

ANNUAL ACCOUNTING (FINANCIAL) STATEMENTS OF “COMMERZBANK (EURASIJA)” SAO

TRANSLATOR'S EXPLANATORY 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 of our report takes precedence over this translation.

As of 1 January 2014

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Auditor's Report

[Translation from Russian original]

To the Shareholder of "COMMERZBANK (EURASIJA)" SAO:

Audited Entity

"COMMERZBANK (EURASIJA)" SAO.

Postal address: Kadashevskaya Nab., 14/2., 119017, Moscow

Bank of Russia registration date: 10 December 1998.

Registration number: 3333.

State registration certificate number № 11590.17 dated 31 December 1998. Major state registration number (ORNZ): 1027739070259.

Auditor

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

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

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

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

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

*ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru*

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Auditor's Report

To the Shareholder of "COMMERZBANK (EURASIJA)" SAO:

We have audited the attached annual accounting (financial) statements of "COMMERZBANK (EURASIJA)" SAO (hereinafter –the “Bank”), which comprise a balance sheet (published form) as at 1 January 2014, a statement of financial results (published form) for 2013, supplements to a balance sheet and a statement of financial results (a statement on capital adequacy level, amount of provision for doubtful loans and other assets (published form) as at 1 January 2014, information on obligatory ratios (published form) as at 1 January 2014, a statement of cash flows (published form) for 2013) and an explanatory information prepared in accordance with the Bank of Russia Regulation No. 3054-U of 4 September 2013 “On the Procedures for Preparation of Annual Accounting (Financial) Statements by Credit Institutions” (hereinafter all statements are collectively referred to as the “Annual Statements”). The Annual Statements have been prepared by the Bank’s management on the basis of the accounting reports prepared in accordance with the Russian legislation and the Bank of Russia regulations. The Annual Statements differ significantly from financial statements prepared in accordance with International Financial Reporting Standards, especially with respect to measurement of assets and capital, recognition of liabilities, and disclosures.

The Bank’s responsibility for the Annual Statements

The Bank’s management is responsible for the preparation and fair presentation of these Annual Statements in accordance with the reporting rules established in the Russian Federation and for such internal control as management determines is necessary to enable the preparation of the Annual Statements that are free from material misstatement, whether due to fraud or error.

The auditor’s responsibility

Our responsibility is to express an opinion as to whether the Annual Statements are fairly presented based on our audit. We conducted our audit in accordance with the Federal Auditing Standards and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Annual Statements. The procedures selected depend on the auditor’s judgment including 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 Statements 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 of the Bank, as well as evaluating the presentation of the Annual Statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinion on the Annual Statements.

ZAO PricewaterhouseCoopers Audit
White Square Office Center 10 Butyrsky Val Moscow, Russia, 125047
T: +7 (495) 967-6000, F: +7 (495) 967-6001, www.pwc.ru

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Opinion

In our opinion, the Annual Statements presents fairly, in all material respects, the financial position of "COMMERZBANK (EURASIJA)" SAO as at 1 January 2014 and the results of its operations and its cash flows for 2013 in accordance with the reporting rules established in the Russian Federation.

Information on the quality of the credit institution's management, status of its internal controls and its compliance with obligatory ratios set by the Bank of Russia, included in the auditor's report in accordance with Part 3 of Article 42 of Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity"

Part 3 of Article 42 of Federal Law No. 395-1 of 2 December 1990 "On Banks and Banking Activity" requires the inclusion in the auditor's report of information on the quality of the credit institution's management, the status of its internal controls and its compliance with the obligatory ratios as set by the Bank of Russia. The Annual Statements contain information on compliance of the Bank with the obligatory ratios set by the Bank of Russia as at 1 January 2014, as well as information about its management system and internal control system. Based on the results of audit procedures performed in order to form our audit opinion on the fair presentation of the Annual Statements, including testing on a sample basis, we have not identified any information on the quality of the credit institution's management, the status of its internal controls and its compliance with the obligatory ratios set by the Bank of Russia, to which we would consider it necessary to draw attention, in addition to the information provided in the Annual Statements.

Director of ZAO PricewaterhouseCoopers Audit
25 April 2014

Kriventsev E.N.

Bank financial statements

OKATO territory code	Code of the credit institution (branch)			
	OKPO	Primary state registration number	Registration number (serial number)	BIC
45286596	18680159	1027739070259	3333	044525105

Balance sheet (published form)

as at 1 January 2014

Credit institution **"COMMERZBANK (EURASIJA)" sakrytoje akcioneroje obschtschestwo**
"COMMERZBANK (EURASIJA)" SAO

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

OKUD Form Code 0409806

Annual

RR thousand

Pos. No.	Item	As at the reporting date	As at the previous reporting date
I. ASSETS			
1	Cash on hand	22 235	32 567
2	Accounts with the Central Bank of the Russian Federation	4 727 756	2 411 284
2.1	Mandatory reserves	321 038	311 157
3	Amounts due from credit institutions	1 928 065	1 365 337
4	Net investment in financial assets at fair value through profit or loss	1 529 943	2 552 264
5	Net loans to customers and other banks	31 068 707	27 600 219
6	Net investment in securities and other financial assets available for sale	2 505 519	0
6.1	Investment in subsidiaries and associates	0	0
7	Net investment in securities held to maturity	0	0
8	Property and equipment, intangible assets and inventories	74 240	21 754
9	Other assets	573 458	656 958
10	Total assets	42 429 923	34 640 383
II. LIABILITIES			
11	Loans, deposits and other funds of the Central Bank of the Russian Federation	0	0
12	Amounts due to credit institutions	11 537 807	8 508 641
13	Amounts due to customers (non-credit institutions)	17 843 223	13 844 070
13.1	Deposits of individuals	20 589	134 509
14	Financial liabilities at fair value through profit or loss	24 073	39 882
15	Debt securities issued	427	2 173
16	Other liabilities	65 539	150 465
17	Provisions for credit related contingencies, other possible losses and transactions with offshore residents	90 257	88 909
18	Total liabilities	29 561 326	22 634 140

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Pos. No.	Item	As at the reporting date	As at the previous reporting date
III. EQUITY			
19.	Shareholders' (participants') funds	2 155 600	2 155 600
20	Treasury shares (participatory interests) redeemed from shareholders (participants)	0	0
21	Share premium	1 279 671	1 279 671
22	Reserve fund	323 340	323 340
23	Revaluation of securities available for sale at fair value	-7 814	0
24	Property and equipment revaluation	308	308
25	Retained earnings (accumulated deficit) of previous years	7 757 404	7 267 484
26	Unutilised earnings (losses) for the reporting period	1 360 088	979 840
27	Total equity	12 868 597	12 006 243
IV. OFF-BALANCE SHEET LIABILITIES			
28	Irrevocable commitments of the credit institution	24 203 141	26 177 625
29	Guarantees and sureties issued by the credit institution	11 763 762	10 730 540
30	Contingent non-credit liabilities	0	0

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

25 April 2014

Bank financial statements

OKATO territory code	Code of the credit institution (branch)			BIC
	OKPO	Primary state registration number	Registration number (serial number)	
45286596	18680159	1027739070259	3333	044525105

Statement of financial results (published form)

for 2013

Credit institution **"COMMERZBANK (EURASIJA)" sakrytoje akcioneroje obschtschestwo**
"COMMERZBANK (EURASIJA)" SAO

Address: **119017, Moscow, Kadashevskaya nab., 14/2**

OKUD Form Code 0409807

Annual

RR thousand

Pos. No.	Item	Reporting period	Previous reporting period
1	Total interest income, including:	816 852	863 125
1.1	From placements with credit institutions	87 069	216 783
1.2	From loans to customers (non-credit institutions)	521 477	458 827
1.3	From financial leases	0	0
1.4	From investments in securities	208 306	187 515
2	Total interest expense, including:	378 348	316 947
2.1	On placements from credit institutions	103 481	127 331
2.2	On customer accounts (non-credit institutions)	274 867	189 441
2.3	On debt securities issued	0	175
3	Net interest income (negative interest margin)	438 504	546 178
4	Total change in provision for impairment of loans, borrowings and similar debt, funds placed on correspondent accounts and interest income accrued, including:	210 841	71 870
4.1	Change in provision for impairment of interest income accrued	377	-374
5	Net interest income (negative interest margin) after provision for loan impairment	649 345	618 048
6	Net income from dealing in financial assets at fair value through profit or loss	-370 277	-31 171
7	Net income from dealing in securities available for sale	0	0
8	Net income from dealing in securities held to maturity	0	0
9	Net income from dealing in foreign currencies	55 536	1 804 066
10	Net income from revaluation of foreign currency balances	1 774 929	-894 735
11	Income from participation in equity of other legal entities	0	0
12	Fee and commission income	366 355	320 602
13	Fee and commission expense	56 621	39 065
14	Change in provision for losses on securities available for sale	0	0

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Pos. No.	Item	Reporting period	Previous reporting period
15	Change in provision for losses on securities held to maturity	0	0
16	Changes in provision for other losses	55 206	178 360
17	Other operating Income	72 152	46 428
18	Net income (expenses)	2 546 625	2 002 533
19	Operating expenses	815 831	791 490
20	Profit (loss) before tax	1 730 794	1 211 043
21	Taxes accrued (paid)	370 706	231 203
22	Profit (loss) after tax	1 360 088	979 840
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	1 360 088	979 840

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

25 April 2014

Bank financial statements

OKATO territory code	Code of the credit institution (branch)			BIC
	OKPO	Primary state registration number	Registration number (serial number)	
45286596	18680159	1027739070259	3333	044525105

Statement on capital adequacy level, amount of provision for doubtful loans and other assets (published form)

as of 1 January 2014

Credit institution **"COMMERZBANK (EURASIJA)" sakrytoje akcioneroje obschtschestwo**
"COMMERZBANK (EURASIJA)" SAO

Address: **119017, Moscow, Kadashevskaya nab., 14/2**

OKUD Form Code 0409808

Annual

Pos. No.	Item	As at the beginning of the reporting period	Increase (+)/ Decrease (-) for the reporting period	As at the reporting date
1	Total equity, RR thousand, including:	11 980 345	825 103	12 805 448
1.1	Charter capital of the credit institution, including:	2 155 600	0	2 155 600
1.1.1	Nominal value of registered ordinary shares (participatory interests)	2 155 600	0	2 155 600
1.1.2	Nominal value of registered preferred shares	0	0	0
1.2	Treasury shares (participatory interests) redeemed from shareholders (participants)	0	0	0
1.3	Share premium	1 279 671	0	1 279 671
1.4	Reserve fund of the credit institution	323 340	0	323 340
1.5	Retained earnings (accumulated deficit):	8 221 426	825 103	9 046 529
1.5.1	of previous years	7 267 484	489 920	7 757 404
1.5.2	of the reporting year	953 942	335 183	1 289 125
1.6	Intangible assets	0	0	0
1.7	Subordinated loan (borrowing, deposit, bond)	0	0	0
1.8	Sources (part of the sources) of capital for which investors utilised improper assets	0	0	0
2	Statutory capital adequacy requirement ratio (percent)	10.0	X	10.0
3	Actual capital adequacy ratio (percent)	52.5	X	39.2
4	Total actual provision for impairment and losses, RR thousand, including:	430 182	-266 047	164 135
4.1	for impairment of loans, borrowings and similar debts	282 040	-210 952	71 088
4.2	for impairment of other assets subject to the loss risk and other losses	59 234	-56 444	2 790

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Pos. No.	Item	As at the beginning of the reporting period	Increase (+)/ Decrease (-) for the reporting period	As at the reporting date
4.3	for credit related commitments recorded on off-balance sheet accounts and for term deals	88 908	1 349	90 257
4.4	for transactions with residents of offshore zones	0	0	0

For Reference:

1. Creation (additional charge) of provision for loan impairment in the reporting period (RR thousand), total 126 111, for the following reasons:

- 1.1. new loans issued 99 561;
- 1.2. changes in the quality of the existing loans 10 674;
- 1.3. changes in an official foreign currency to Rouble exchange rate, as established by the Bank of Russia 14 339;
- 1.4. other reasons 1 537.

2. Reversal of provision for loan impairment in the reporting period (RR thousand), total 337 063, including for the following reasons:

- 2.1. writing off bad loans 0;
- 2.2. loan repayment 213 828;
- 2.3. changes in the quality of the existing loans 116 701;
- 2.4. changes in an official foreign currency to Rouble exchange rate, as established by the Bank of Russia 6 522;
- 2.5. other reasons 12.

Chairman of the Management Board

G. Kleckner

Chief Accountant
25 April 2014

A. Gorokhovsky

Bank financial statements

OKATO	Code of the credit institution (branch)			
territory code	OKPO	Primary state registration number	Registration number (serial number)	BIC
45286596	18680159	1027739070259	3333	044525105

Data on obligatory ratios (published form)

as of 1 January 2014

Credit institution **"COMMERZBANK (EURASIJA)" sakrytoje akcioneroje obschtschestwo**
"COMMERZBANK (EURASIJA)" SAO

Address: **119017, Moscow, Kadashevskaya nab., 14/2**

OKUD Form Code 0409813

Annual
in percent

Pos. No.	Item	Ratio	Actual value			
			at the reporting date	at the previous reporting date		
1	Equity/capital adequacy ratio (H1)	10	39.2	52.5		
2	Equity/capital adequacy of non-banking settlement credit institutions (RNKO) (H1.1)	X	X	X		
3	Quick liquidity ratio (H2)	15	85.0	53.6		
4	Current liquidity ratio (H3)	50	109.1	132.4		
5	Long-term liquidity ratio (H4)	120	67.9	49.3		
6	Maximum risk per one borrower or a group of related borrowers ratio (H6)	25	Maximum	21.0	Maximum	22.4
			Minimum	0.1	Minimum	0.1

Pos. No.	Item	Ratio	Actual value	
			at the reporting date	at the previous reporting date
7	Maximum risk of large credit exposure ratio (H7)	800	156.2	74.4
8	Maximum amount of loans, bank guarantees granted by the bank to its participants (shareholders) ratio (H9.1)	50	0	0
9	Aggregate risk on exposure of the bank's insiders ratio (H10.1)	3	0.1	0.1
10	Equity used to acquire shares (participatory interests) in other legal entities ratio (H12)	25	0.0	0.0
11	Liquid assets maturing within 30 calendar days to the amount of liabilities of non-banking settlement credit institutions ratio (RNKO) (H15)	X	X	X
12	Equity/capital adequacy of non-banking settlement credit institutions (RNKO) (H15.1)	X	X	X
13	Maximum aggregate loans to customers - participants of settlements - for settlement completion (N16)	X	X	X
14	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)	X	X	X
15	Minimum ratio of mortgage coverage to issued bonds with mortgage coverage (H18)	X	X	X

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

25 April 2014

Bank financial statements

OKATO territory code	Code of the credit institution (branch)			
	OKPO	Primary state registration number	Registration number (serial number)	BIC
45286596	18680159	1027739070259	3333	044525105

Cash Flow Statement (published form)

as of 1 January 2014

Credit institution "COMMERZBANK (EURASIJA)" sakrytoje akzioneroje obschtschestwo

"COMMERZBANK (EURASIJA)" SAO

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

OKUD Form Code 0409814

Annual

RR thousand

Pos. No.	Item	Cash flows for the reporting period	Cash flows for the previous reporting period
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:	-760 890	1 820 462
1.1.1	Interest received	780 120	856 862
1.1.2	Interest paid	-368 984	-318 002
1.1.3	Commissions received	364 280	319 770
1.1.4	Commissions paid	-56 621	-39 065
1.1.5	Income less expenses on transactions with financial assets at fair value through profit or loss available for sale	-458 894	-19 896
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	55 536	1 804 066
1.1.8	Other operating Income	29 675	49 677
1.1.9	Operating expenses	-796 812	-763 107
1.1.10	Income tax expenses / refund	-309 190	-69 843
1.2	Total increase /decrease in net cash from operating assets and liabilities, including:	6 588 648	-1 585 572
1.2.1	Net increase / decrease in mandatory reserves with the Bank of Russia	-9 881	73 033
1.2.2	Net increase / decrease in financial assets at fair value through profit or loss	1 100 407	-372 689
1.2.3	Net increase / decrease in debt	-963 876	1 520 209
1.2.4	Net increase / decrease in other assets	95 373	95 247
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	2 670 832	-7 797 810

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Pos. No.	Item	Cash flows for the reporting period	Cash flows for the previous reporting period
	other credit institutions		
1.2.7	Net increase / decrease in amounts due to customers (non-credit institutions)	3 748 027	4 972 523
1.2.8	Net increase / decrease in financial liabilities at fair value through profit or loss	-27 535	0
1.2.9	Net increase / decrease in debt securities issued	-2 048	-58 350
1.2.10	Net increase / decrease in other liabilities	-22 651	-17 735
1.3	Total for Section 1 (Item 1.1 + Item 1.2)	5 827 758	234 890
2. Net cash from / used in investing activities			
2.1	Acquisition of securities and other financial assets relating to the category "available for sale"	-2 469 459	0
2.2	Proceeds from sale and redemption of securities and other financial assets relating to the category "available for sale"	204	0
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	-65 067	-9 781
2.6	Proceeds from the sale of property and equipment, intangible assets and inventories	669	405
2.7	Dividends received	0	0
2.8	Total for Section 2 (Lines 2.1–2.7)	-2 533 653	-9 376
3. Net cash from / used in financing activities			
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	-489 920	0
3.5	Total for Section 3 (Lines 3.1–3.4)	-489 920	0
4	Effect of changes in official foreign currency exchange rates to the rouble set by the Bank of Russia on cash and cash equivalents	49 158	170 017
5	Increase / decrease on cash and cash equivalents	2 853 343	395 531
5.1	Cash and cash equivalents at the beginning of the reporting year	3 495 601	3 100 070

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Pos. No.	Item	Cash flows for the reporting period	Cash flows for the previous reporting period
5.2	Cash and cash equivalents at the end of the reporting year	6 348 944	3 495 601

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

25 April 2014

Explanatory note

Name of the credit institution:

"COMMERZBANK (EURASIJA)" SAO

Postal address:

119017, Moscow, Kadashevskaya nab., 14/2

General banking licence:

3333

1. Introduction

COMMERZBANK (EURASIJA) SAO (hereinafter, the "Bank") presents its 2013 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 2013.

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

2. General information about the Bank

2.1. Brief description of the Bank's operations

"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 700 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 the comfort letter from Commerzbank AG (see the 2013 Annual Report of Commerzbank Group, page 267):

<http://annualreport2013.commerzbank.com/report/commerzbank/annual/2013/gb/English/70503527/101-letters-of-comfort.html>

2.2. Commerzbank Group background

The Bank is a 100% subsidiary of Commerzbank AG (Germany), one of the largest German banks. As of the end of January 2014, 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, most of them are residents of Germany.

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

Commerzbank is a leading bank in Germany and Poland. It is also present worldwide in all major markets for its customers as a partner to the business world.

With some 1200 branches Commerzbank has one of the densest branch networks among German private banks and is on its way to become a modern multichannel bank.

Commerzbank Group is represented in more than 50 countries and serves almost 15 million private customers and one million business and corporate clients. The number of Commerzbank Group's employees was at 53 649 people as at 1 October 2013.

As of the end of 2013, 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.

2.3. The Bank's principal lines of business

Commerzbank AG is one of the Western banks which opened a representative office in Russia. In 1993, Dresdner Bank ZAO, a subsidiary of Dresdner Bank AG, started its work in Saint Petersburg. In 1999, "COMMERZBANK (EURASIJA)" SAO, a 100% subsidiary of Commerzbank AG, acquired a licence for banking operations. After the merger of the two banks in Russia in 2010 under Commerzbank trademark, "COMMERZBANK (EURASIJA)" SAO has been operating in Moscow (head office) and Saint Petersburg (branch).

Decades of experience have allowed Bank to gain a true insight into the Russian market, with all its particularities and rules. This in-depth knowledge, combined with financial expertise, allows Bank to provide extensive services to both German companies with presence in Russia and international companies with activities in Germany. The Bank operates as a strategic partner for international business.

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

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trade and commerce, and providers of audit, legal and consulting services.

The Bank is client-oriented 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.

2.4. Information about governing bodies

From 6 March 2012 to 26 June 2013, the Supervisory Board of Commerzbank (Eurasija) SAO included: Dr Bernd Laber, Dr Eduardo Moran, Mr Nikolaus Giesbert, Mr Per Fischer and Mr Meinolf Wagener. From 27 June 2013, the Supervisory Board of Commerzbank (Eurasija) SAO includes: Dr Bernd Laber, Mr Rudiger Rass, Mr Nikolaus Giesbert, Mr Per Fischer and Mr Meinolf Wagener.

From 1 March 2012 to 21 February 2013 Mr Alexander Mosyagin performed the functions of the Acting Chairman of the Management Board of Commerzbank (Eurasija) SAO. Mr Gernot Kleckner has been appointed as the Chairman of the Management Board of Commerzbank (Eurasija) SAO since 22 February 2013.

During 2013 to date, there have been no changes in the Management Board (except for the absence of the Chairman of the Management Board in January and February, as noted above). It included:

- Gernot Kleckner, Chairman of the Management Board;
- Alexander Mosyagin, Deputy Chairman of the Management Board;
- Arthur Gorokhovskiy, member of the Management Board, CFO and Chief Accountant.

2.5. Economic environment

The Bank operates in the economic environment which is characterised by a range of positive factors (including long-term decreasing inflation, domestic demand available in the economy, low level of the sovereign debt to GDP ratio) and a number of negative features (including sensitivity to the global commodity market developments, capital flight, increasing public spending and growing political risks).

The future economic direction of the Russian Federation is largely dependent upon the effectiveness of economic, financial, monetary, social and demographic measures undertaken by the Government, together with tax, legal, regulatory and political developments.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretation. The political and economic instability witnessed in other countries in this region in late 2013 and early 2014, e.g. recent developments in Ukraine, have had and may continue to have a negative impact on the Russian economy in different ways including the increase in the Central Bank's key interest rates, weakening of the Rouble, withdrawal of capital from the country and making it harder to raise international funding. A mixture of travel bans, asset freezing orders and the prohibition to engage with a limited number of Russian persons have been put in place by several countries and there remains the ongoing threat of expanding the sanctions list to further Russian companies and Russian individuals. At this stage the impact of the above on the Russian economy, in particular if any wider sanctions were introduced, is difficult to determine. GDP growth of Russia has been forecast

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by the Central Bank of Russia to be less than 1% in 2014. These and other factors are resulting in increased uncertainty and volatility in the financial markets. These and other events may have a significant impact on the Bank's operations and financial position, the effect of which is difficult to predict. However, the management believes it is taking all the necessary measures to support the sustainability and development of the Bank's business.

2.6. Summary of material changes in the Bank's activities and events that impacted the Bank's policy (strategy) in 2013

In the reporting year, there were no significant changes in the Bank's activities and events that have an impact on the Bank's policy (strategy).

2.7. Information on dividend paid

In the reporting period the Bank paid dividends of RR 489,9 million, which represents 50% of net profit for 2012. Refer to Subsequent Events Section 8 for intended distributions.

2.8. 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 2013 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, IFRS financial statements and the package of the annual reporting forms for the Bank's sole shareholder.

3. Key performance indicators of the Bank

3.1. The Bank's key performance indicators for 2013

Changes in the Bank's key performance indicators for 2013 are provided in the table below:

Table 3.1.1

Line item	1 January 2014	1 January 2013	Movements	
	(RR'000)	(RR'000)	(RR'000)	(%)
Bank's equity (capital)	12 805 448	11 980 345	825 103	6.9
Profit after tax	1 360 088	979 840	380 248	38.8
Total assets	42 429 923	34 640 383	7 789 540	22.5
including:				
Net loans outstanding	31 068 707	27 600 219	3 468 488	12.6
including:				
- Deposits with the Bank of Russia	4 000 000	1 500 000	2 500 000	166.7
- Credit institutions	10 314 392	17 118 641	(6 804 250)	(39.7)
- Customers	16 754 315	8 981 578	7 772 738	86.5
Investments in securities	4 035 462	2 552 264	1 483 198	58.1
Total liabilities	29 561 326	22 634 140	6 927 186	30.6
including:				
- customer accounts	17 843 223	13 844 070	3 999 153	28.9
- amounts due to credit institutions	11 537 807	8 508 641	3 029 166	35.6

The Bank's assets increased by RR 7 789 540 thousand (22,5%) during 2013 and amounted to RR 42 429 923 thousand as of 1 January 2014.

Assets increased primarily through the increase in the customer loan receivables and securities portfolio.

The Bank's liabilities increased by RR 6 927 186 thousand (30,6%), which was due to relatively proportionate growth in funds raised from banks and customers.

The Bank's equity (capital) increased by RR 825 103 thousand (6.9%). This increase was brought about by net profit earned by the Bank in 2013.

3.2. Financial result. Structure of the Bank's income and expenses

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

Table 3.2.1

Line item	for 2013	for 2012	Changes	
	(RR'000)	(RR'000)	(RR'000)	(%)
Interest income	816 852	863 125	(46 273)	(5.4)
<i>including that from investments in securities</i>	<i>208 306</i>	<i>187 515</i>	<i>20 791</i>	<i>11.1</i>
Interest expense	(378 348)	(316 947)	61 401	19.4
Net interest income	438 504	546 178	(107 674)	(19.7)
Change in loan and interest provisions	210 841	71 870	138 971	193.4
Net interest income less provisions	649 345	618 048	31 297	5.1
Net loss on transactions with securities and other financial assets at fair value through profit or loss	(370 277)	(31 171)	(339 106)	1 087.9
Net gain on foreign exchange transactions and currency translation	1 830 465	909 331	921 134	101.3
Fee and commission income	366 355	320 602	45 753	14.3
Fee and commission expense	(56 621)	(39 065)	17 556	44.9
Changes in the provision for other losses	55 206	178 360	(123 154)	(69.0)
Net income (expense)	2 546 625	2 002 533	544 092	27.2
Operating expenses	(815 831)	(791 490)	24 341	3.1
Profit before tax	1 730 794	1 211 043	519 751	42.9
Taxes accrued (including income tax)	(370 706)	(231 203)	139 503	60.3
Profit for the reporting period	1 360 088	979 840	380 248	38.8

In 2013, the Bank's profit before tax increased by RR 519 751 thousand (42,9%). The profit grew as the Bank's income increased by RR 544 092 thousand (27.2%), while operating expenses remained almost flat (increased by 3.1%, which is lower than the inflation rate). The financial result for 2013 includes gains from the decrease in provisions for possible losses in the amount of RR 266 047 thousand as compared to RR 250 320 thousand for 2012, i.e. changes in the provision had no significant effect on the changes in income. Thus, revenue growth in 2013 was due to increased proceeds from the main lines of the Bank's business: income on loan portfolio, gains on instruments traded in financial markets and the Bank's fee and commission income. Unbalanced changes in various lines of the statement of financial results were caused by accounting and classification rules applicable to individual instruments. In particular, reduced net interest income and net negative result on transactions with securities and derivatives were due to decreased placement of funds into Rouble-denominated credit instruments in the interbank lending market and increased placement of Rouble amounts through currency swap instruments and growth of Rouble-

denominated funds raised in the interbank lending market. In these financial statements, the ultimate result from currency swaps is recorded in part (the major portion of the realised result on final settlement) within the result from derivatives (Line item "Net loss on transactions with securities and other derivatives") and partly within the revaluation of currency positions following the first settlements under the swap, and also within the realised exchange gain on the final settlements – within the Line item "Net income on transactions with foreign currency and foreign currency revaluation".

Changes in loan and interest provisions line includes income of RR 193 million from the release of provision for receivables from a certain non-resident bank, when the debt was reclassified from Quality category 5 to Quality category 3 due to the improvement of the counterparty's performance.

Changes in provisions for other losses line shows movements in provisions for possible losses, including those related to 2012. The movement was caused mostly by a partial release of provisions created in prior years due to the decrease in the underlying credit facility.

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3.3. Geographical concentration of the Bank's assets and liabilities

Geographical concentration of the Bank's balance sheet assets and liabilities by counterparty residence country (for cash and property and equipment – by physical location) as of 1 January

2014 is presented in the table below in RR'000: The table includes information on non-resident customers (branches and representative offices of foreign companies) by the location of the head office:

Table 3.3.1

Line item	Total	RF	CIS countries	including Kazakhst an	Developed countries	including Germany	including USA	including internatio nal developm ent banks	Other countries
ASSETS									
Cash	22 235	22 235	-	-	-	-	-	-	-
Credit institutions' balances 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	1 641 654	-	-
Financial assets at fair value through profit or loss	1 529 943	-	-	-	1 529 943	78 042	-	1 451 902	-
Net loans outstanding	31 068 707	20 756 178	179 639	88 327	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	29	46 187	31 367	-	-	-
Total assets	42 429 923	28 724 699	179 794	88 356	13 525 430	10 231 852	1 641 654	1 451 902	-
LIABILITIES									
Amounts due to credit institutions	11 537 807	1 000 000	-	-	10 537 807	10 437 116	5	-	-
Amounts due to customers (non-credit institutions)	17 843 223	17 154 401	2 535	2 131	685 571	464 391	-	-	716
Including deposits of individuals	20 589	18 581	405	-	963	755	-	-	640
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	44 478	12 923	-	-	-	-
Total liabilities	29 561 326	18 237 714	52 834	46 609	11 270 062	10 934 496	5	-	716

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Geographical concentration of the Bank's balance sheet assets and liabilities by counterparty residence country (for cash and property and equipment – by physical location) as of 1 January 2013 is presented in the table below in RR'000: The table includes information on non-resident customers (branches and representative offices of foreign companies) by the location of the head office. From the start of 2013, the approach to the

classification of OECD country assessments was changed, and for the purpose of data comparability the Bank made changes to the comparative information in other assets line and customer funds – non-credit institutions line, and the funds of customers – residents of Cyprus and amounts due from such customers were reclassified from other countries to developed countries:

Table 3.3.2

Line item	Total	RF	CIS countries	including Kazakhstan	Developed countries	including Germany	including international development banks	Other countries
ASSETS								
Cash	32 567	32 567	-	-	-	-	-	-
Credit institutions' balances with the Central Bank of the Russian Federation	2 411 284	2 411 284	-	-	-	-	-	-
including mandatory reserves	311 157	311 157	-	-	-	-	-	-
Amounts due from credit institutions	1 362 907	31 953	-	-	1 330 954	1 176 172	-	-
Financial assets at fair value through profit or loss	2 552 264	1 134 201	-	-	1 418 063	4 410	1 413 653	-
Net loans outstanding	27 602 649	11 085 734	75 815	-	16 436 779	16 370 885	-	4 321
Property and equipment, intangible assets and inventories	21 754	21 754	-	-	-	-	-	-
Other assets	656 958	651 469	2 145	1 686	3 344	2 879	-	-
Total assets	34 640 383	15 368 962	77 960	1 686	19 189 140	17 554 346	1 413 653	4 321
LIABILITIES								
Amounts due to credit institutions	8 508 641	-	-	-	8 508 641	8 377 796	-	-
Amounts due to customers (non-credit institutions)	13 844 070	13 192 096	746	450	650 514	430 013	-	714
Including deposits of individuals	134 509	133 375	296	-	656	436	-	182
Financial liabilities at fair value through profit or loss	39 882	-	-	-	39 882	39 882	-	-
Debt securities issued	2 173	2 173	-	-	-	-	-	-
Other liabilities	150 465	147 274	-	-	3 141	2 009	-	50
Provisions for credit related contingencies, other possible losses and transactions with offshore residents	88 909	29 343	58 843	58 843	723	723	-	-
Total liabilities	22 634 140	13 370 886	59 589	59 293	9 202 901	8 850 423	-	764

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4. Summary of risks inherent in various transactions of the Bank

4.1. Risk management system

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 equity and financial health in the long-term.

The risk management/control system, 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 on 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.
- Distribution 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, General Banking Risks 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:

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- The Credit Department represented by the heads of teams are responsible for assessment of credit risks related to counterparty legal entities and individuals.
- The General Banking Risks 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 structure.

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 in asset 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 credit and market risks, including currency and interest rate risks, liquidity and operational risks as financial risks.

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. It arises on all types of banking transactions. The operational risk also includes legal risk that represents a risk that an agreement concluded between the Bank and its counterparty may appear to be impossible under the current law or that such agreement may appear to be improperly executed and a risk that the Bank may incur losses due to non-compliance or breach of laws and regulations by the Bank and/or its counterparty.

The objective of operational risk management is to ensure safety of assets and capital to the extent possible through mitigation (elimination) of possible losses. Subcategories of operational risk include information technology risk, legal risk, process and organisational risk.

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 calculated as a ratio of the Bank's average annual operating profit (which excludes losses) under the Russian reporting standards for three prior years multiplied by 0.15,

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according to the Bank of Russia's capital management regulations.

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 contingency plan and a contingency policy, which are approved by the Bank's top management.

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 equity (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

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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 Financial Market Trading 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 two interrelated approaches: Available Net Liquidity (ANL) for periods of up to one year and the Stable Funding Concept for periods exceeding one year.

An important aspect of calculating liquidity risk is determining the risk in respect of future cash flows. It takes into account all expected deterministic (contractual) and stochastic (modelling) cash flows on both on- and off-balance sheet positions. The projection of cash flows is performed under various scenarios. The source of data is the same as the one used for general market VaR. Balance sheet liquidity indicates to what extent 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 Bank of Russia. 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.

The Liquidity Risk Concept of the Bank implies calculation of Available Net Liquidity (ANL) that is used for control purposes. ANL approach includes calculation of legal and economic cash flows both for on- and off-balance sheet items. Legal cash flows cover the flows of payments expected under contractual agreements, whereas economic cash flows also include the effect of customer behaviour.

The Stable Funding Concept 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

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customer deposits. This concept serves as the basis for resolving 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 (balance sheet liquidity). 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 computed available net liquidity. These limits are set for ANL and forward cash position both for basic and stress scenarios. All limits overruns are reported to Commerzbank Group's Treasury Department and 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 so called Basel III requirements.

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

- Instant 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 a risk of financial 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 Commerzbank Group's credit risk management strategy which describes the planned lending activities and sets focus on specific

customer/industry segments. In order to ensure compliance with credit risk strategy and to restrict concentration of risk, GRM-CR establishes risk ceilings for sections of credit portfolio and concentration risks on the Group level. Utilisation of these caps is subject to constant independent monitoring and management reporting. The responsibility for monitoring the limits lies primarily with GRM-CR credit administration units.

GRM-CR is responsible worldwide for Commerzbank Group corporate client business. Local credit offices of the 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: internal rating system; the forecast of exposure at default (EAD) and loss given default (LGD); calculation of unexpected loss (UL) (utilisation 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 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.

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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 attribution lies with GRM-CR.

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.

4.2. Credit risk information

Provided below is the information on classification of assets by quality category in accordance with Regulation of the Bank of Russia No. 254-P of 16 March 2004 "On the Procedure for Booking Provisions against Possible Losses from Loans, Outstanding Loans and Equivalent 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.

Information is presented in RR'000 as of 1 January 2014:

Table 4.2.1

Name	Amounts due from credit institutions	Loans outstanding Total	Loans outstanding including loans outstanding			Other assets
			from banks	legal entities	individuals	
Quality category 1	1 922 609	24 720 175	10 226 060	14 486 961	7 154	498 408
Quality category 2	5 567	2 199 228	5	2 167 996	31 227	6 927
Quality category 3	-	166 377	126 182	40 195	-	323
Quality category 4	-	8 900	-	8 900	-	-
Quality category 5	-	44 970	-	44 970	-	2 679
Total	1 928 176	27 139 650	10 352 247	16 749 022	38 381	508 337
Restructured debt	-	1 458 982	126 182	1 325 646	7 154	-
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 loan debt (RR 27 068 707 thousand) 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 prior year difference equal to the amount of deposits in the Bank of Russia was RR 1 500 000 thousand).

As of 31 December 2013, the relative share of restructured outstanding loans and equivalent debt

in the Bank's outstanding loans and equivalent debt was 5.38% (2012: 4.1%).

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.

Information is presented in RR'000 as of 1 January 2013:

Table 4.2.2

Name	Amounts due from credit institutions	Loans outstanding Total	Loans outstanding including loans outstanding			Other assets
			from banks	legal entities	individuals	
Quality category 1	1 365 337	24 102 042	17 116 642	6 984 468	932	481 774
Quality category 2	-	1 744 975	5	1 715 791	29 179	8 071
Quality category 3	-	324 179	2 524	321 655	-	2 331
Quality category 4	-	11 444	-	11 444	-	-
Quality category 5	-	199 097	199 097	-	-	1 865
Total	1 365 337	26 381 737	17 318 268	9 033 358	30 111	494 041
Restructured debt	-	1 081 756	199 097	881 727	932	-
Total estimated provision	-	307 765	199 627	107 700	438	-
Total actual provision	-	281 518	199 627	81 453	438	2 387
Receivables less actual provision for possible losses	1 365 337	26 100 219	17 118 641	8 951 905	29 673	491 654

Other assets presented in OKUD 049806 form as of 1 January 2014 and 1 January 2013 also include RR 67 945 thousand and RR 165 304 thousand, respectively, of deferred expenses, tax settlements and other assets not classified for presentation in OKUD 0409115 form.

As of 1 January 2014, total overdue receivables were RR 8 900 thousand (40 days overdue), this amount was paid by the borrower in January 2014.

As of 1 January 2013, RR 3 968 thousand of credit related receivables from two counterparties were overdue (including RR 2 524 thousand of guarantee payment and RR 1 444 thousand due under a loan agreement); these amounts were fully repaid by counterparties in 2014.

The structure of loan portfolio risk concentration by industry is presented in the table below:

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Table 4.2.3

Lending areas	1 January 2014		1 January 2013	
	(RUB'000)*	(%)	(RUB'000)*	(%)
Loans to legal entities – Russian residents	16 735 111	99.7	9 023 060	99.6
<i>including:</i>				
Mining	818 230	4.9	1 518 635	16.8
Processing industries	9 492 439	56.5	4 957 572	54.7
Transport and communications	-	-	-	-
Wholesale and retail trade, repairs	3 882 323	23.1	211 962	2.3
Real estate transactions, lease and services	1 851 389	11.0	1 506 430	16.6
Other activities	-	-	-	-
For completion of settlements (overdraft loans)	690 730	4.1	828 461	9.1
Factoring	13 911	0.1	10 298	0.1
Loans to legal entities – non-RF residents	-	-	-	-
Consumer loans to individuals	38 381	0.2	30 111	0.3

*before provisions for possible losses

As of 1 January 2014, the Bank had 9 corporate borrowers (1 January 2013: 4 borrowers) with aggregated loan amounts exceeding RR 600 000 thousand. The aggregate amount of these loans was RR 14 142 628 thousand (1 January 2013: RR

7 055 585 thousand), or 84% of the loan portfolio without interbank loans and before provisions for loan impairment (1 January 2013: 78%).

Off balance sheet liabilities are presented in RR'000 in the table below:

Table 4.2.4

Instrument	1 January 2014	1 January 2013
Undrawn credit lines	6 721 510	4 060 783
Letters of credit	5 833 405	6 559 564
Issued guarantees	7 824 447	4 170 976
Total credit related commitments	20 379 362	14 791 323
Actual provisions for possible losses on credit related commitments	86 698	87 191
Total credit related commitments, net of provisions	20 292 664	14 704 132

Information about term deals and derivatives as of 1 January 2014 is presented in RR'000 in the tables below:

Table 4.2.5.1

Term deals

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
<i>including</i>					
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	-	-

Table 4.2.5.2

Derivative financial instruments

Instrument	Fair value of assets	Fair value of liabilities
Derivative financial instruments	78 042	24 073
<i>including</i>		
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	-

Information about term deals and derivatives as of 1 January 2013 is presented in RR'000 in the tables below:

Table 4.2.5.3

Term deals

Instrument	Receivable amount	Payable amount	Gains from revaluation	Losses from revaluation	Provisions for possible losses
Total term deals	5 117 327	5 078 882	175 420	136 976	1 717
<i>including:</i>					
Forward with underlying asset – foreign currency (deliverable)	1 283 871	1 330 934	32 247	79 311	994
Swap with underlying asset – foreign currency (deliverable)	3 833 456	3 747 948	143 173	57 665	723

Table 4.2.5.4

Derivative financial instruments

Instrument	Fair value of assets	Fair value of liabilities
Derivative financial instruments	4 887	39 882
<i>including</i>		
Swap with underlying asset – interest rate (non-deliverable)	4 887	39 882

Tables 4.2.5.1–4.2.5.4 include:

- Derivative financial instruments that is the transactions defined under Federal Law No. 39-FZ of 22 April 1996 "On Securities Market" or the international law;
- Term deals that is the deals other than derivative financial instruments.

The terms deals shown above do not include spot transactions which provide for the delivery of the relevant asset or settlement between the parties no later than the second business day after entering into the transaction.

4.3. Legal proceedings

As at 1 January 2013 and 1 January 2012, there were no third party claims filed against the Bank. Also, as of the date of signing of these annual financial statements, the Bank does not expect such claims to be filed against the Bank. Accordingly, no provision for potential losses under such claims has been made in these annual financial statements.

5. Internal controls

The key goals and objectives of the Bank's internal controls include:

- maintaining the operational and financial effectiveness of its operations;
- ensuring reliability, completeness and timeliness of financial management information;
- complying with current laws and regulations;
- preventing the Bank and its officers from engaging in unlawful activities, including money laundering and terrorist financing.
- management controls and control culture;
- risk identification and assessment;
- controls in place and segregation of duties;
- information and communication system;
- operations monitoring and elimination of identified weaknesses.

The internal control function at Commerzbank (Eurasija) SAO is performed by the Bank's internal control bodies, namely:

- Supervisory Board;
- Revision Committee;
- The Bank's executive bodies:
 - Management Board;
 - Chairman of the Management Board;
 - Executive Committee;
 - Chief Accountant (his deputies).
- The following divisions and responsible executives of the Bank:
 - Internal control function, including the controller of the professional participant in the securities market;
 - Compliance Team responsible for activities aimed at combating money laundering and terrorist financing;
 - General Banking Risks Control Team;
 - Credit Department (Analytical Team, Credit and Collateral Administration/ Financial Institutions Analysis Team).

The internal control system includes the following key interrelated elements:

The Bank's existing internal control system is aimed at identification and assessment of material risks that may have an adverse effect on achieving the Bank's goals and objectives on an ongoing basis and timely communication of the factors that are increasing banking risks to the Bank's management.

This assessment covers all risks assumed by the Bank both individually and on a consolidated basis (credit risk, including its different types such as country risk and risk of introduction of foreign exchange restrictions, market risk, including interest rate, liquidity, operational, legal and reputational risks).

Responsibility for banking risk assessment providing for identification and analysis of external and internal factors affecting the Bank's operations, lies with the executives (structural divisions, authorised persons) in charge of individual lines of the Bank's business, the General Banking Risk Control Team and specialised risk management and control divisions of the parent bank.

In developing and implementing new banking products and services, a new product should be necessarily approved by the Bank's Management Board and agreed on with the New Banking Product Committee of Commerzbank AG. That allows for identifying potential new exposures or previously uncontrolled risks and provides an opportunity for changing the existing internal control system to maintain its efficient operation.

6. Related party transactions

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 and affiliates.

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

Table 6.1.1

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key 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	9 986 011	9 982 406	-	3 605
Other assets	44 984	44 966	-	18
OFF-BALANCE SHEET ASSETS				
Claims under deliverable term deals, cash deals and derivatives	10 450 854	10 450 854	-	-
Guarantees received from related parties except for 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)	122 403	-	122 403	-
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 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	-

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Balances with related parties as of 1 January 2013 are presented in RR'000 in the table below:

Table 6.1.2

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel
ASSETS				
Amounts due from credit institutions	1 281 471	1 281 471	-	-
Financial assets at fair value through profit or loss	4 410	4 410	-	-
Net loans outstanding	16 383 843	16 377 568	-	6 275
Other assets	2 903	2 873	-	30
OFF-BALANCE SHEET ASSETS				
Claims under deliverable term deals, cash deals and derivatives	8 116 357	8 116 357	-	-
Guarantees received from related parties except for counter-guarantees	8 156 909	8 107 197	49 712	-
LIABILITIES				
Amounts due to credit institutions	8 508 641	8 380 975	127 666	-
Amounts due to customers (non-credit institutions)	116 028	-	116 028	-
Financial liabilities at fair value through profit or loss	39 882	39 882	-	-
Other liabilities	3 169	2 883	286	-
OFF-BALANCE SHEET LIABILITIES				
Liabilities under deliverable term deals, cash deals and derivatives	8 059 173	8 059 173	-	-
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	1 362 048	1 301 774	60 274	-

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

Table 6.1.3

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel
Interest income	25 946	24 695	799	452
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	- (*)

Transactions with related parties for 2012 are presented in RR'000 in the table below:

Table 6.1.4

Line item	Total	Parent (shareholder)	Other related parties (organisations)	Key management personnel
Interest income	156 147	154 847	677	623
Interest expense	102 056	99 151	2 905	-
Fee and commission income	12 660	10 654	2 006	-
Fee and commission expense	10 158	10 158	-	-
Other operating income	42 164	42 164	-	-
Operating expenses (*)	204 352	93 540	110 812	- (*)

(*) Information about key management expenses (compensation) is disclosed in p. 8

7. The Bank's accounting policies

7.1. Basis of the annual financial statements preparation for 2013

The Bank has prepared its annual financial statements on the basis of effective accounting and reporting rules in the Russian Federation and in accordance with

- the Bank of Russia's Instruction No. 3054-U of 4 September 2013 "On Preparation of Annual Accounting (Financial) Statements by Credit Institutions" (hereinafter, "Instruction 3054-U");
- the Bank of Russia's Instruction No. 2089-U of 8 October 2008 "On Preparation of Annual Reports by Credit Institutions" (hereinafter, "Instruction 2089-U");
- the Bank of Russia's Instruction No. 3081-U of 25 October 2013 "On Disclosure of their Activities by Credit Institutions" (hereinafter, "Instruction 3081-U").

According to para 4.1 of Instruction 3081-U, for the purpose of disclosing explanatory information for 2013 the Bank has the right to follow the approaches adopted prior to the the issue of Instruction 3081-U, namely, the appropriate requirements of Instruction 2089-U.

When disclosing explanatory information for 2013, the Bank was guided by the requirements of the "Regulations on disclosing and publishing information in the annual and interim accounting (financial) statements of "COMMERZBANK (EURASIJA)" SAO" (hereinafter, "Internal regulations on disclosures") adopted by the Bank on 15 November 2013. These regulations define the approaches to be used by the Bank when making the information published in the annual financial statements publicly available. As the Bank's Internal regulations on disclosures were adopted by the Bank before Instruction 3081-U came into force, the Bank, in line with para 4.1 of the Instruction, chose to be guided by the above Internal regulations when disclosing its activities in the explanatory note to the annual financial statements for 2013; these regulations do not fully

reflect the requirements of new Instruction 3081-U for general disclosure of explanatory information.

The annual financial statements are prepared for the period beginning on 1 January 2013 and ending on 31 December 2013 (inclusive) and as of 1 January 2014.

The annual financial statements are prepared on the basis of the synthetic accounting forms, including the Bank's balance sheet as at 1 January 2014 presented according to the form provided in Appendix 8 to the Bank of Russia's Regulation "Accounting Rules for Credit Institutions Located in the Russian Federation" of 16 July 2012 (as amended and supplemented) (hereinafter, "Regulation No. 385-P"), trial balance of the Bank's accounts for the reporting year presented according to the form provided in Appendix 7 to Regulation No. 385-P, statement of financial results presented according to the form provided in Appendix 4 to Regulation No. 385-P and aggregated subsequent events statement presented according to the form provided in Appendix 13 to Regulation No. 385-P. The annual financial statements were prepared by regrouping and consolidating items of the balance sheet and statement of financial results as required by the Bank of Russia's Instruction No. 2332-U of 12 November 2009 "On the List of Reporting Forms and Procedure for Completion and Submission of Reporting Forms by Credit Institutions to the Central Bank of the Russian Federation" (as amended and supplemented).

In 2013, there were no cases of non-application of accounting rules, including in those cases when they do not allow fair presentation of the financial position and financial performance of the Bank.

7.2. Basis of accounting for individual balance sheet items

Presentation currency

The annual financial statements for 2013 are prepared in the currency of the Russian Federation and presented in thousands of Russian roubles.

Income and expense recognition

Income and expenses are recognised on an accrual basis. Income and expenses are recorded in the accounting system in the period to which they relate.

Asset and liability recognition

Assets are recognised at historical cost. Subsequently, in accordance with Regulations No. 385-P and other regulatory acts of the Bank of Russia, assets of a credit institution are measured (remeasured) at current (fair) value or by creating provisions for possible losses.

Liabilities are recognised in accordance with the contractual terms and conditions to ensure control over their complete and timely settlement. In cases provided for in Regulations No. 385-P and other regulatory acts of the Bank of Russia liabilities are also remeasured at current (fair) value.

Foreign currency-denominated transactions are recorded in the same five-digit accounts, which are used for recording rouble-denominated transactions, with opening individual sub-accounts in appropriate currencies. Translation of foreign currency-denominated analytical accounting data into roubles (remeasurement of foreign currency funds) is performed by multiplying the foreign currency amount by the official foreign currency / rouble rate established by the Central Bank of the Russian Federation.

Basis of accounting for individual balance sheet items are defined in the accounting policies.

Other aspects of accounting policies

Investment in debt instruments of external issuers are recorded at acquisition cost and the securities issued in foreign currency are recorded in the analytical accounts in accordance with the procedure established for recording currency assets. Loans outstanding and receivables denominated in the currency of the Russian Federation are recorded in the rouble amount of actual debt and those denominated in foreign currencies are shown in the rouble equivalents of the foreign currency receivable balances translated at the official exchange rate effective at the date of recognition of the receivable balance (with

subsequent remeasurement as appropriate). The quoted debt instruments (except for held-to-maturity debt instruments) are reported on the Bank's balance sheet after remeasurement at their market value.

The Bank makes provisions for possible losses in accordance with Regulation of the Bank of Russia No. 254-P "On the Procedure for Booking Provisions against Possible Losses from Loans, Outstanding Loans and Equivalent 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 and internal documents of the Bank.

The Bank's share capital is represented by par value of the Bank's ordinary shares acquired by the shareholder.

7.3.A list of material changes made to the accounting policies in 2013

In 2013, the Bank maintained its accounting system in accordance with the law on accounting, CBR's Regulation No. 385-P and other regulations and instructions issued by CBR, the Bank's accounting policies and internal regulations and policy documents.

The most significant changes in the 2013 accounting policies as compared to the 2012 accounting policies are related to the inclusion of term deals concluded with counterparties under general agreements in the form of ISDA into the category of derivatives. Therefore, 2012 information is not fully comparable.

If this approach were applied to 2012 data, key financial information would have changed as follows:

2013 financial information:

Financial result for the reporting period and financial assets at fair value through profit or loss would have increased by RR 1 107 thousand, which represents an insignificant change.

2012 financial information:

2012 balance sheet profit would have increased by RR 78 222 thousand (8.0%).

Financial assets at fair value through profit or loss would have increased by RR 55 021 thousand (2.2%).

Financial liabilities at fair value through profit or loss would have increased by RR 41 864 thousand (105.0%).

No other significant changes were introduced in the accounting policies in the reporting year.

7.4. Results of the balance sheet items inventory, confirmation of receivable and payable balances

The balance sheet items are confirmed by the inventory and reconciliation of cash and stock count. The physical count of the Bank's property was performed as at 1 December 2013 and reconciliation of cash was carried out as of 31 December 2013.

In accordance with the Bank of Russia's instructions, the Bank sent letters to its corporate clients and correspondent banks with a request to confirm their account balances as at 1 January 2014. The share of the confirmed customer account balances and correspondent bank balances is 83% and 99% of the total amount of such accounts, respectively.

The Bank reconciled the customer loans outstanding and deposits placed by non-credit institutions: 82% of total amount of loans outstanding and 88% of total amount of deposits placed were confirmed.

The correspondent account balances and mandatory reserve balances with CBR's OPERU GU CFD (Central Federal District) were confirmed. The

correspondent account balances with CBR's GRKC GU in St Petersburg were confirmed too.

The share of the confirmed term deals concluded with the Bank's customers and counterparty banks as at 1 January 2014 and recorded within accounts in Section E of the Russian credit institutions' chart of accounts was 95% of the total amounts receivable and payable under the term deals.

Transactions performed to place or raise funds in the interbank market, which were reconciled with the counterparty banks and confirmed, accounted for 100% of the total amounts of placed and raised funds.

Trade and other accounts receivable and payable were also reconciled in the course of the review. As of the reporting date, the total amount of receivable balances (Subsequent Events are not included) was RR 55 711 thousand of which 99% was confirmed with the counterparties. These accounts receivable mainly represent the amount of RR 40 031 thousand of receivables from Commerzbank AG (a related party) under the fee-based service contracts.

As of 1 January 2014, the balance on balance sheet account 47416 was RR 2 475 thousand. (As of 1 January 2013: RR 2 767 thousand.) The total amount of payable balances was RR 1 794 thousand of which 85% was confirmed with the counterparties.

The Bank had no overdue balances receivable from suppliers as of the reporting date.

Overall, no significant differences have been identified in the course of the review and reconciliation performed.

8. Information about key management personnel

Information about personnel numbers is presented in the table below.

Table 8.1.

	1 January 2014	1 January 2013
Number of personnel	160	167
<i>including:</i>		
Number of key management personnel	3	3

TRANSLATOR'S EXPLANATORY NOTE: This version of our 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 of our report takes precedence over this translation. This English translation does not contain the English translation of the explanatory notes, which are part of the official Russian version of the accompanying financial statements

Information about compensation paid to the key management personnel is presented in RR'000 in the table below:

Table 8.2

	2013	2012	
Total compensation paid to key management personnel		29 975	29 880
including:			
short-term compensation		29 975	29 880
long-term compensation		-	-

9. Subsequent events

In accordance with Instruction No. 3054-U, a subsequent event is a fact from any Bank's activity which occurs in the period between the reporting date and the annual report sign-off date and which has or may have a significant impact on its financial position as of the reporting date and results of operations for the reporting year.

Information is considered to be material if its omission or misstatement may affect the economic decisions of the users taken on the basis of the financial statements. Materiality depends on the amount of the accounting item or error evaluated under the specific circumstances of omission or misstatement. Therefore materiality determines the threshold value or cut-off point rather than represents the key qualitative characteristic inherent in the information so that it could be useful.

Subsequent events include:

- events confirming the circumstances as of the reporting date in which the Bank performed its operations (adjusting subsequent events);
- events indicative of the circumstances which have occurred after the reporting date and in which the Bank performs its operations (non-adjusting subsequent events).

Events confirming the circumstances as of the reporting date in which the Bank performed its operations (hereinafter, the "Subsequent Events") are included into these annual financial statements. The Bank completed booking of the Subsequent Event transactions in February 2014.

The most significant adjusting Subsequent Events for the reporting year are:

- an adjustment RR 20 868 thousand to assess income tax liability for 2013. After this tax adjustment, the total income tax charge for 2013 was RR 369 883 thousand; As a result of the subsequent event transactions net profit has decreased by RR 20 949 thousand.

The events indicative of the circumstances which have occurred after the reporting date and in which the Bank performs its operations, are:

- dividend distribution by the Bank from its profits for 2013 expected in 2014. The dividend is planned in the amount RR 272 000 thousand which accounts for 20% of the Bank's net profit for 2013. The distribution of dividend was supported by the Bank's Management Board and included in the agenda of the Supervisory Board. Dividend will be paid if such decision is supported by the Supervisory Board and approved by the sole shareholder.
- The payment of bonuses to employees of the Bank for performance results in 2013 in the amount of RR 49 488 thousand in March–April 2014 before the date of these financial statements. As at the reporting date the Bank does not have contractual obligations to pay the bonuses to the employees and, furthermore, the exact size of the bonuses was determined only in 2014, therefore, these payments could not be accounted for as an expense in 2013 with accrual of liabilities (including through booking of adjusting Subsequent Events).

There are no other events indicative of the circumstances which have occurred after the

reporting date and in which the Bank performs its operations.

Chairman of the Management Board

G. Kleckner

Chief Accountant

A. Gorokhovskiy

25 April 2014

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