
- (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices),
- (iii) level three measurements are valuations not based on observable market data (that is, unobservable inputs).

Management applies judgement in categorising financial instruments using the fair value hierarchy. If a fair value measurement uses observable inputs that require significant adjustment, that measurement is a Level 3 measurement. The significance of a valuation input is assessed against the fair value measurement in its entirety.

Tax legislation

Russian legislation on taxes and levies which was enacted or substantively enacted at the end of the reporting period is subject to varying interpretations when being applied to individual transactions and activities of the Group. Consequently, tax positions taken by the Bank and the formal documentation supporting the tax positions may be challenged by tax authorities. Russian tax administration is gradually strengthening, including the fact that there is a higher risk of review of tax transactions without a clear business purpose or with tax non-compliant counterparties. Fiscal periods remain open to review by the authorities in respect of taxes for three calendar years preceding the year when decision about review was made. Under certain circumstances reviews may cover longer periods.

As Russian legislation and levies does not provide definitive guidance in certain areas, the Bank adopts, from time to time, interpretations of such uncertain areas that reduce the overall tax rate of the Bank. While the Bank believes that the tax positions and interpretations taken by the Bank can be sustained, there is a possible risk that outflow of resources will be required, should such tax positions and interpretations be challenged by the relevant tax authorities. The impact of any such challenge cannot be reliably estimated; however, it may be significant to the financial position and/or the overall operations of the Bank.

Related party transactions

In the course of business the Bank enters into transactions with its related parties. Judgement is applied in determining if transactions are priced at market or non-market interest rates, where there is no active market for such transactions. The basis for judgement is pricing for similar types of transactions with unrelated

parties and effective interest rate analysis. The Bank's compliance with the new Russian statutory transfer pricing requirements is disclosed in paragraph 2.5 hereof.

3.13. Information on adjusting subsequent events

The Bank has performed the following operations for recognising subsequent events:

1. assessed (adjusted, changed) taxes and levies for the reporting year (including deferred income tax), being a payer of taxes and levies in accordance with legislation of the Russian Federation;
2. after the reporting date received documents supporting transactions performed before the reporting date and/or stipulating (specifying) cost of work, services and assets for such transactions, as well as documents specifying income and expense amounts accounted for under the accrual method;

3.14. Information on non-adjusting subsequent events

In April 2015, the Bank paid dividends in the amount of RR 1 000 000 thousand from prior years' retained earnings.

There were no other non-adjusting events after the reporting date up to the date of this annual report.

3.15. Changes made to the Accounting Policy

The Bank did not introduce any significant changes to the accounting policy except for accounting for premium and discount on the securities acquired. Starting from 1 January 2015 the Bank will accrue discount and amortise premium (previously the Bank did not amortise premium and accrued discount only for the securities where discount existed at the time of issue). In January 2015, the Bank will adjust accruals as at 1 January 2015 and subsequently will make daily accruals.

The most important change to the Accounting Policy for 2014 as compared to Accounting Policy for 2013 was application of fair valuation to all transactions similar to derivatives with settlement dates no earlier than the third day after entering into the transaction. The above change is the result the amendments of the regulations of the Bank of Russia on accounting in credit institutions. In 2013, the Bank applied fair valuation only to the instruments under ISDA contracts with non-residents. As a result of 2014 changes, as at 1 January 2015 all term deals with settlement dates no earlier than the third day after entering into the transaction were classified as derivative financial instruments and measured at fair value.

Also, a provision on recognition of deferred income tax was introduced to 2014 Accounting Policy, which was not present in 2013 Accounting Policy.

The above changes to accounting policy introduced in 2014 resulted in incomparability of data for 2014 and 2013.

3.16. Nature and amount of material errors of previous periods

No material errors affecting the balance sheet and statement of financial results were identified in the previous periods.

In 2014, there were no cases of non-application of accounting rules in cases when they cannot fairly reflect the financial position and performance of the Bank.

4. Explanatory notes to the accounting reporting forms

4.1. Explanatory note to the balance sheet

4.1.1. Cash on hand

Table 4.1.1.1

RR thousand

	2014	2013
Cash on hand	60 192	22 235
Accounts with the Central Bank of the Russian Federation	5 975 331	4 727 756
Less mandatory reserves	5 665 023	4 406 718
Correspondent accounts with credit institutions of the Russian Federation	32 100	103 581
Correspondent accounts with credit institutions of other countries	2 121 347	1 816 410
Total cash and cash equivalents	7 878 662	6 348 944

In the table above, the amount of cash and cash equivalents is shown net of amounts not included in Quality category 1 and restricted cash. As at 1 January 2015, the excluded amount is RR 1 446 thousand (2013: RR 8 074 thousand).

4.1.2. Financial assets at fair value through profit or loss

Disclosure of types of financial assets at fair value through profit and loss is as follows:

Table 4.1.2.1

RR thousand

	2014	2013
Bonds of international development banks	0	1 451 901
Total debt securities	0	1 451 901
Derivative financial instruments	3 312 215	78 042
Total financial assets at fair value through profit and loss	3 312 215	1 529 943

Analysis of financial assets at fair value through profit and loss at 1 January 2014 is as follows:

Table 4.1.2.2

RR thousand

	2014		2013	
	Circulation period	Coupon income	Circulation period	Coupon income
Bonds of international development banks	-	-	from 9 April 2014 to 12 June 2014	from 6.74% to 7.01%

All bonds included in this balance sheet item are denominated in Russian Roubles

As at 1 January 2015 and 1 January 2014 all financial assets at fair value through profit or loss were not pledged to third parties as collateral.

The Bank classifies fair value measurements of securities included in this line item to level 1 of fair value hierarchy, and fair value measurements of derivative financial instruments to level 2 of fair value hierarchy.

4.1.3. Derivative financial instruments

Analysis of derivative financial instruments at 1 January 2015 on the basis of Section II of Form 0409155 is as follows:

Table 4.1.3.1
RR thousand

Instrument	Fair value of assets	Fair value of liabilities	Receivable amount	Payable amount
Derivative financial instruments	3 312 215	408 890	17 817 262	14 929 520
including				
Forward with underlying asset – foreign currency (deliverable)	110 857	265 080	2 375 219	2 444 112
Swap with underlying asset – foreign currency (deliverable)	240 141	143 810	7 970 035	7 476 008
Swap with underlying asset – interest rate (non-deliverable)	65 439	0	721 000	721 000
Swap with underlying asset – interest rate and foreign currency (deliverable)	2 895 778	0	6 751 008	4 288 400

Information about derivatives and term deals other than derivative financial instruments as of 1 January 2014 is presented in the table below:

Derivative financial instruments

Table 4.1.3.2
RR thousand

Instrument	Fair value of assets	Fair value of liabilities
Derivative financial instruments	78 042	24 073
including		
Swap with underlying asset – foreign currency (deliverable)	75 882	-
Swap with underlying asset – interest rate (non-deliverable)	-	24 073
Swap with underlying asset – interest rate and foreign currency (deliverable)	2 160	-

Term deals other than derivative financial instruments

Table 4.1.3.3

Instrument	Receivable amount	Payable amount	Gains from revaluation	Losses from revaluation	Provisions for possible losses
Total term deals	1 040 538	1 052 375	13 892	25 730	3 559
including					
Forward with underlying asset – foreign currency (deliverable)	951 664	970 552	6 841	25 730	3 559
Swap with underlying asset – foreign currency (deliverable)	88 874	81 823	7 051	-	-

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Tables 4.1.3.1 – 4.1.3.3 include:

- derivative financial instruments are the transactions defined under Federal Law No. 39-FZ of 22 April 1996 “On Securities Market” or the international law;
- term deals other than derivative financial instruments are the deals with settlement dates no earlier than the third day after entering into the transaction, which are not derivative financial instruments.

Absence of term deals as at 1 January 2015 is the result of changes introduced to the Bank's Accounting Policy in 2014. The information on the matter disclosed in Section 3 of this Explanatory Note (“Changes made to the Accounting Policy”).

4.1.4. Net loans outstanding

The structure of loans outstanding is as follows:

Table 4.1.4.1
RR thousand

	2014	2013
Placements with the Bank of Russia	14 000 000	4 000 000
Interbank loans and deposits:	13 808 959	10 352 247
Short-term placements with banks	12 476 771	9 982 406
Other placements with banks	1 332 188	369 841
Legal entities	24 405 272	16 749 022
• Corporate loans	23 917 061	16 044 380
• Overdraft loans	485 545	690 731
• Factoring	2 666	13 911
Individuals - consumer loans	33 295	38 381
Provision for loan impairment	125 678	70 943
Total net loans outstanding	52 121 848	31 068 707

Economic sector risk concentrations within net loans outstanding are as follows:

Table 4.1.4.2
RR thousand

	2014		2013	
	Amount	%	Amount	%
Loans to legal entities - Russian residents	24 402 606	99.85	16 735 111	99.69
including (by economic sector)				
Mining	1 406 460	5.76	818 230	4.87
Processing industries	15 372 400	62.90	9 492 439	56.55
Construction	4 200	0.02	0	
Transport and communications	37 000	0.15	0	0.00
Wholesale and retail trade, repairs	3 372 519	13.80	3 882 323	23.13
Real estate transactions, lease and services	2 824 483	11.56	1 851 389	11.03
Other activities	900 000	3.68	0	0.00
For completion of settlements (overdraft loans)	485 544	1.99	690 730	4.11
Factoring	2 666	0.01	13 911	0.08
Consumer loans to individuals	33 295	0.14	38 381	0.23
Total loans outstanding (*)	24 438 567	100.0	16 787 403	100.0

(*) before provisions for possible losses

Analysis of the geographical concentration within net loans outstanding is disclosed in paragraph 5.2.5 of this Explanatory Note.

Maturity analysis of the volume and structure of loans, borrowings and similar debt is disclosed in paragraph 5.2.4 of this Explanatory Note.

4.1.5. Financial investment in securities and other financial assets available for sale

RR thousand

	2014	2013
Russian government bonds – Federal loan bonds (OFZ)	2 703 079	2 505 519

Analysis of debt securities included in investment in securities and other financial assets available for sale is disclosed in the table below:

	1 January 2015		1 January 2014	
	Circulation period	Coupon income	Circulation period	Coupon income
Russian government bonds	from 3 June 2015 to 15 May 2019	from 6.00% to 7.50%	from 3 June 2015 to 31 January 2018	from 6.00% to 7.35%

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As at 1 January 2015 and 1 January 2014 securities recorded within available-for-sale were not pledged to third parties as collateral.

4.1.6. Property and equipment, intangible assets and inventories

Table 4.1.6.1
RR thousand

	Office and computer equipment	Investments in manufacture and acquisition of property and equipment	Total property and equipment	Inventory	Total
Cost at 1 January 2013	190 004	-	190 004	1 854	191 858
Accumulated depreciation	(170 130)	-	(170 130)	-	(170 130)
Carrying value at 1 January 2013	19 874	-	19 874	1 854	21 728
Additions	-	65 728	65 728	2 824	68 552
Transfers	64 981	(64 981)	-	-	-
Disposals (at cost)	(3 028)	(747)	(3 775)	(2 715)	(6 490)
Disposals (accumulated depreciation)	2 535	-	2 535	-	2 535
Depreciation charge	(12 085)	-	(12 085)	-	(12 085)
Carrying value at 1 January 2014	72 277	-	72 277	1 963	74 240
Cost at 1 January 2014	251 957	-	251 957	1 963	253 920
Accumulated depreciation	(179 680)	-	(179 680)	-	(179 680)
Carrying value at 1 January 2014	72 277	-	72 277	1 963	74 240
Additions	-	13 385	13 385	3 254	16 639
Transfers	12 146	(12 146)	-	-	-
Disposals (at cost)	(25 873)	-	(25 873)	(2 800)	(28 673)
Disposals (accumulated depreciation)	25 698	-	25 698	-	25 698
Depreciation charge	(17 250)	-	(17 250)	-	(17 250)
Carrying value at 1 January 2015	66 998	1 239	68 237	2 417	70 654
Cost at 1 January 2015	238 230	1 239	239 469	2 417	241 886
Accumulated depreciation	(171 232)	-	(171 232)	-	(171 232)

In 2014 and 2013 the Bank did not pledge equipment as collateral to third parties.

At 1 January 2015, the amount of total contractual obligations related to acquisition of property and equipment (obligations to pay for the received property and equipment with deferred settlement date (namely, after fulfilment by the supplier of contractual obligations on equipment delivery and bringing to a serviceable condition)) was RR 1 455 thousand (at 1 January 2014: RR 0 thousand).

The Bank did not perform revaluation of property and equipment.

4.1.7. Other assets

The structure of the Bank's other assets is as follows:

Table 4.1.7.1
RR thousand

	2014	2013
Other financial assets		
Amounts due from clearing organisations	546 742	392 750
Interest receivable	103 087	56 785
Receivables on commissions	5 059	4 292
Other	111	115
Provision for possible losses (-)	(3 971)	(2 824)
Total other financial assets	651 028	451 118
Other non-financial assets		
Accrued cash receivables for services provided	42 818	44 851
Deferred expenses	23 628	18 172
Operating lease prepayments	18 176	13 403
Prepayments for services	11 894	8 946
Settlements with staff	3 475	2 923
Budget settlements on taxes	2 627	3 918
Provision for possible losses (-)	0	0
Total other non-financial assets	102 618	92 213
Total other assets	753 646	543 331

The structure of other assets by currency is as follows:

Table 4.1.7.2
RR thousand

	2014	2013
Russian Roubles	101 790	60 048
US Dollar	41 345	430 249
Euro	610 511	53 034
Total other assets	753 646	543 331

Maturity analysis of the volume and structure of other assets is disclosed in paragraph 5.2.4 of this Explanatory Note.

4.1.8. Balances on accounts of credit institutions

Table 4.1.8.1
RR thousand

	2014	2013
Correspondent accounts	1 902 899	6 790 163
Overnight placements	5 629 500	2 129 308
Other received interbank placements and deposits	23 661 717	2 618 336
Total due to other banks	31 194 116	11 537 807

EXPLANATORY NOTE: This version of report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

The Bank has no syndicated loans or obligations to return borrowed securities to the creditor bank.

4.1.9. Amounts due to customers (non-credit institutions)

Table 4.1.9.1
RR thousand

	2014	2013
Legal entities		
• Current/settlement accounts	13 411 046	7 503 662
• Term deposits	10 297 666	10 318 972
Individuals		
• Current/demand accounts	8 521	18 826
• Term deposits	0	1 763
Total due to customers (non-credit institutions)	23 717 233	17 843 223

Economic sector concentrations within customer accounts are as follows:

Table 4.1.9.2
RR thousand

	2014		2013	
	Amount	%	Amount	%
Wholesale and retail trade, repairs	12 060 907	50.87%	8 978 569	50.38%
Processing industries	5 774 094	24.35%	3 977 082	22.31%
Real estate transactions, lease and	1 960 840	8.27%	1 630 621	9.15%
Information technologies	1 532 841	6.47%	1 985 236	11.14%
Research and development	771 496	3.25%	626 383	3.51%
Insurance	629 564	2.66%	47 650	0.27%
Transport and communications	366 157	1.54%	179 114	1.00%
Construction	321 439	1.36%	284 967	1.60%
Mining	176 561	0.74%	4 766	0.03%
Other activities	114 813	0.48%	108 246	0.61%
Total customer accounts	23 708 712	100.00%	17 822 634	100.00%

4.1.10. Debt securities issued (RUB'000)

	2014	2013
Interest-free promissory notes	92	427

The table below discloses the analysis of issued debt securities (in thousands of Russian Roubles):

	1 January 2015		1 January 2014	
	Circulation period (date of placement – date of repayment)	Interest rates	Circulation period (date of placement – date of repayment)	Interest rates
Interest-free promissory notes	15 May 2013 – 6 April 2015	0%	from 3 July 2012 to 15 May 2013 – from 15 August 2014 to 6 April 2015	0%

At 1 January 2015 and 1 January 2014, the Bank had no overdue debt instruments.

4.1.11. Other liabilities

Table 4.1.11.1
RR thousand

	2014	2013
Other financial liabilities		
Interest repayment liabilities	39 462	15 429
Payables	9 533	8 058
Outstanding transfers and settlements	2 066	2 475
Total other financial liabilities	51 061	25 962
Other non-financial liabilities		
Taxes payable other than taxes on income	9 321	10 045
Deferred income	946	1 539
Accrued employee benefit costs	204	20
Settlements with accountable persons	171	15
Total other non-financial liabilities	10 642	11 619
Total other liabilities	61 703	37 581

The structure of other liabilities by currency is as follows:

Table 4.1.11.2
RR thousand

	2014	2013
Russian Roubles	53 076	28 714
US Dollar	2 323	2 258
Euro	6 303	6 608
Other currencies	1	1
Total other assets	61 703	37 581

Maturity analysis of volume and structure of other liabilities is disclosed in paragraph 5.2.4 of this Explanatory Note.

4.1.12. Equity

Share capital of the Bank is represented by ordinary shares. At 1 January 2015 and 2014, all of the Bank's outstanding ordinary shares were fully paid in. All ordinary shares have a nominal value of RR 50 thousand per share (2013: RR 50 thousand per share) and rank equally. Each share carries one vote.

Share premium represents the excess of contributions received over the par value of shares issued.

All of the ordinary shares issued are owned by Commerzbank AG.

In accordance with Russian legislation, the Bank distributes profits as dividends or transfers them to reserves on the basis of financial statements prepared in accordance with Russian Accounting Rules.

4.1.13. Irrevocable commitments

This line item includes:

- undrawn credit lines (including limits on overdraft loans) of RR 10 280 435 thousand at the reporting date and RR 6 721 510 thousand at 1 January 2014, respectively. The majority of the contracts provide for the possibility to close the limit early in case of worsening of the counterparty's (borrower's) financial position;
- nominal commitments on open derivative financial instruments, term and cash (spot) deals without counter claims to counterparties are RR 16 778 154 thousand at the reporting date (RR 17 481 631 thousand at 1 January 2014). This indicator is primarily of short-term nature and therefore subject to significant fluctuations.

4.1.14. Guarantees issued by the Bank

This item in addition to guarantees issued by the Bank includes also commitments on confirmed and opened letters of credit.

4.2. Explanatory note to the statement of financial results

Information on the movements in provisions for possible losses is disclosed in p. 2.2.

In 2014, included in profit were foreign exchange differences, except for foreign exchange differences related to financial instruments through profit or loss, of RR - 2 823 138 thousand (2013: RR 10 587 thousand).

Income tax expense for 2014 includes current income tax of RR 28 563 thousand and deferred income tax of RR 463 762 thousand (2013: RR 369 883 thousand and RR 0 thousand, respectively).

In 2014 and 2013, the Bank had no expense or income as a result of changes in tax rates or enactment of new taxes.

The amount of employee remunerations for 2014 is RR 395 775 thousand (2013: RR 352 661 thousand).

During 2014 and 2013 the Bank:

- had no expenses on research and development;
- did not write off the value of property and equipment to recoverable amount, nor reversed any such write-offs;
- did not perform any restructuring, setting up or release of corresponding provisions.

The cost and the accumulated depreciation of property and equipment are disclosed in paragraph 4.1.6 of this Explanatory Note. The financial result from the disposal of property and equipment items in 2014 was RR -175 thousand (2013: RR 175 thousand). This financial result is recorded within other income and expense.

4.3. Explanatory note to the statement on capital adequacy level

The Bank's objectives when managing capital are (i) to comply with the capital requirements set by the Central Bank of the Russian Federation and (ii) to safeguard the Bank's ability to continue as a going concern.

Internal procedures for assessing capital adequacy (ICAAP) constitute the process implemented by the Bank to assess adequacy of available capital, i.e., internal capital to cover assumed and potential risks. ICAAP also includes the procedures for capital planning on the basis of the Bank's established development strategy, business development goals and the results of comprehensive current assessment of the above risks.

The procedure for risk assessment and management for the purpose of ensuring equity (capital) adequacy is approved by the Supervisory Board. Key provisions of this document are as follows:

In determining the aggregate Bank's equity (capital) required to cover assumed and potential risks the Bank uses regulatory capital. The Bank calculates regulatory capital according to the methodology established by Regulation of the Bank of Russia No. 395-P of 28 December 2012 "On the Methodology to Estimate Equity (Capital) of Credit Institutions ("Basel III")".

Capital adequacy is calculated as the ratio of regulatory capital (determined under the Bank of Russia's methodology) to aggregated quantitative estimate of material risks, namely:

- credit risk on risk-weighted assets;
- credit risk on credit related contingencies;
- credit risk on derivative financial instruments;
- operational risk;
- market risk.

Credit risk

In calculating capital adequacy the Banks assesses assets in accordance with the methodology established by Instruction of the Bank of Russia No. 139-I of 3 December 2012 "On Mandatory Ratios for Banks". This methodology is based upon standardised approach to credit risk assessment recommended by the Basel Committee on Banking Supervision (Basel II). The approach provides for classification of assets into groups from I to V depending upon risk classification and application of risk weighting factor from 0 to 100%. Credit risk on assets is calculated by multiplying the balance (sum of the balances) on the respective balance sheet account(s) or its (their) portion decreased by the amount of provision(s) for possible losses on loans, borrowings and similar debt by the risk factor (in %). Credit risk on credit related contingencies is calculated using the credit equivalent ratio depending upon the risk inherent to the instrument. Credit risk on derivative financial instruments and term deals is determined by assessment of current credit risk and potential credit risk in accordance with the aforementioned Instruction.

Operational risk

The Bank uses Basic Indicator Approach to operational risk assessment for the purpose of estimating the requirements to equity (capital) in respect of operational risk. The application of this method is determined in Regulation of the Bank of Russia No. 346-P of 3 November 2009 "On the Procedure for Calculating Operational Risk". According to the Base Indicative Approach operational risk is determined as the average of the sum of net interest income and net non-interest income received during the three preceding years.

Market risk

For the purpose of estimating the requirements to equity (capital) the Bank uses standardised approach to market risk assessment established by Regulation of the Bank of Russia No. 387-P of 28 September 2012 "On the Procedure for Calculation of Market Risk by Credit Institutions" and developed in accordance with the recommendations of the Basel Committee for Bank Supervision (Basel II).

In determining aggregate market risk exposure standardised approach is used to calculate the following: market risk exposure on securities and derivative financial instruments sensitive to interest rate fluctuation (interest rate risk); market risk exposure on securities and derivative financial instruments sensitive to changes in current (fair) value of equity securities (equity risk); market risk exposure on the positions opened by the Bank in foreign currency and precious metals (currency risk).

In determining market risk exposure calculations are made to individually determine the risk on all net long and short positions depending upon the degree of risk of a financial instrument (security) and overall interest risk, which is calculated separately in each foreign currency and translated into the national currency (Russian Roubles) at the official exchange rate of the Bank of Russia at the date of market risk calculation.

The Bank is integrated into the risk management system of Commerzbank Group, which ensures additional permanent control over risk management from the part of the Bank's Sole Shareholder, and allows the Bank to use the Group's models and risk management systems for efficient risk management.

In addition to the standardised approach, which is based upon the effective regulations of the Bank of Russia on the procedure for risk calculation in assessing capital adequacy, the Bank also uses advanced methods and internal models developed by Commerzbank AG for risk assessment. These models and methodologies have been officially approved by authorised supervisory bodies of the parent bank and approved to be used in determining capital adequacy of Commerzbank Group.

Information about the Bank's risk control and management system and about the most significant risks is disclosed in Section 5 of this Explanatory Note.

Under the current capital requirements set by the Central Bank of Russia, banks have to maintain a ratio of regulatory capital to risk weighted assets (statutory capital adequacy ratios H1.1, H1.2, H1.0 set by Regulation of the Bank of Russia 395-P) above a prescribed minimum level.

Compliance with capital adequacy ratio set by the Central Bank of the Russian Federation is monitored monthly with reports outlining their calculation reviewed and signed by the Bank's Board Chairman and Chief Accountant.

Information about the Bank's compliance with the capital adequacy ratios is disclosed in Section 5 (Table 5.1.1.) of this Explanatory Note.

In accordance with the Bank of Russia's Letter No. 211-T, between 1 December 2014 and 1 July 2015 banks have the right to calculate mandatory ratios using transactions in foreign currencies recorded on the balance sheet and off-balance sheet accounts at the official exchange rates as at 1 October 2014. The Bank did not use the right and calculated mandatory ratios using official exchange rates at the reporting date, i.e., effective exchange rates.

The Bank's equity (capital) does not include any specific instruments (subordinated loans, etc.) in addition to charter capital, funds and reserves. Detailed information about the structure of the Bank's own (regulatory) capital is disclosed in the statement on capital adequacy level within these annual financial statements. Information on the Bank's charter capital is disclosed in p. 4.1.12. of this Explanatory Note.

In 2013 and 2014, the Bank introduced changes to the management of capital policy in order to bring internal documents and procedures into compliance with the new legal requirements, in particular, Regulation of the Bank of Russia No. 395-P

Information on dividend distribution to the Sole Shareholder is disclosed in p. 2.3. of this Explanatory Note.

Information on losses from asset impairment and reversal of impairment losses to capital is disclosed in p. 4.2. of this Explanatory Note.

Explanation to the methodology of calculation of the amounts in the statement on capital adequacy level.

In Section 1 "Information on Capital Adequacy Level" the amounts of risk-weighted assets recorded in lines 2.1 and 2.2 of Section 1 (Information on Capital Adequacy Level) of the Statement on capital adequacy level, amount of provision for doubtful loans and other assets (Form 0409808) are calculated as the sum of risk-weighted assets and other items included in calculation of corresponding capital adequacy ratios in accordance with Instruction of the Bank of Russia No. 139-I of 3 December 2012.

The difference of RR 39 923 thousand between retained earnings shown on the Balance sheet (Form 0409806, line 29, RR 6 345 799 thousand) and the corresponding item of the Statement on capital adequacy level (Form 0409808, Section 1, line 1.1.4, RR 6 305 876 thousand) is related to the adjustments of capital based upon the results of revaluation of securities and derivative financial instruments in accordance with the

methodology of Regulation of the Bank of Russia No. 395-P of 28 December 2012. These negative adjustments, in their turn, are compensated during calculation of the Bank's capital (equity) by positive adjustments of current year profit on the corresponding line item.

4.4. Explanatory note to the statement of cash flows

The amount of the cash and cash equivalents held by the Bank but unavailable for its use at 1 January 2015 is RR 0 thousand (1 January 2014: RR 0 thousand).

As at 1 January 2015, the Bank had unused limits on credit lines opened with commercial banks in the amount of RR 0 thousand (1 January 2014: RR 0 thousand) and with the Bank of Russia in the amount of RR 6 000 000 thousand (1 January 2014: RR 4 000 000 thousand)

5. Information about risks assumed by the credit institution and procedures for risk assessment, risk and capital management

5.1. Information about risks assumed by the credit institution and the methods of risk identification, measurement, monitoring and control

The Bank has developed and approved policies and procedures aimed at risk identification, measurement, monitoring and control.

Detailed information about significant risks to which the Bank is exposed, their sources, structure and organisation of the work of risk management departments, and key provisions of risk and management of capital strategy is disclosed in paragraphs 5.1 and 5.2 of this Explanatory Note to annual statutory financial statements for each significant risk.

The Bank's risk management and control system as a combination of methods and procedures, which enable the Bank to identify, quantify and control its exposure to risks arising on operations of its structural divisions, is based on the aggregate quantitative assessment of all risks and their ratio to the Bank's capital to ensure coverage of risks by capital and financial health in the long-term.

The risk management/control system, all internal policies, recommendations and methods are established at the level of Commerzbank Group and are mandatory for all Commerzbank Group entities, including the Bank. Responsibility for implementing risk policy guidelines laid down by the Board of Managing Directors throughout Commerzbank Group lies with the Chief Risk Officer, who regularly reports to the Risk Management Committee of the Supervisory Board and to the Board of Managing Directors of the Commerzbank Group.

Four separate departments of Commerzbank Group are in charge of risk management and control: Group Risk Management – Credit Risk (GRM-CR), Group Risk Management – Market Risk (GRM-MR), Group Risk Controlling and Capital Management (GRM-CC), Group Risk Management – Intensive Care (GRM-IC). In parallel, there are operating risk management committees: Credit Risk Committee, Market Risk Committee, Operational Risk Committee and Strategic Risk Committee. The Chief Risk Officer acts as a chairman of all four committees and holds the veto power. There is also the Assets and Liabilities Management Committee which deals with the Commerzbank Group's overall asset portfolio. The whole banking risk management cycle is divided into the following steps:

- Identification, quantification and determination of the acceptable level or risks inherent in the banking activities, detection of generic possibilities of losses being incurred by the Bank and/or deteriorating liquidity as a result of unfavourable events caused by internal and/or external factors influencing the Bank's operations.
- Risk monitoring and control. The banking risks are monitored, compliance with established limits and criteria are checked and risks are managed in accordance with the existing Bank's strategy on an ongoing basis.
- Allocation of economic capital. Assessment of profitability based on the existing risks and a change in the field of the Bank's operations and limits on various transactions based on the historical risk-profitability retrospective review.

The Bank has developed an authority system under which risk management responsibilities are distributed between the Supervisory Board, executive bodies (the Bank's Management Board, Chairman of the Board, Executive Committee, Chief Accountant) and the Bank's departments and/or responsible executives (Internal Audit and Internal Control Teams, Risk Control Team, Credit Department).

The Bank's Supervisory Board is responsible for proper operation of the risk management control system, including key risk management. The Bank's Management Board is responsible for implementing

measures to ensure mitigation of risks and monitors compliance of the Bank's operations with the established risk limits. The Chairman of the Bank's Management Board bears direct responsibility for implementing the risk management system in the Bank.

The level of accepted risks is assessed by the divisions which are independent of those involved in the banking transactions. Such divisions are not authorised to take decisions on concluding transactions on behalf of the Bank, including those which have no risk of loss:

- The Credit Department represented by the heads of teams is responsible for assessment of credit risks related to counterparty legal entities and individuals.
- The Risk Control Team is responsible for monitoring and assessing market risks (including interest rate and currency risks), liquidity and operational risks.
- The Statutory Accounting and Reporting Team represented by the head of the team is responsible for assessing the level of accepted risks against mandatory ratios and open currency position.

At the level of Commerzbank Group, the ongoing assessment and control over current risks is also performed by the Central Risk and Capital Management Departments depending on the nature of the accepted risks through direct integration of the Bank's automated banking systems (ABS), including web-applications for risk estimation and established limits control, into the Group's IT infrastructure.

According to Basel requirements, which are binding for all European credit institutions, Commerzbank Group, of which the Bank is a subsidiary, has developed and implemented a relevant business strategy aimed at managing all major economic risks. Based on the scale, market positions and structure of the banking transactions, the Bank applies the following risk grades: financial risks (quantifiable risks), which are the risks analysed using mathematical methods, and non-financial risks. Quantifiable risks are controlled by the structural divisions involved into asset-liability management.

The Bank classifies the following risks as non-financial:

Reputational risks – the possibility of financial loss due to declining confidence in the Bank on the part of the public, depositors or business partners.

Strategy and business risks – the possibility of financial loss resulting from the development shaped by the past, present or future critical commercial and political decisions.

The key objective of the strategy risk management is maintaining the risk assumed by the Bank at the level defined in accordance with its strategic objectives and ensuring maximum safety of assets and capital based on minimisation (exclusion) of possible loss. The key methods used in managing strategy and business risks are business and financial planning, control over achievement of the approved plans, analysis of changes in the market environment and adjustment of the plans.

The Bank classifies the following risks as financial:

Credit risk, market risk, (including currency and interest rate risks), liquidity and operational risk.

Operational risk is the risk of losses through inadequate or defective systems and processes, human or technical failures or external events, such as system breakdowns or damage. GRM-CC determines the operational risk strategy and principles. The Bank's Management Board is responsible for implementation of these policies and guidelines, for introduction and application of the methodologies and tools developed by GRM-CC, for performance of detailed risk estimation, proactive operational risk management and initiation of risk mitigating steps.

Operational risk is measured using both the bottom-up and top-down approach. The internally recorded loss data are enhanced by industry data, which is also used in the scenario analysis. The qualitative assessment is regularly carried out across all of the Bank's processes using structured questionnaires. The assessment is supplemented by the use of key risk indicators which allow for monitoring sensitive processes as part of the daily operational risk management.

Operational risk is assessed through mathematical-statistical risk modelling. Through the analysis of internal and external loss data in considering qualitative ratings, the model calculates both the economic and regulatory capital in terms of VaR.

In order to ensure that banking activities are maintained and to minimise losses arising from serious interruptions of its operations, the Bank has a business continuity plan and a contingency policy, which are approved by the Bank's management and agreed with the Operational Risk Committee of the Commerzbank Group.

Subcategories of operational risk include internal and external fraud risk, information technology risk, legal risk, organisational risk, business process risk and catastrophe and emergency risks.

Market risk represents a possibility of financial loss as a result of changing market value of the Bank's assets or liabilities. This risk arises on transactions with instruments which are traded in the secondary market and are exposed to a risk of interest rate, exchange rate, share price or exchange commodity price fluctuations.

Market risk is divided into the following components: currency and interest rate risk.

Currency risk. The Bank takes on exposure to effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows.

Interest rate risk is the risk of adverse effects of changes in market interest rates on the capital or current income. The mismatch between interest periods for claims and liabilities reported in the statement of financial position represents the most important source of this risk.

Market risk represents exposure to a potential negative change in value of the Bank's positions as a result of changes in market prices (interest rates, spreads, currency prices, etc.), their derivatives or parameters which influence prices. Changes in value can be recorded both in the Bank's income/expense and capital (for assets held for sale).

Market risk components include: general market risk (risk arising as a result of changes in the general level of interest rates, exchange rates, indices and respective volatility) and specific market risk (includes all the remaining market risks: a risk resulting from changes in the specific instruments and risks arising on extraordinary market movements of certain financial institutions). Market risk is assessed using Value at Risk (VaR) modelling.

The Bank applies 1-day holding period and a 97.5% confidence level to VaR calculation. General market risk is calculated by means of historical simulation. The latest 254 days are taken into account to estimate profit/loss probability distribution of any given portfolio. The specific market risk is assessed by means of credit spread variance, where credit spread is the difference in the yield of financial instruments due to a different credit quality. Internal model is used for calculation of the market risk. The Group Risk Management - Market Risk (GRM-MR) of Commerzbank Group is responsible for changing the model parameters. Major changes in the model require approval of the Board of Directors of Commerzbank Group.

VaR model is based on historical data, thus its forecasting capability is limited. Reliability of this model is regularly checked by back-testing. The validation is based on the actual profit/loss for the portfolio under the same assumptions over the same holding period. Comparing each VaR figure to the respective back-testing profit/loss for a certain period gives a meaningful picture of how well the model performed in forecasting risk. If the model captures all risks and estimates VaR correctly, the number of observations with back-testing exceeding VaR must correspond to its confidence level. Some more sophisticated back-testing methods are also used by the Bank, including those for reviewing the reliability of results obtained on the basis of VaR. Although VaR allows for assessing possible losses in the general market environment it does not allow for projecting loss under extreme market conditions. According to Commerzbank Group's methodology and guidelines of the Basel Committee, on a daily basis, the Bank additionally calculates figures using stress-VaR approach which considers application of possible stressful events for certain positions.

To reduce its market risks, the Bank takes the following steps:

- sets limits on the level of exposure by currency and in total for both overnight and intra-day positions;
- controls compliance with the established market risk limits and open currency positions (OCP) in total across all currencies and monitors OCPs on a currency-by-currency basis;

- has the Procedure for Putting Foreign Exchange Transactions on Currency Position and Payments on Payment Position in place under which the Local Markets Department is informed about all movements in the open currency position;
- monitors market risks (interest rate and currency risks) on a regular basis using the software application developed by Commerzbank AG. In case of a potential unfavourable change in the currency risk the Bank has a plan in place to change the currency structure of its assets and liabilities.

Interest rate risk is managed through optimisation of the asset and liability structure in terms of maturities and rates and on the basis of the gap analysis of assets and liabilities and analysis of instruments sensitivity to changes in interest rates. To manage market risk, the Bank uses the following methods:

- bringing down interest rate risk by pursuing conservative interest rate policy;
- ensuring a balanced and flexible approach in establishing interest rates for attraction and placement of resources;
- analysing an interest rate gap to identify the Bank's potential exposure to market interest rate fluctuations;
- analysing assets and liabilities by maturity and interest rate;
- including a clause in the agreements to be concluded on possible revision of the fee charged for services provided depending on changes in the refinancing and market rates.

Liquidity risk characterises such aspect of the Bank's solvency as the risk of it failing to meet liabilities when due. Liquidity risk includes the risk of failure to meet an obligation in the required currency and at current market rates. Liquidity risk reflects the availability of finance (in the capital and monetary market) and the liquidity of assets. Efficient management of this risk requires measurement and control systems which allow for reviewing the full maturity spectrum of the underlying banking products. Ensuring that the Bank is solvent at all times is the duty of the Treasury.

Solvency at the Group level is measured on the basis of internal liquidity model based on gap analysis of liquidity profile mismatch (LAB – Liquiditaetstablaufbilanz). The Bank assesses liquidity risk based on daily liquidity gap analysis (LAB), which is based on evaluation of expected cash flows from all the Bank's transactions during unlimited time interval. LAB analysis is formed on a daily basis taking into account seven cash flow types (7-LAB step modelling) allocated by time intervals, including expected cash flows from contractual obligations (balance sheet and off-balance sheet), modelled cash flows from instruments with uncertain timing and cash flows modelled with account for customer behaviour and financial instrument type.

Calculated liquidity cash flows (LAB) indicate the extent to which the Bank is able to cover liquidity shortfalls by making use of its liquidity reserves. These liquidity reserves consist of all liquid assets like bonds or loans eligible for collateral in transactions with the CBR. Only unencumbered assets (i.e. those not subject to repo or lending transaction) are considered. All above assets are grouped into different asset classes depending on the instrument's market liquidity. Based on these classifications a projection of the amount of cash that can be generated by repo agreements for these assets is prepared. Balance sheet liquidity flows are calculated daily under normal and stress scenarios and contain all relevant repo receipts by currency that can be realised based on the Bank's current assets.

LAB Concept assumes stable funding, which defines the proportion of the loan portfolio and other financial instruments with maturities over one year to long-term finance, including the Bank's long-term customer deposits. This concept serves as the basis for decisions on attraction of long-term finance and the terms of attracting funds.

The Bank identifies assets as a cover for identified possible future liquidity gaps. Such gaps are closed by borrowing against liquid assets or disposal of such assets. Liquidity ratios are calculated under current market conditions and under various stress scenarios influenced by either market or behavioural factors.

Liquidity risk is additionally controlled by means of differentiated system of limits on the basis of LAB analysis. Steering limits are set for each individual currency and for aggregated forward cash position based on the going concern assumption. Independent GRM-MR divisions monitor compliance with the limits on a

daily basis for each segment (the Local Markets Department and the Treasury Department) and for the Bank as a whole. All limit overruns are reported to the Group's Treasury (GM-T) and the Market Risk Committee.

As part of the Group's general project to implement the requirements of the Basel Committee on Banking Supervision, the Bank, in particular, is actively involved in the process of data collection and liquidity ratio calculation (LCR – Liquid Coverage Ratio, NSFR – Net Stable Funding Ratio) in accordance with Basel III requirements.

To comply with statutory requirements, the Bank calculates liquidity ratios on a daily basis. These ratios are:

- Quick liquidity ratio (H2), which is calculated as the ratio of highly-liquid assets to liabilities payable on demand.
- Current liquidity ratio (H3) is calculated as the ratio of liquid assets to liabilities maturing within 30 days.
- Long-term liquidity ratio (H4) is calculated as the ratio of long-term assets (with maturity of over one year) to long-term liabilities and equity.

Credit risk is the risk of losses or lost profits due to defaults of counterparties. Credit risk also covers country risk, counterparty risk and settlement risk arising from trading activities.

Credit risk is managed in the context of the Bank's credit risk strategy. In order to ensure compliance with credit risk strategy and to restrict concentration of risk, the parameters of strategically acceptable credit product structure (including country parameters) are established, as well as target risk limits for the sections of credit portfolio and concentration risks on Group level. For the components of loan portfolio that do not comply with the above parameters decision needs to be taken at a higher level.

The responsibility for credit risk management at Group level lies with GRM-CRC Department. Local credit offices of Commerzbank Group, including the Bank, are responsible for the management of the respective loan portfolios, paying close attention to the Group Credit Guidelines and operating within their lending authority. The General Lending authority is represented by the Group bodies starting from regional board level up to the Board of Directors depending on lending amounts and borrower's internal ratings.

The Bank applies the following methods of credit risk measurement and management: expert credit risk level assessment, internal rating system; the forecast of exposure at default (EAD) and loss given default (LGD); calculation of unexpected loss (UL) (application of economic capital with confidence level of 99.95% during the period of 1 year).

The internal rating system is one of the most important elements of credit risk policy. The rating procedure includes both quantitative and qualitative assessment of the counterparties. The final rating is attributed as a result of these procedures. The rating procedure is based on the assessment of the following indicators: the analysis of financial statements for current and prior periods (including the accounting policies), the analysis of industry and the competitive position of the counterparty in this industry, the assessment of the quality of management and business reputation, the review of credit history, the assessment of turnovers on the bank accounts, the analysis of qualitative risk indicators and mitigating risk factors, such as direct debit right, etc. Quasi-rating is attributed at each stage of the analysis, and the final internal rating is drawn from aggregation of quasi-ratings, the calculation of default probability, loss given default and exposure at default.

Internal financial rating measures probability of default while credit rating is a measure of loss given default.

Rating procedure varies depending on the customer type: the rating procedure for corporate banking segment pays specific attention to probability of default indicator and detailed analysis of financial statements; the rating procedure for project and structured finance segment focuses on expected loss and scenario simulation. The responsibility for rating assignment lies with GRM-CR and the Credit Department of the Bank.

Based on the existing banking group procedures and in view of the Bank of Russia's requirements, Commerzbank (Eurasija) SAO has an internal credit policy document which outlines the areas covered by its

credit policy, principles and approaches to credit risk assessment and monitoring, specifics of credit authority allocation and credit documentation standards.

Overall at the Bank's level, risk management (credit risk specifically) is leveraged with the continuous monitoring and control of the Bank's operations by the parent Commerzbank AG (Germany). In most cases, to begin working with new products and implementing new applications, it is necessary to obtain authorisation not only from the Bank's management, but also from the parent bank, including approval of the product by all functional divisions.

Internal reporting on risk-related matters is provided to the Management and the Supervisory Board on a semi-annual basis. These reports include the information about the volume of accepted risks by risk type, information about capital requirements and projected capital requirements for the foreseeable period.

During the period the Bank complied with the requirements to mandatory ratios in accordance with Instruction of the Bank of Russia No. 139-I of 3 December 2012 "On Mandatory Ratios for Banks".

Capital adequacy ratios are presented in the table below:

Table 5.1.1 (%)

	Ratio	at 1 January 2015	at 1 January 2014	Maximum value during the period	Minimum value during the period	Average value during the period
Own (regulatory) capital adequacy ratio (H1.0)	Above 10%	26.1	38.3	39.0	26.1	34.2
Core (Common Equity Tier 1) capital adequacy ratio of a credit institution (H1.1)	Above 5%	22.8	34.5	37.8	22.8	31.4
Tier 1 capital adequacy ratio of a credit institution (H1.2)	Above 5% (from 1 January 2015) above 6%	22.8	34.5	37.8	22.8	31.4

In 2014 and 2013, there were no violations of the above requirements.

Detailed information on the degree of risk concentration from various banking transactions by geographical area, currency, borrower, borrower's activity, market is disclosed in paragraph 5.2 of this Explanatory Note to annual statutory financial statements.

The Bank analyses credit risk concentration in accordance with the requirements of N6 and N7 ratios calculated in accordance with Instruction of the Bank of Russia No. 139-I.

Liquidity risk and market risk concentrations are analysed on a daily basis in the course of operational risk monitoring.

5.2. Summary of risks inherent in various banking transactions of the credit institution

5.2.1. Credit risk

Information about the concentration of credit risk by the Bank's line of business, type of operations and type of customer as at 1 January 2015 and 1 January 2014 is disclosed in respective paragraphs of Explanatory note to the balance sheet. Information about geographic concentration of credit risk is disclosed in paragraph 5.2.5 of this Explanatory Note

Disclosure of classification of assets by risk group (nominal amounts less provisions for possible losses) in accordance with paragraph 2.3 of Instruction of the Bank of Russia No. 139-I is presented below:

Table 5.2.1.1
RR thousand

	2014	2013
Amount of assets classified to Risk Group I	20 035 523	8 749 991
Amount of assets classified to Risk Group II	27 816 493	16 892 211
Amount of assets classified to Risk Group III	0	0
Amount of assets classified to Risk Group IV	3 613 464	4 100 292
Amount of assets classified to Risk Group V	0	0
Amount of assets for which market risk is calculated	2 703 079	3 957 421
Total	54 168 559	33 699 915

Provided below is the information on classification of assets by quality category and provision for possible losses as at 1 January 2015 in accordance with Regulation of the Bank of Russia No. 254-P "On the Procedure for Booking Provisions against Possible Losses from Loans, Borrowings and Similar Debt by Credit Institutions" of 26 March 2004 and Regulation of the Bank of Russia No. 283-P "On the Procedure for Booking Provisions against Possible Losses by Credit Institutions" of 20 March 2006:

Table 5.2.1.2
RR thousand

Name	Amounts due from credit institutions	Loans outstanding				Other assets
		Total	including loans outstanding			
			banks	legal entities	individuals	
Quality category I	2 153 447	34 030 990	13 590 028	20 440 962	0	675 840
Quality category II	1 476	3 881 944	218 925	3 663 019	0	19 063
Quality category III	-	197 152	0	163 857	33 295	6 983
Quality category IV	-	68 343	0	68 343	0	0
Quality category V	-	69 097	6	69 091	0	2 511
Total	2 154 923	38 247 526	13 808 959	24 405 272	33 295	704 397
Restructured not overdue debt	-	3 464 755	0	3 464 755	0	-
Overdue debt (*)						
- less than 30 days overdue	-	0	-	-	-	0
- 31 to 90 days overdue	-	0	-	-	-	0
- 91 to 180 days overdue	-	6	6	-	-	59
- over 180 days overdue	-	69 091	-	69 091	-	485
Total estimated provision	30	220 886	4 385	214 751	1 750	
Total actual provision	30	125 678	4 385	119 543	1 750	3 970
Receivables less actual provision for possible losses	2 154 893	38 121 848	13 804 574	24 285 729	31 545	700 427

(*) For the purposes of presentation of this information debt is considered fully overdue if at least one instalment of principal and (or) interest repayment is not made on the date set by the contract.

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The difference of RR 14 000 000 thousand shown in the table on net loans outstanding (RR 38 121 848 thousand) as at 1 January 2015 compared to the corresponding line in the published statement of financial position – OKUD form 0409806 (RR 52 121 848 thousand) represents the amount of deposits in the Bank of Russia.

Restructured outstanding loans and equivalent debt include outstanding loans and equivalent debt with renegotiated maturities of the principal debt and interest payment schedule, and outstanding loans and equivalent debt with a changed interest rate and amended rate calculation formula. As at 1 January 2015, the amount of restructured not overdue debt was 5.1% of the total assets (1 January 2014: 3.4%). As at 1 January 2015, the amount of overdue debt was 0.0% of the total assets (1 January 2014: 0.0%).

Information about booked and released provisions for possible losses is disclosed in "For Reference" Section of Form 0409808 of these annual financial statements.

Provided below is the information on classification of assets by quality category and provision for possible losses as at 1 January 2014 in accordance with Regulation of the Bank of Russia No. 254-P "On the Procedure for Booking Provisions against Possible Losses from Loans, Borrowings and Similar Debt by Credit Institutions" of 26 March 2004 and Regulation of the Bank of Russia No. 283-P "On the Procedure for Booking Provisions against Possible Losses by Credit Institutions" of 20 March 2006:

Table 5.2.1.3
RR thousand

Name	Amounts due from credit institutions	Loans outstanding				Other assets
		Total	including loans outstanding banks	legal entities	individuals	
Quality category I	1 922 609	24 720 175	10 226 060	14 486 961	7 154	498 408
Quality category II	5 567	2 199 228	5	2 167 996	31 227	6 927
Quality category III	-	166 377	126 182	40 195	-	323
Quality category IV	-	8 900	-	8 900	-	-
Quality category V	-	44 970	-	44 970	-	2 679
Total	1 928 176	27 139 650	10 352 247	16 749 022	38 381	508 337
Restructured not overdue debt	-	1 458 982	126 182	1 325 646	7 154	-
Overdue debt:						
- less than 30 days overdue	-	-	-	-	-	-
- 31 to 90 days overdue	-	8 900	-	8 900	-	-
- 91 to 180 days overdue	-	-	-	-	-	-
- over 180 days overdue	-	-	-	-	-	-
Total estimated provision	111	140 903	37 855	102 111	937	-
Total actual provision	111	70 943	37 855	32 151	937	2 824
Receivables less actual provision for possible losses	1 928 065	27 068 707	10 314 392	16 716 871	37 444	505 513

The difference of RR 4 000 000 thousand shown in the table on net loans outstanding (RR 27 068 707 thousand) as at 1 January 2014 compared to the corresponding line in the published statement of financial position – OKUD form 0409806 (RR 31 068 707 thousand) represents the amount of deposits in the Bank of Russia.

The following table provides information about collateral considered in calculation of provisions for possible loan losses in accordance with the requirements of Regulations of the Bank of Russia No. 254-P and 283-P:

Table 5.2.1.4
RR thousand

	1 January 2015			1 January 2014		
	Collateral value	Amount taken as category I collateral	Amount taken as category II collateral	Collateral value	Amount taken as category I collateral	Amount taken as category II collateral
Banking guarantees	6 552 339	6 552 339	0	1 200 922	1 200 922	0
Other guarantees	48 000	48 000	0	48 000	48 000	0
Cash deposits	54 683	54 683	0	21 228	21 228	0
Total collateral	6 655 022	6 655 022	0	1 270 150	1 270 150	0

The Bank accepts generally a wide range of assets and instruments as a collateral. The full list of those is provided in the internal regulations of the Bank. Specific requirements to loan collateral are determined on the basis of the credit decision. Security instruments accepted by the Bank may not be in strict compliance with the formal requirements of the Bank of Russia to the collateral eligible for reduction of estimated provisions for possible loan losses, however, all accepted collateral irrespective of quality category performs one or several functions:

- Collection: collateral is regarded as the source of loan repayment in case of borrower's default. Foreclosure of collateral results in collection of the Bank's funds.
- Motivation: collateral is used as a mechanism motivating customer to repay loan. It restricts customer's ability to use and dispose of the collateral or to enforce the right to obtain the collateral and thus motivates the customer to repay borrowed funds to the Bank.
- Restriction: it restricts customer's ability to increase the amount of secured borrowed funds. Documenting collateral in favour of a creditor is restricted by the necessity to execute similar deal in favour of another one. It ensures the Bank's priority in the line of creditors in case of borrower's default by limiting third parties' ability to perform priority debt collection (if a debt is secured by pledge of property).
- Information: Monitoring and analysis of the information about collateral allows the bank to receive information on the customer's overall activities. Identification of negative factors in the customer's activities in the course of collateral control enables the bank to prevent appearance of non-performing loans.

The Bank's procedure for collateral valuation, regularity of valuation for different types of collateral, of fair valuation of collateral sold or repledged as well as existence of the Bank's obligation to return collateral are included in the internal instruction on administration of secured transactions. Under the Instruction valuation of the property taken as collateral is a set of measures aimed at determining market value or other special value of property pledged as collateral.

The primary objective of valuation of property taken as collateral is timely identification and determination of qualitative and quantitative parameters of property pledged as collateral, consideration of its legal status, storage or operation conditions. All this forms the basis for the set of measures aimed at protection of the Bank's interests in the area of securing loans with collateral.

Valuation of property offered as a collateral is performed before/after execution of the collateral agreement depending upon the terms and conditions of Credit Decisionl.

Pledged property is revalued at least once a year.

As at 1 January 2015 and 1 January 2014, the Bank did not pledge any material assets as a collateral. The entire securities portfolio of the Bank is included in the Lombard List of the Bank of Russia and is available for pledging as collateral in case of necessity to obtain intra-day or lombard loans from the Bank of Russia and to conclude REPO agreements with the Bank of Russia.

5.2.2. Market risk

As at 1 January 2015, market risk used to calculate capital adequacy ratios in accordance with Regulation of the Bank of Russia No. 387-P was RR 2 046 343 thousand (1 January 2014: RR 449 137 thousand).

For the purposes of control over market risk (including interest rate, currency and credit spread risks) the Bank distinguishes trading book and banking book. The Bank's trading book includes trading securities and derivatives; banking book includes all other financial assets and liabilities. Market risk valuation (VaR) for combined positions of trading and banking books is lower than the sum of VaR of books taken individually due to general portfolio aggregation effect whereby portfolios with not fully correlated sensitivities to market would partially hedge each other if considered together.

Market risk exposure of the Bank as at 1 January 2015 as measured by VaR is presented in the table below.

RR thousand

Treasury Department					
Portfolio	Interest rate	Credit spread	Foreign currency	Total	
Trading book	55 973	-	43 671	75 109	
Banking book	55 153	9 773	25 902	50 847	
Local Markets Department					
Portfolio	Interest rate	Credit spread	Foreign currency	Total	
Trading book	1 299	-	1 230	1 845	

Market risk exposure of the Bank as at 1 January 2014 as measured by VaR is presented in the table below.

RR thousand

Treasury Department					
Portfolio	Interest rate	Credit spread	Foreign currency	Total	
Trading book	5 481	3 861	6 423	6 903	
Banking book	1 612	28	13 323	14 532	
Local Markets Department					
Portfolio	Interest rate	Credit spread	Foreign currency	Total	
Trading book	67	-	4 698	3 891	

Information about sensitivity of the Bank's assets and liabilities is disclosed below:

Interest rate risk

The revision of the interest rate for all interest bearing financial assets and liabilities of the Bank is performed within 5 years period (2013: within 5 years).

The Bank is exposed to cash flow interest rate risk, principally through assets and liabilities for which interest rates are reset as market rates change. The Bank is also exposed to fair value interest rate risk as a result of assets and liabilities at fixed interest rates.

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The Bank monitors on a daily basis the level of mismatch of interest rate of assets and liabilities of the Bank. In the absence of any available hedging instruments the Bank normally seeks to match its interest rate positions.

Interest rate risk is measured on the basis of net present value approach, applying historical simulation method. Sensitivity of the Bank's net assets to interest rate increase is reported to, and reviewed by, the management of the Bank daily. Sensitivity of net assets to interest rate increase by 600 basis points (6%) in Russian Roubles, and by 100 basis points (1%) in Euros and US Dollars is presented in the table below. Sensitivity of the Bank's net assets to a decrease in interest rates will be approximately the same, but with opposite sign:

	2014	2013
		RR thousand
EURO	1 182	14 107
Russian Roubles	208 596	(378 636)
US Dollars	5 925	(6 714)

The value and the structure of debt securities portfolio is disclosed in paragraphs 4.1.2 and 4.1.4 of this Explanatory Note to annual financial statements. The table below presents sensitivity of the value of securities portfolio to an increase in interest rates by 600 basis points (6% p.a.). Sensitivity to a decrease in interest rates by 600 basis points (6%) will be approximately the same, but with opposite sign:

	1 January 2015	1 January 2014
		RR thousand
Securities at fair value through profit or loss	-	(4 086)
Securities available for sale	(251 316)	(273 696)

Currency risk

The Bank takes on exposure to effects of fluctuations in the prevailing foreign exchange rates on its financial position and cash flows. In addition to monitoring Value at Risk as described above, the Management Board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions taking into account the requirements of Instruction of the Bank of Russia No. 124-I. Actual exposures against limits are monitored daily.

The table below presents sensitivity of the Bank's net assets to an increase in the foreign currency exchange rates by 30% (2013: 20%) calculated on the basis of open currency positions determined under the methodology of the above Instruction of the Bank of Russia (form 0409634):

	2014	2013
		RR thousand
EURO	154 530	(32 460)
US Dollars	62 790	(8 800)
Other currencies in aggregate	11 610	6 660

Sensitivity of the Bank's net assets to a decrease in exchange rates by 30% (2013: 20%) will be approximately the same, but with opposite sign.

5.2.3. Operational risk

As at 1 January 2015, operational risk used to calculate capital adequacy ratios in accordance with Instruction of the Bank of Russia No. 139-I and Regulation of the Bank of Russia No. 395-P was RR 345 688 thousand (1 January 2014: RR 310 511 thousand).

5.2.4. Liquidity risk

The Bank maintains a stable funding base primarily consisting of amounts due to other banks, legal entities' deposits and its own capital. The Bank invests in diversified portfolios of liquid assets in order to be able to respond quickly and smoothly to unforeseen liquidity requirements.

The table below shows the Bank's assets and liabilities by their remaining maturity. Assets include only the assets of Quality categories I and II (the latter are shown net of provision for possible losses).

Other line items of assets and liabilities include expected interest receivable/payable. The deals with settlement dates not earlier than the second business day after entering into the transaction are shown gross in the nominal amounts of receivables and liabilities together with expected interest. Calculations are made in accordance with the methodology of Form 0409125, including letters of credit, term deals and deals with settlement later than the day of entering into the transaction.

Off-balance sheet instruments are recognised with account for payment probability, including:

- on unused by customers limits on current account lending (overdrafts) - 20%
- on issued letters of credit and guarantees of Quality categories IV and V - 100%

As of 1 January 2015:

Table 5.2.4.1
RR thousand

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Total
ASSETS							
Cash on hand	60 192	0	0	0	0	0	60 192
Accounts with the Central Bank of the Russian Federation	5 665 023	0	0	0	0	310 308	5 975 331
including mandatory reserves	0	0	0	0	0	310 308	310 308
Amounts due from credit institutions	2 154 893	0	0	0	0	0	2 154 893
Financial assets at fair value through profit or loss (*)	0	0	0	0	0	0	0
Net loans outstanding	31 503 101	5 165 052	5 898 205	9 259 742	2 857	0	51 828 957
Net investment in securities and other financial assets available for sale	2 703 079	0	0	0	0	0	2 703 079
Current income tax receivable	0	0	0	0	0	380 438	380 438
Deferred tax asset	0	0	0	0	0	183 755	183 755
Property and equipment, intangible assets and inventories	0	0	0	0	0	70 654	70 654

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	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Total
Other assets, including	765 582	391 209	359 639	859 968	0	97 684	2 474 082
Interest receivables (including coupon income)	212 222	391 209	359 639	859 968	0	0	1 823 038
Other liquid assets	553 360	0	0	0	0	97 684	651 044
Total assets	42 851 870	5 556 261	6 257 844	10 119 710	2 857	1 042 839	65 831 381
Receivables on derivative financial instruments and deals with settlement later than the day of entering into the transaction	10 825 449	1 207 755	23 287	6 838 091	0	0	18 894 582
LIABILITIES							
Loans, deposits and other funds of the Central Bank of the Russian Federation	0	0	0	0	0	0	0
Amounts due to credit institutions	20 234 079	8 147 117	0	2 812 920	0	0	31 194 116
Amounts due to customers (non-credit institutions)	22 368 296	1 194 588	154 349	0	0	0	23 717 233
Including deposits of individuals	8 521	0	0	0	0	0	8 521
Financial liabilities at fair value through profit or loss (*)	0	0	0	0	0	0	0
Debt securities issued	0	92	0	0	0	0	92
Current income tax liability	2 575	0	0	0	0	0	2 575
Deferred tax liability	0	0	0	0	0	589 910	589 910
Other liabilities, including	154 378	30 656	4 955	35 413	0	946	226 348
Interest repayment liabilities	130 508	30 656	4 955	35 413	0	0	201 532
Other liabilities	23 870	0	0	0	0	946	24 816
Total liabilities	42 759 328	9 372 453	159 304	2 848 333	0	590 856	55 730 274
Liabilities on derivative financial instruments and deals with settlement later than the day of entering into the transaction	10 419 343	1 395 670	112 826	5 427 245	0	0	17 355 084

(*) Receivables and liabilities related to derivative financial instruments and deals with settlement later than the day of entering into the transaction that are carried on the balance sheet at fair value are shown within corresponding items and recognised without discounting at expected payment dates.

As of 1 January 2014:

Table 5.2.4.2

RR thousand

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Total
ASSETS							
Cash on hand	22 235	0	0	0	0	0	22 235
Accounts with the Central Bank of the Russian Federation	4 412 715	0	0	0	0	315 041	4 727 756
including mandatory reserves	5 997	0	0	0	0	315 041	321 038
Amounts due from credit institutions	1 925 447	0	0	0	0	2 618	1 928 065
Financial assets at fair value through profit or loss (*)	1 451 901	0	0	0	0	0	1 451 901
Net loans outstanding	14 795 611	2 618 531	3 678 208	9 686 811	94 083	0	30 873 244
Net investment in securities and other financial assets available for sale	2 505 519	0	0	0	0	0	2 505 519
Current income tax receivable	0	0	0	0	0	30 127	30 127
Deferred tax asset	0	0	0	0	0	0	0
Property and equipment, intangible assets and inventories	0	0	0	0	0	74 240	74 240
Other assets, including	539 078	233 300	289 679	597 132	0	89 418	1 748 607
Interest receivables (including coupon income)	141 677	233 300	289 679	597 132	0	0	1 261 788
Other liquid assets	397 401	0	0	0	0	89 418	486 819
Total assets	25 652 506	2 851 831	3 967 887	10 283 943	94 083	511 444	43 361 694
Receivables on derivative financial instruments and deals with settlement later than the day of entering into the transaction	16 388 643	1 106 700	177 882	65 508	0	0	17 738 733
LIABILITIES							
Loans, deposits and other funds of the Central Bank of the Russian Federation	0	0	0	0	0	0	0
Amounts due to credit institutions	8 919 471	981 876	0	1 636 460	0	0	11 537 807
Amounts due to customers (non-credit institutions)	15 114 193	944 232	3 822	1 780 976	0	0	17 843 223
Including deposits of individuals	18 826	0	0	1 763	0	0	20 589
Financial liabilities at fair value through profit or loss (*)	0	0	0	0	0	0	0

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	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	From 1 to 5 years	Over 5 years	No maturity	Total
Debt securities issued	0	0	366	61	0	0	427
Current income tax liability	2 049	25 909	0	0	0	0	27 958
Deferred tax liability	0	0	0	0	0	0	0
Other liabilities, including	76 880	11 584	4 979	918	0	1 539	95 900
Interest repayment liabilities	28 309	11 584	4 979	918	0	0	45 790
Other liabilities	48 571	0	0	0	0	1 539	50 110
Total liabilities	24 112 593	1 963 601	9 167	3 418 415	0	1 539	29 505 315
Liabilities on derivative financial instruments and deals with settlement later than the day of entering into the transaction	16 242 839	1 076 671	540 678	84 295	0	0	17 944 483

(*) Receivables and liabilities related to derivative financial instruments and deals with settlement later than the day of entering into the transaction that are carried on the balance sheet at fair value are shown within corresponding items and recognised without discounting at expected payment dates.

5.2.5. Geographical risk concentration

Assets, liabilities and credit related commitments are classified based on the country in which the counterparty is located. The information on non-resident customers (branches and representative offices of foreign companies) is presented by the location of the head office. Cash on hand and property and equipment have been allocated based on the country in which they are physically held.

The geographical concentration of the Bank's financial assets and liabilities at 1 January 2015 is set out below:

Table 5.2.5.1

Line item	Total	Russian Federation	CIS countries	Developed countries	thereof: Germany
ASSETS					
Cash on hand	60 192	60 192			
Accounts with the Central Bank of the Russian Federation	5 975 331	5 975 331			
including mandatory reserves	310 308	310 308			
Amounts due from credit institutions	2 154 893	33 545		2 121 348	1 611 037
Financial assets at fair value through profit or loss	3 312 215	110 857		3 201 358	3 201 358
Net loans outstanding	52 121 848	39 020 474	624 603	12 476 771	11 026 646
Net investment in securities and other financial assets available for sale	2 703 079	2 703 079			
Property and equipment, intangible assets and inventories	70 654	70 654			
Other assets	1 317 839	1 248 677	3 311	65 851	
Total assets	67 716 051	49 222 809	627 914	17 865 328	15 839 041

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Line item	Total	Russian Federation	CIS countries	Developed countries	thereof: Germany
LIABILITIES					
Amounts due to credit institutions	31 194 116	1 450 000	0	29 744 116	29 198 076
Amounts due to customers (non-credit institutions)	23 717 233	22 615 039	2 448	1 099 689	791 093
Including deposits of individuals	8 521	7 881	143	496	416
Financial liabilities at fair value through profit or loss	408 890	265 080		143 810	143 810
Debt securities issued	92	92			
Other liabilities	654 188	596 545	0	57 643	7 236
Provisions for credit related contingencies, other possible losses and transactions with offshore residents	201 511	199 174	87	0	
Total liabilities	56 176 030	25 125 930	2 535	31 045 258	30 140 215

The geographical concentration of the Bank's financial assets and liabilities at 1 January 2014 is set out below:

Table 5.2.5.2

Line item	Total	Russian Federation	CIS countries	Developed countries	thereof: Germany
ASSETS					
Cash on hand	22 235	22 235	-	-	-
Accounts with the Central Bank of the Russian Federation including mandatory reserves	4 727 756	4 727 756	-	-	-
Amounts due from credit institutions	1 928 065	111 655	-	1 816 410	140 037
Financial assets at fair value through profit or loss	1 529 943	-	-	1 529 943	78 042
Net loans outstanding	31 068 707	20 756 178	179 639	10 132 890	9 982 406
Net investment in securities and other financial assets available for sale	2 505 519	2 505 519	-	-	-
Property and equipment, intangible assets and inventories	74 240	74 240	-	-	-
Other assets	573 458	527 116	155	46 187	31 367
Total assets	42 429 923	28 724 699	179 794	13 525 430	10 231 852
LIABILITIES					
Amounts due to credit institutions	11 537 807	1 000 000	-	10 537 807	10 437 116
Amounts due to customers (non-credit institutions)	17 843 223	17 154 401	2 535	685 571	464 391
Including deposits of individuals	20 589	18 581	405	963	755

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Line item	Total	Russian Federation	CIS countries	Developed countries	thereof: Germany
Financial liabilities at fair value through profit or loss	24 073	-	-	24 073	24 073
Debt securities issued	427	427	-	-	-
Other liabilities	65 539	55 851	-	9 688	8 916
Provisions for credit related contingencies, other possible losses and transactions with offshore residents	90 257	27 035	50 299	12 923	-
Total liabilities	29 561 326	18 237 714	52 834	11 270 062	10 934 496

6. Information about transactions with related parties of the credit institution

The Bank has no subsidiaries or associates. Commerzbank AG is the Bank's parent credit institution.

The Bank's related counterparties include: the sole shareholder Commerzbank AG, its subsidiary banks and Commerzbank Group entities as well as Bank's affiliated parties.

Balances with related parties as of 1 January 2015 are presented in RR'000 in the table below:

Table 6.1.

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Management personnel
ASSETS				
Amounts due from credit institutions	2 085 740	2 085 740		
Financial assets at fair value through profit or loss	3 201 358	3 201 358		
Net loans outstanding	12 489 975	12 476 771		13 204
Other assets	54 951	54 154		797
OFF-BALANCE SHEET ASSETS				
Receivables on deliverable term deals, cash (spot) deals and derivatives	16 052 161	16 052 161		
Contingent receivables on the guarantees issued by related parties to the Bank (other than counter-guarantees)	21 924 802	21 886 402	38 400	
LIABILITIES				
Amounts due to credit institutions	29 744 115	29 467 818	276 297	
Amounts due to customers (non-credit institutions)	88 405	0	87 535	870
Financial liabilities at fair value through profit or loss	143 810	143 810		
Other liabilities	9 191	9 064	53	74
OFF-BALANCE SHEET LIABILITIES				
Liabilities under deliverable term deals, cash (spot) deals and derivatives	13 330 313	13 330 313		
Irrevocable lines of credit	700 000	700 000		
Guarantees issued by the Bank to third parties on behalf of or counter-guaranteed by related parties	10 530 815	10 140 196	390 619	

EXPLANATORY NOTE: This version of report is a translation from the original, which was prepared in Russian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version takes precedence over this translation.

Balances with related parties as of 1 January 2014 are presented in RR'000 in the table below:

Table 6.2

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Management personnel
ASSETS				
Amounts due from credit institutions	1 783 102	1 783 102	-	-
Financial assets at fair value through profit or loss	78 042	78 042	-	-
Net loans outstanding	9 999 707	9 982 406	-	17 301
Other assets	45 723	44 966	-	757
OFF-BALANCE SHEET ASSETS				
Receivables on deliverable term deals, cash (spot) deals and derivatives	10 450 854	10 450 854	-	-
Contingent receivables on the guarantees issued by related parties to the Bank (other than counter-guarantees)	6 490 031	6 451 631	38 400	-
LIABILITIES				
Amounts due to credit institutions	10 537 806	10 440 299	97 507	-
Amounts due to customers (non-credit institutions)	123 383	-	122 403	980
Financial liabilities at fair value through profit or loss	24 073	24 073	-	-
Other liabilities	8 941	8 934	7	-
OFF-BALANCE SHEET LIABILITIES				
Liabilities under deliverable term deals, cash (spot) deals and derivatives	10 299 304	10 299 304	-	-
Irrevocable lines of credit	700 000	700 000	-	-
Guarantees issued by the Bank to third parties on behalf of or counter-guaranteed by related parties	3 531 276	3 365 655	165 621	-

Transactions with related parties for 2014 are presented in RR'000 in the table below:

Table 6.3

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Management personnel
Interest income	30 837	28 994	471	1372
Interest expense	30 998	23 238	7 760	0
Fee and commission income	16 250	13 577	2 673	0
Fee and commission expense	26 953	26 953	0	0
Other operating income	59 992	59 992	0	0
Operating expenses (*)	285 010	155 434	129 576	(*)

(*) Information about operating expenses (compensation) related to key management personnel is disclosed in Section 7 of this Explanatory Note.

Transactions with related parties for 2013 are presented in RR'000 in the table below:

Table 6.4

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Management personnel
Interest income	26 414	24 695	799	920
Interest expense	16 842	13 541	3 301	-
Fee and commission income	13 097	11 069	2 028	-
Fee and commission expense	38 744	38 744	-	-
Other operating income	67 394	67 394	-	-
Operating expenses (*)	218 935	104 378	114 557	(%)

(*) Information about key management personnel expenses (compensation) is disclosed in Section 7 of this Explanatory Note.

7. Information about compensations paid to management personnel of the credit institution

For the purposes of this report “management personnel” includes: the Chairman and the members of the Bank's Supervisory Board, the Chairman and the members of the Bank's Management Board, the Bank's Chief Accountant and his deputies, the Head and the Chief Accountant of St Petersburg branch, the Bank's Department Heads, the Head of Internal Audit of the Bank.

Total compensations paid to the management personnel for 2014 was RR 118 841 thousand (2013: RR 104 485 thousand) of which RR 118 841 thousand represent short-term benefits (2013: RR 104 485 thousand) and RR 0 thousand (2013: RR 0 thousand) - long-term benefits. The compensations paid to management personnel as a percentage of total compensations were 30.0% (2013: 29.6%).

The Bank does not provide post-employment benefits.

The amount of other long term benefits paid to management personnel (vacation and long service bonuses, occupational disability and other benefits) for 2014 was RR 0 thousand (2013: RR 0 thousand).

The amount of termination benefits to management personnel in 2014 was RR 902 thousand (2013: RR 0 thousand).

As at 1 January 2015, the number of the Bank's employees (excluding employees on maternity leave) was 145 (as at 1 January 2014: 150), the number of the Bank's management personnel (excluding the members of the Bank's Supervisory Board) was 15 (as at 1 January 2014: 16). As at 1 January 2015, the Bank's Supervisory Board consisted of 5 members (as at 1 January 2014: 5 members) who were not the Bank's employees. In 2014 and 2013, the members of the Supervisory Board did not get any compensation.

Amounts of compensations to management personnel, including risk takers are stated above. During the reporting period all payments were done in accordance with internal regulations on employee remunerations.

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

27 April 2015

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